The Hanover Insurance Group

Bank of America Merrill Lynch 2019 Insurance Conference
February 13, 2019

Jack Roche
President and Chief Executive Officer

Forward-looking statements

Forward-looking statements

Certain statements in this presentation (or responses to questions) may be forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Use of the words "believes," "anticipates," "expects," "projections," "potential," "forecast," "outlook," "should," "could," "confident," "plan," "guidance," "on track to," "committed to," "looking ahead," "ability to," "will," "will remain," "will continue," and similar expressions is intended to identify forward-looking statements. The company cautions investors that any such forward-looking statements are estimates or projections that involve significant judgment, and that neither historical results and trends nor forward-looking statements are guarantees or necessarily indicative of future performance. Actual results could differ materially.

In particular, "forward-looking statements" include statements regarding our ability to deliver on long-term return on equity and other goals and objectives, specifically continuing to leverage the strengths of the agency distribution channel by providing partners with more capabilities and using proprietary analytics; further expansion of specialty capabilities and business specialization through selective appetite expansion and product build-outs; driving innovation across the firm to deliver new solutions, enhance acquisition opportunities, enhance data and analytics and drive process efficiencies; ability to generate top-quartile industry returns; the likelihood the sale of the Irish and Australian Chaucer entities to China Re will be consummated by the end of the first quarter of 2019; expected benefits of the sale, including reduced catastrophe exposure, earnings volatility and capital flexibility; receipt of the up to $45 million contingent consideration; success of efforts to manage the expense ratio while funding certain business initiatives; ability to generate strong growth, attractive margins, and return on equity; strength of the balance sheet and capital base; ability to grow in lines with adequate pricing and target profitability; the level of comfort and strength of reserves; ability to deliver above-target profit margins; ability to grow Commercial Lines selectively while maintaining stable underwriting profits; pricing compared to long-term loss trends; pricing segmentation and mix improvement initiatives to help mitigate long-term loss trends; volatility in commercial and personal property lines; Specialty growth opportunities to contribute to the positive growth and earnings trajectory; workers' compensation loss trends and pricing pressure; future trends of commercial multi-peril liability claims; frequency and bodily injury severity trends in personal and commercial auto; commercial auto performance, including price and underwriting execution to offset increases in liability claims; ability to increase rates in sectors with higher bodily injury severity; use of capital; increased investment income from higher operating cash flows and interest rates; volatility in unrealized gains and losses; ability to achieve additional rate increases; 2019 and later year guidance; among others, are all forward-looking statements.

The company cautions investors that neither historical results and trends nor forward-looking statements are guarantees of or necessarily indicate future performance, and actual results could differ materially. Investors are directed to consider the risks and uncertainties in our business that may affect future performance and that are discussed in readily available documents, including the company's earnings press release dated January 30, 2019 and the Annual Report on Form 10-K and other documents filed by The Hanover with the Securities and Exchange Commission, which are available at www.hanover.com under "Investors." We assume no obligation to update this presentation, which, unless otherwise noted, is as of December 31, 2018.

These uncertainties include the uncertain U.S. and global economic environment, the possibility of adverse catastrophe experience (including terrorism) and severe weather, the uncertainties in estimating catastrophe and non-catastrophe weather-related losses, the uncertainties in estimating property and casualty losses, accident year picks, and incurred but not reported loss and LAE reserves, the ability to increase or maintain certain property and casualty insurance rates in excess of loss trends, the impact of new product introductions, adverse loss and LAE development for prior years, changes in frequency and loss trends, the ability to improve renewal rates and increase new property and casualty policy counts, adverse selection in underwriting activities, investment impairments and returns, the impact of competition (including rate pressure), adverse and evolving state and federal legislation or regulation, adverse regulatory or litigation actions and financial ratings actions.

With respect to forward-looking statements regarding the Company's businesses, investors should also consider (i) the inherent difficulties in arriving at such estimates, particularly with respect to current and prior accident year results and loss reserve development or with respect to lines of business which are more volatile, or with respect to which historical losses are less predictive of future losses, and "longer tail" products such as commercial and personal liability; (ii) the complexity of estimating losses from large catastrophe events or with respect to emerging issues where circumstances may delay reporting of the existence, nature or extent of losses or where "demand surge," regulatory assessments, litigation, coverage and technical complexities or other factors may significantly impact the ultimate amount of such losses; (iii) the difficulties of estimating the impact of the current competitive financial, economic and political environment and lower federal income taxes on rates, investment income, the investment portfolio and capital, product demand, losses and competitor actions; (iv) the uncertainties of future rating agency requirements, which could affect the company and its capital requirements, as well as the company's investment portfolio; (v) inherent volatility with respect to certain businesses, as a result of man-made or natural catastrophes or otherwise; (vi) the impact of the evolving regulatory and legal environment; (vii) the inherent uncertainties of predicting future loss and pricing trends; and (viii) the risk that the sale of the Irish and Australian entities will not close. Investors are further cautioned to consider the risks and uncertainties in the company's business that may affect future performance (which includes re-estimations of current or past performance) and that are discussed in the company's annual report on Form 10-K and other documents filed by The Hanover Insurance Group, Inc. ("The Hanover") with the Securities and Exchange Commission ("SEC") and which are also available at www.hanover.com under "Investors."

Non-GAAP Financial Measures

Non-GAAP Financial Measures

The discussion in this presentation includes reference to certain financial measures that are not derived from generally accepted accounting principles, or GAAP, such as operating income, operating income before taxes (and interest expense), combined ratios and loss ratios, excluding catastrophe losses and/or prior-year development and “developed” accident year loss and LAE ratios, excluding catastrophes. A reconciliation of non-GAAP measures to the closest GAAP measure is included in the end notes to this presentation, the press release dated January 30, 2019 or the 2018 fourth quarter financial supplement, which are posted on our website. The reconciliation of current accident year loss ratio and combined ratio excluding catastrophes to the most directly comparable GAAP measure, total loss ratio and combined ratio, is found in the end notes on the final pages of this document. Operating income (operating income per diluted share) is a non-GAAP measure. It is defined as net income excluding the after-tax impact of net realized and unrealized investment gains and losses, as well as results from discontinued operations divided by, in the case of per share reported figures, the average number of diluted shares of common stock. Operating return on equity (“ROE”) and adjusted operating ROE are non-GAAP measures. See end note (1) for a detailed explanation of how these measures are calculated. Operating ROE is based on non-GAAP operating income, and adjusted operating ROE is a measure of operating income as a return on only that portion of shareholders’ equity attributable to the continuing business. For measurement periods prior to the close of the Chaucer transaction, which occurred on December 28, 2018, "equity attributable to Chaucer”, which was the reported as held for sale, is excluded. For measurement periods post-closing, “the un-deployed equity”, is excluded. This eliminates the dilutive impact of any excess capital that would have been included in “equity attributable to Chaucer” and “the un-deployed equity” for the corresponding periods presented. Had the actual Chaucer equity for all prior periods been used, the adjusted operating ROE for the continuing businesses for each of the reported periods would have been higher than illustrated in this disclosure. Management believes that these measures are helpful to investors and financial analysts in that they provide insight to the capital used by, and results of, continuing operations exclusive of interest, taxes and other non-operating items. These measures should not be construed as substitutes for GAAP ROE, which is based on net income and shareholders’ equity of the entire company and without adjustments. The definition of other financial measures and terms can be found in the 2017 Annual Report on pages 80-83.

Key messages

Proven strategy with differentiated market position

Opportunities for continued profitable growth

Strong financial performance

Ambitious but achievable long-term goals

$5B domestic P&C franchise with exceptional opportunities

~$5B	$4.5B	12.6%	"A"
Market Capitalization*	2018 Revenue	2018 Adjusted Operating ROE(1)	Financial strength

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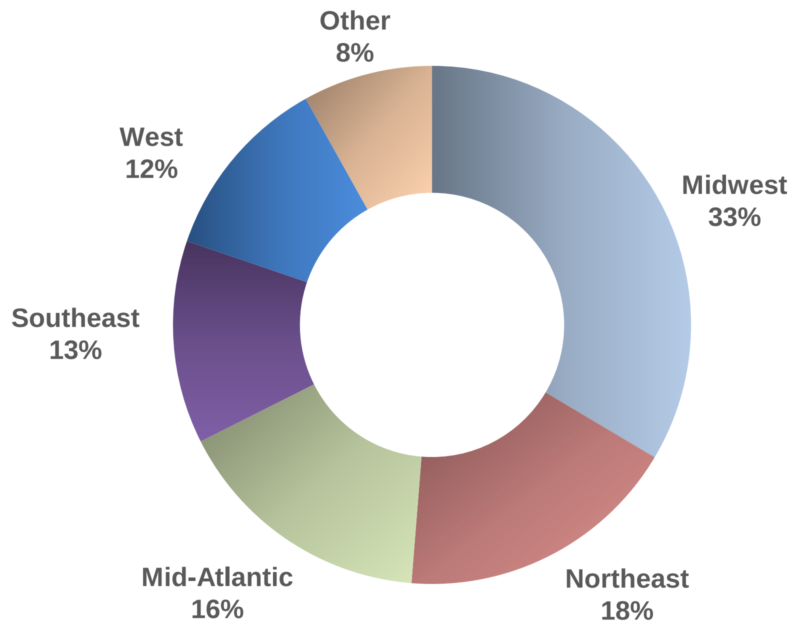
*As of the close of trading on 2/11/2019

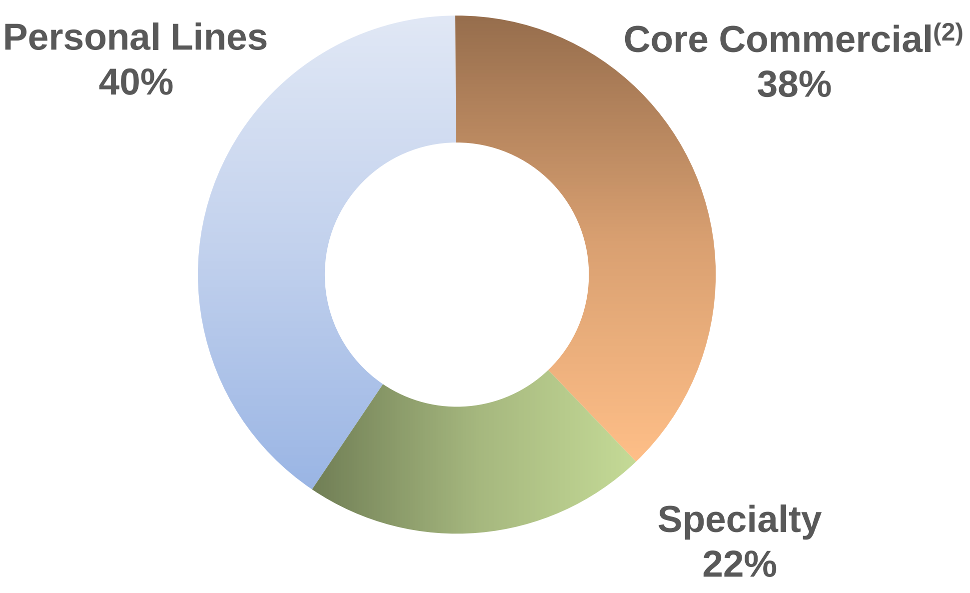
Well-diversified franchise with ***broad*** and ***relevant*** product mix

$4.4B 2018 Net Premiums Written

Geographic Mix



Business Mix



The Hanover Insurance Group®

Our Vision: To be the premier property and casualty company in the independent agency channel

The Hanover Insurance Group®

Agency carrier of choice

Unique agency distribution approach

Targeted distribution

2,100 of the best agents in the U.S.

7% average agency market share

Underwriting expertise

Differentiated products

Insight through data and analytics

Local presence with 49 offices

Deep business insights

$60B of target market data profiled

Pursuit of informed opportunities

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Agency Insights allows us to help agents better serve their customers

Focus on targeted opportunities

	Typical Carrier Best Practices	How Agency Insights Enhances Our Approach
Market Insights	• SNL Financial & Market Stance • Rate Filings • AM Best Reports • Industry Publications • Peer financial statements	• Identify patterns in customer fragmentation: • mono-line vs. account business • Clarify actual distribution & demographic patterns by product line and segment • Clear understanding of the competitive landscape for targeted segments
Agency Planning	• Secure growth projections • Gain commitments on initiatives	• Create and leverage industry benchmarks to help agents better serve customers and improve their economics • Align our growth initiatives on targeted mix
Sourcing	• Develop sales pipelines with agents • Marketing campaigns • Focus sales staff on perceived opportunities	• Focus sales staff on specific target opportunities • Tailor marketing campaigns to best shape and improve the agent's book of business profile

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Agency carrier of choice

Areas for growth opportunities

Increasing shelf space

- Number of agents with over $5 million in premium increased 17% in 2018; they write over 50% of our business
- 6% penetration with top agents with significant headroom remaining

Responsible risk appetite expansion

- Expanding target industry classes:
  - Financial services
  - Technology
  - Life sciences
  - Appetite expansion in professional liability

Targeted new agency appointments

- Appointed approximately 200 new agents in 2018
- Additional appointments planned for 2019
  - Balanced with a limited distribution approach

Leading specialized capabilities

Differentiation is key

Personal Lines

Account offering for customers with complex needs

Core Commercial

Industry specialization and a unique operating model

Specialty

Robust and relevant specialized offering

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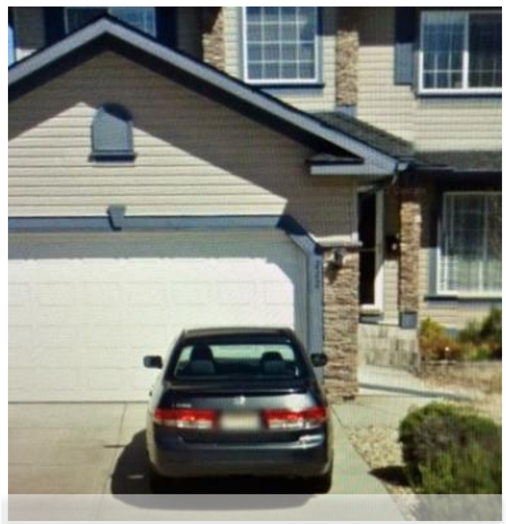
Leading specialized capabilities – Personal Lines

Industry Landscape

Non-standard/auto only



$250k-$2M coverage A

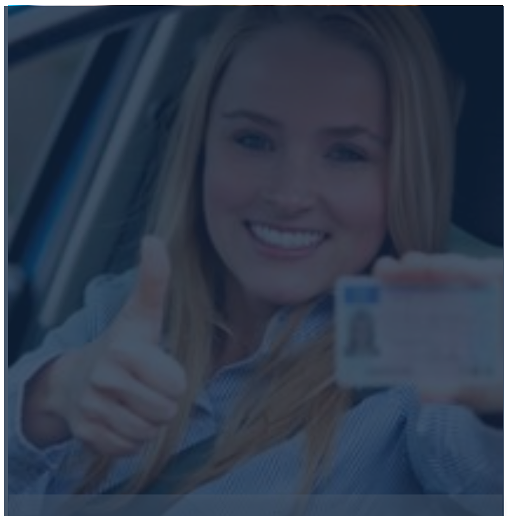
High net worth

RISK SIZE

The Hanover Insurance Group®

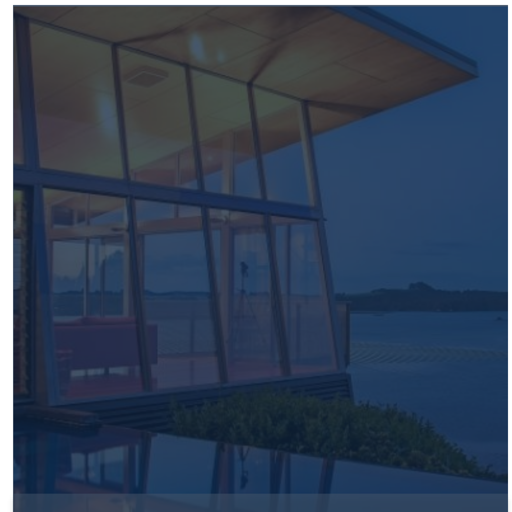
Leading specialized capabilities – Personal Lines

Where we play



Non-standard/auto only

$250k-$2M coverage A



High net worth

RISK SIZE

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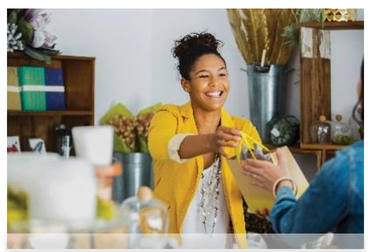
Leading specialized capabilities – Commercial Lines

Industry Landscape

DIFFERENTIATION

Specialty

Micro



Small

Middle

National

RISK SIZE

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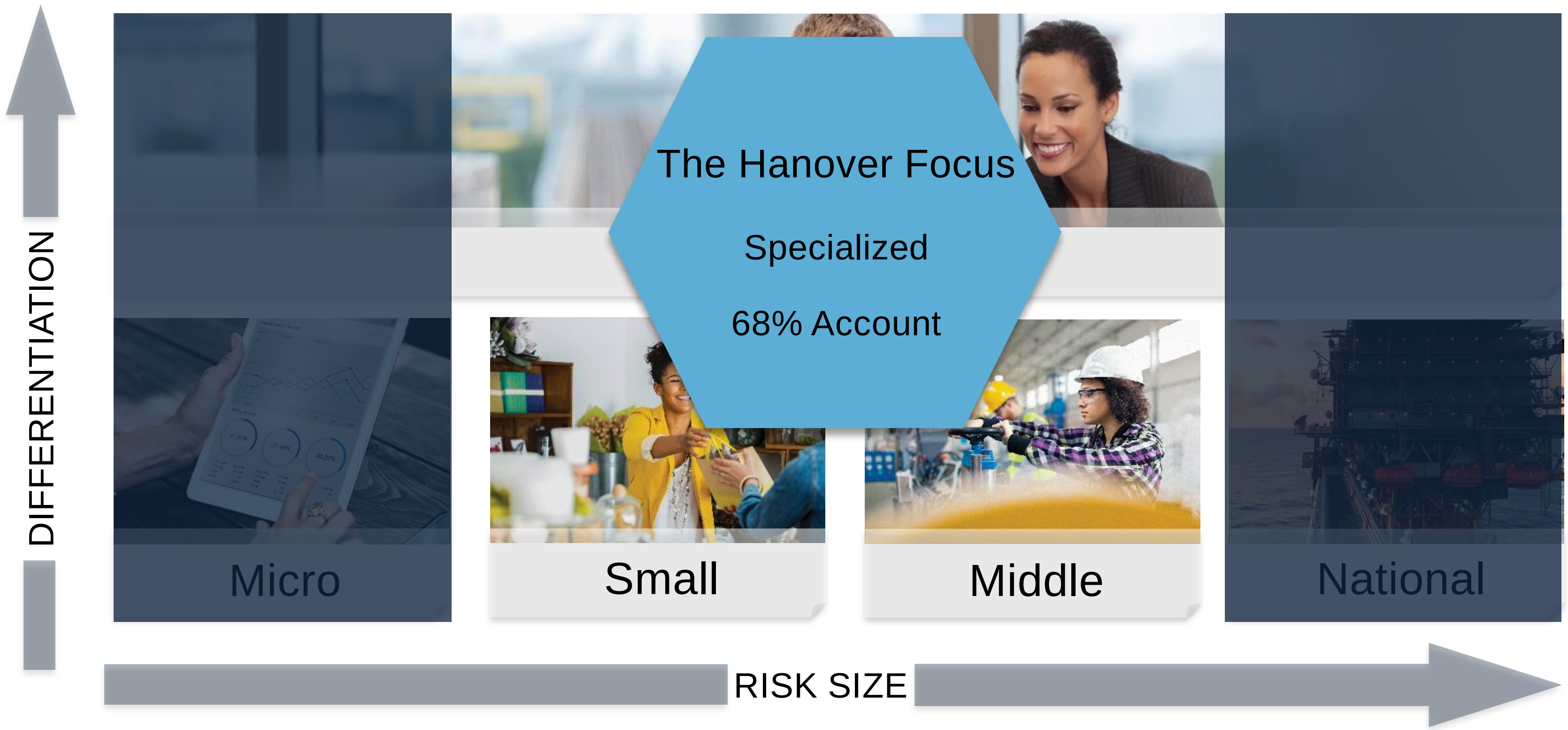
Leading specialized capabilities – Commercial Lines

Where we play

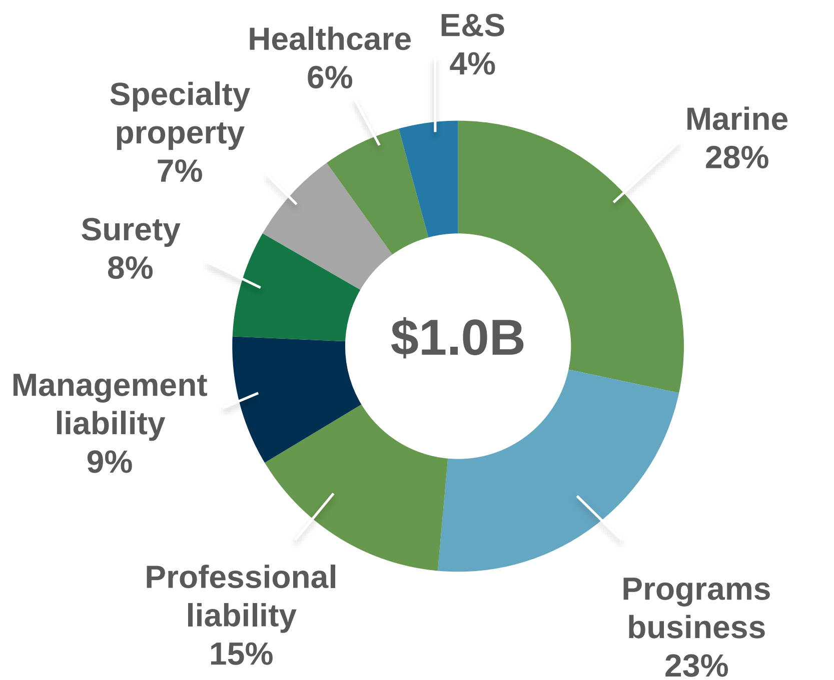


Leading specialized capabilities

Areas for growth opportunities

- Expanding product capabilities
- Enhancing existing E&S platforms
- Building increased relevance and shelf space with agents
- Leveraging Core Commercial platform

Specialty
2018 net premiums written



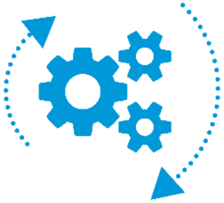
Growth through innovation

Customer and agency interactions

- New platform for Personal and Small Commercial
- White-labeled websites for micro market

Analytics

- Improved data science across the enterprise
  - Claims predictive modeling
  - Underwriting, pricing and actuarial models

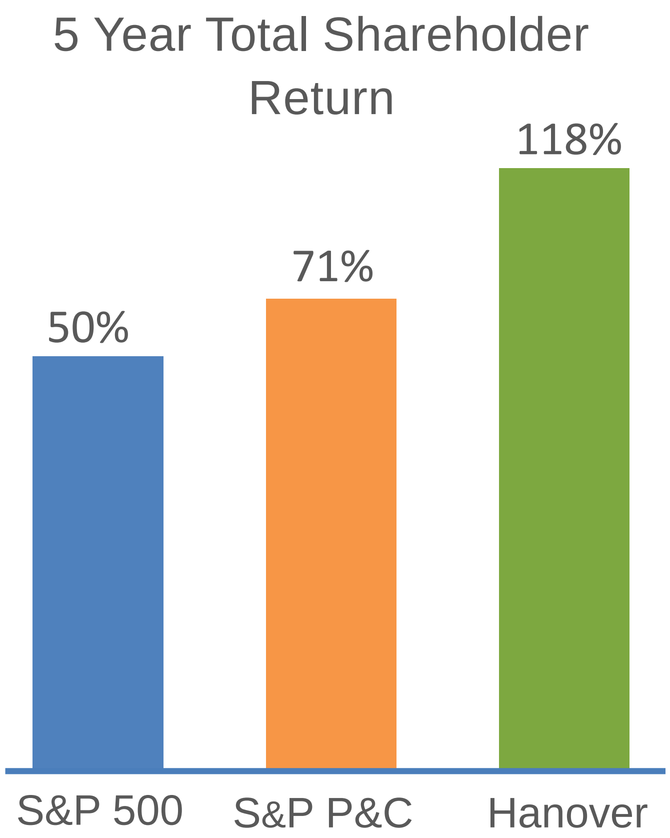


Efficiencies

- Use of robotics for operational efficiencies
- Use of drones in the underwriting and claims process

Financial results validate The Hanover strategy

Made great financial strides over the last several years

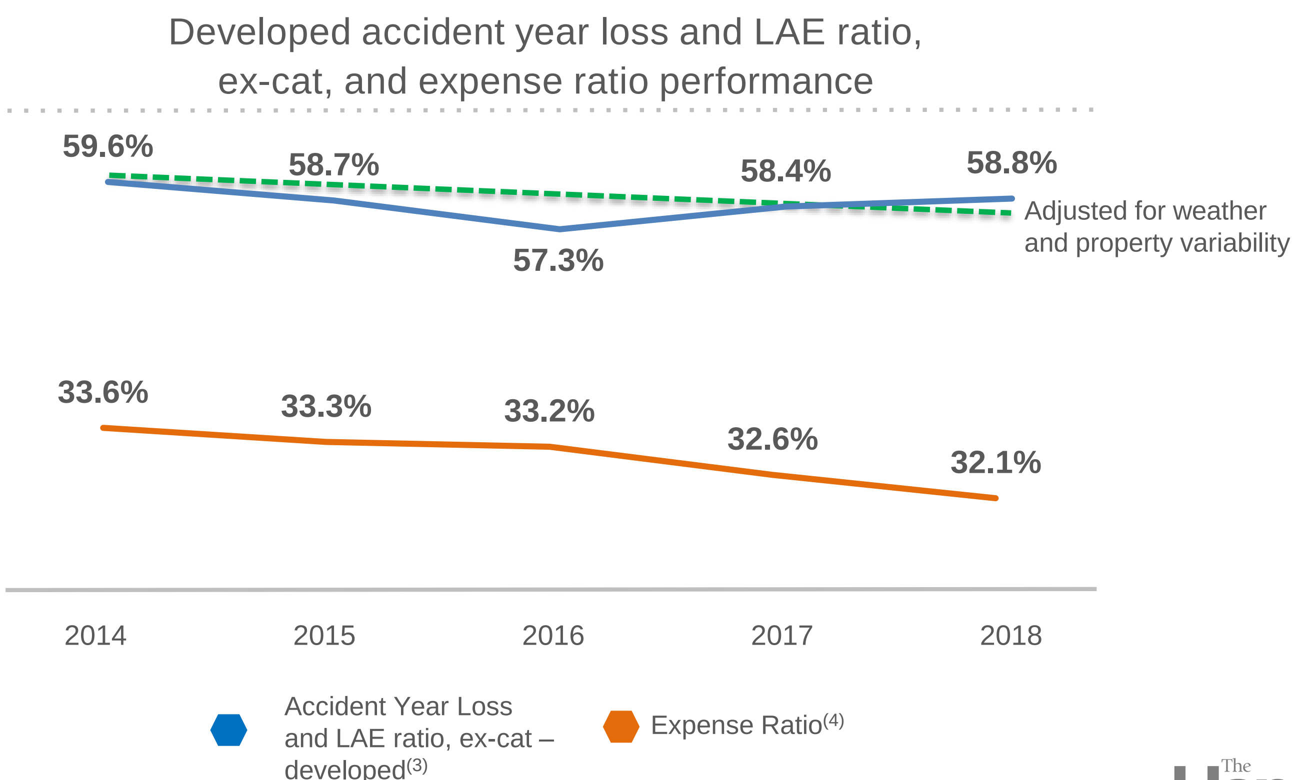


2018 Adjusted Operating ROE(1)

12.6%

Improvement driven by strong fundamentals

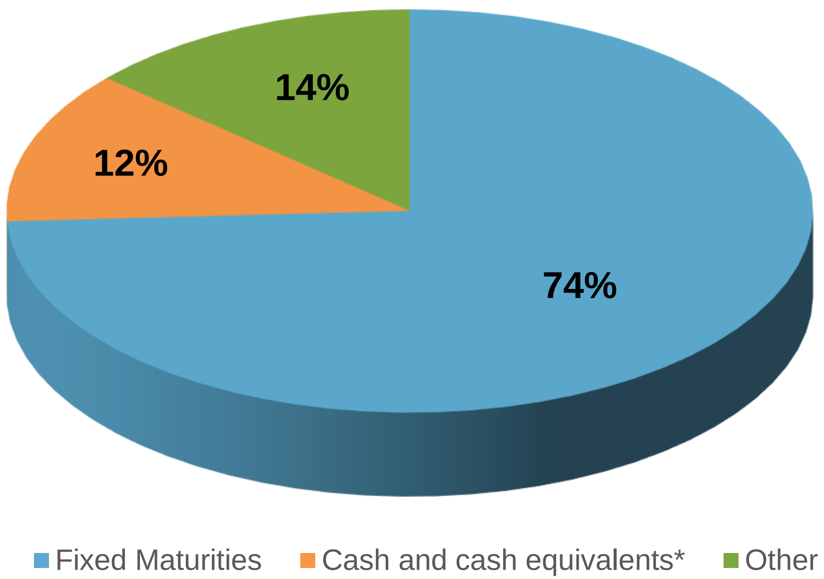
- Improved accident year loss performance
- Expense ratio improvement from cost reductions and growth leverage



Growth in net investment income

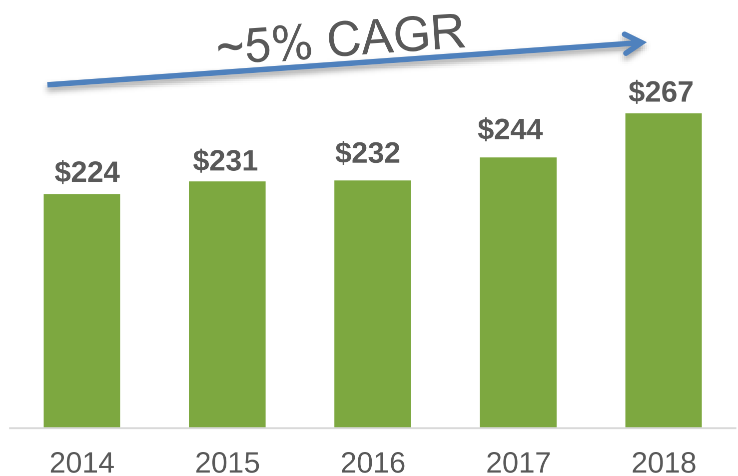
High quality, well-laddered and stable portfolio

Investment Portfolio - $8.3 billion



Net Investment Income

($ in millions)



Fixed Income Characteristics:

- 95% of fixed maturity securities are investment grade
- Weighted average quality A+
- Duration: 4.5 years

*Includes $779 million in initial cash consideration received in connection with the sale of Chaucer

Ambitious but achievable long-term goals

Strong financial platform for profitable growth

13-14% Target Operating ROE

Targeted profitable growth

6-7% premium growth

Prioritizing margin over growth

Stable loss ratio

Pricing increases and mix optimization

Offset loss trends

Financial Rigor

Continued expense discipline

24-26% marginal expense ratio

Thoughtful capital management and allocation

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Disciplined capital management

2011-2018*

$1.0B

Share repurchases

$470M

Regular Dividends

$570M

Financial Strength Ratings:

- A.M. Best – A
- S&P – A
- Moody's – A3

Deployable equity created by Chaucer sale:

$850M

Returned to shareholders in 2019

$450M

To be redeployed

$400M

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*Excluding capital returned from the sale of Chaucer

Key messages

Proven strategy with differentiated market position

Opportunities for continued profitable growth

Strong financial performance

Ambitious but achievable long-term goals

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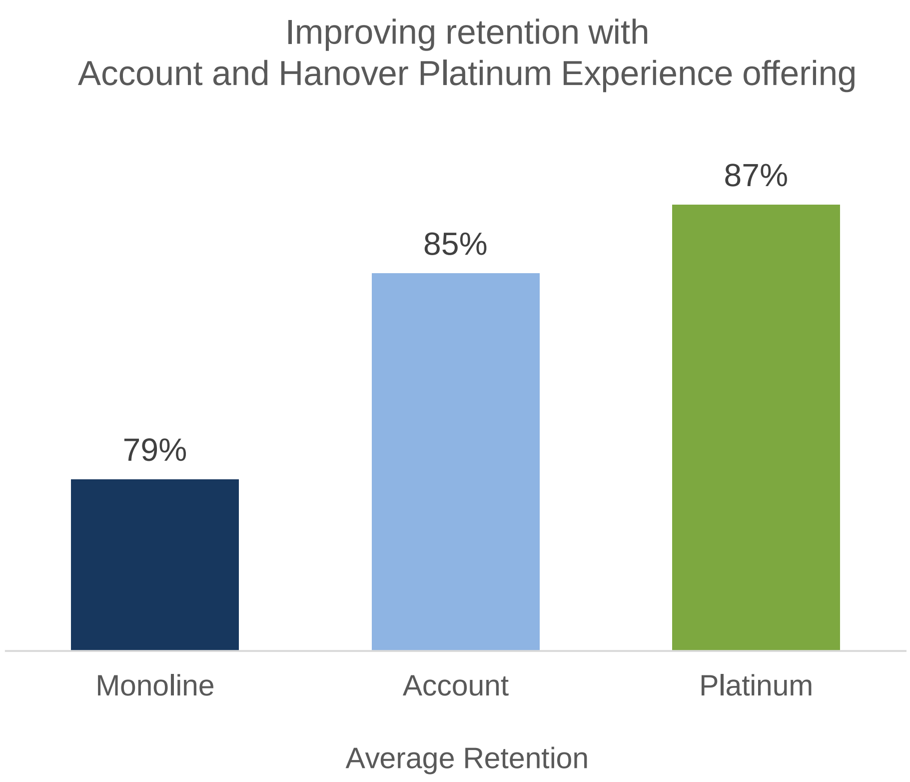
Appendix

Highly profitable, whole account-oriented Personal Lines portfolio

2018 net premiums written growth of 8% to $1.8 billion



Business characteristics

Where we are today

- Whole account, value-oriented offering with customer base more resilient to commoditization
- Account business offers higher lifetime value
- Local operating model well established with best distributors
- Account business represents approximately 84% of portfolio and new business, Hanover Platinum product makes up ~44% of portfolio

Where we are going

- Existing agency penetration should fuel profitable growth for customers with complex insurance needs
- Select new agency appointments in under-penetrated geographies
- Leveraging agent-centric distribution strategy to grow higher profit business, $6-$8 billion of new emerging affluent business within footprint

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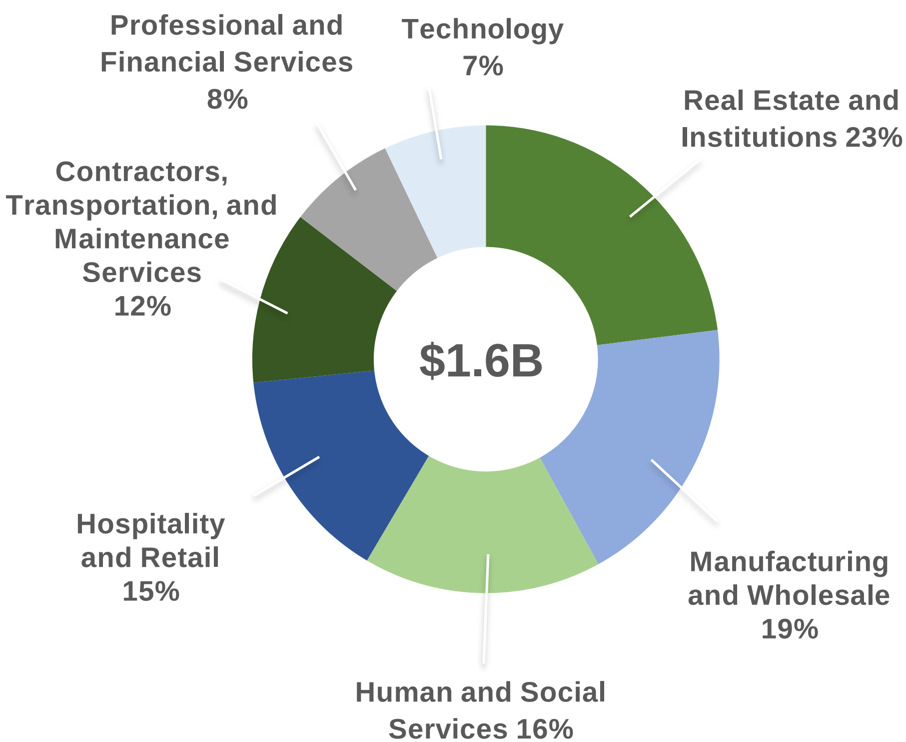
Market leading Core Commercial offering

2018 net premiums written



Business characteristics

Where we are today

- Higher-end Small Commercial and lower-end Middle Market focus
- Distinctive industry specialization
- Underwriting flexibility: point of sale and non-point of sale capabilities
- Market insight into opportunities due to Agency Insights tool
- Small account size value oriented portfolio

Where we are going

- Gain further agency penetration
- Create more attractive product packages to better serve our agents:
  - Strengthen Small Commercial product by adding specialty coverages
  - Middle Market appetite expansion in targeted areas

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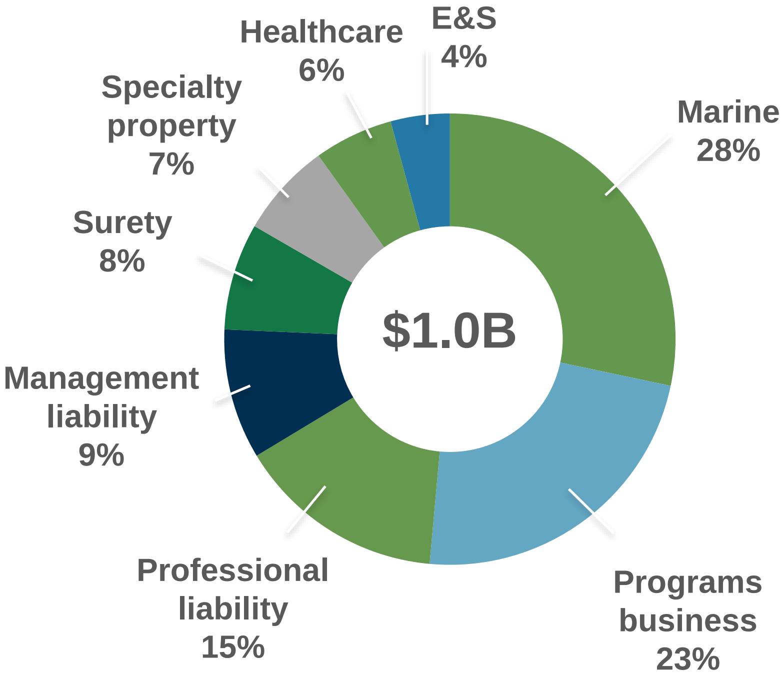
Leading Specialty coverages

2018 net premiums written



Business characteristics

Where we are today

- Diversified capabilities focused mainly on the lower-end of risk and account size spectrum
- More than doubled Domestic Specialty business in nine years (~10% CAGR) using organic and inorganic approaches
- Underwriting structure reaching scale
- Added industry expertise to help us develop our appetite and roadmap for Cyber and Financial Institutions capabilities

Where we are going

- Filling in the capability and growing prudently
  - Further penetration of targeted retail agents
  - Responsibly expand risk appetite as agents move upstream toward specialized offerings
  - Further develop existing wholesale and E&S platforms with targeted new agency appointments
  - Align our businesses around three verticals in order to better leverage our capabilities in Specialty and across the enterprise

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Strong and leverageable distribution platform

Agent segmentation | The Hanover focus

Segment	# of Agents in U.S.	# of Target Agents	The Hanover share
1. Top 3 brokers	3	Limited	
1a. Top 4 – 10 brokers	7	7	4%
2. Top 200	200	150	5%
3. Regional agents	1,500	500	8%
4. Mid-sized agents	≈7,000	1,000	16%
5. Small agents	≈26,000	450	22%
Total	**35,000**	**≈2,100**	**7%**

Opportunity ahead

100% committed to our Independent Agents

- Dedicated to the success of 2,100 of the industry's best independent agents
- Offering franchise value
- Providing local expertise & underwriting authority
- Continued evolution of tools and insights that help agents improve their economics

Focused franchise, broad coverage:

- 45% of our premium and strong momentum with the industry's Top 200 agents
- Access to 40% of U.S. independent agency premium

Substantial headroom:

- 7% "addressable" market share
- 4% market share with the Top 10 U.S. agents

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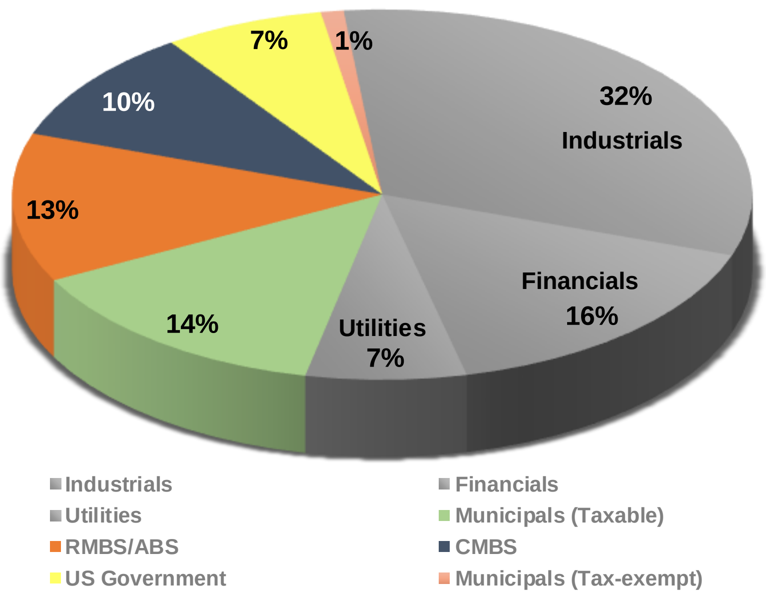
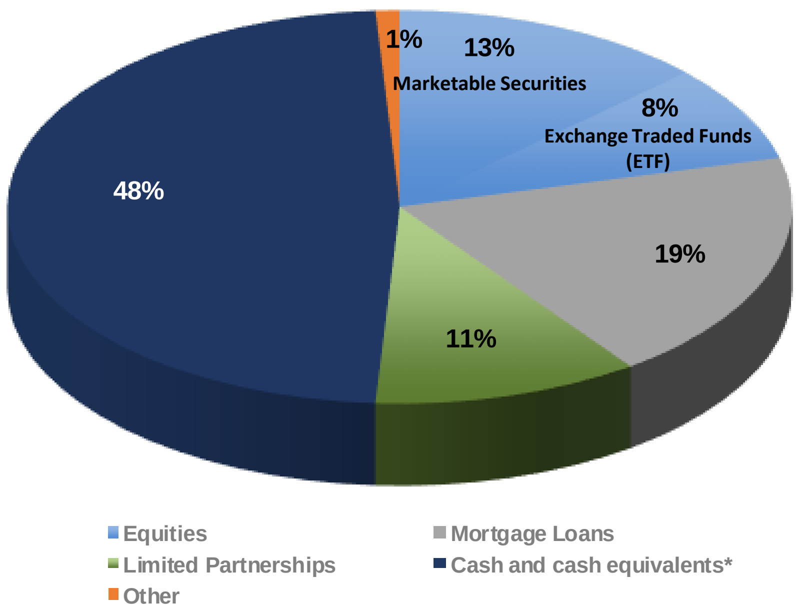
Investment Portfolio Holdings – Total Invested Assets $8.3B

December 31, 2018

Fixed Maturities $6.2 Billion



Equities and Other $2.1 Billion



Fixed Income Characteristics:

- 95% of fixed maturity securities are investment grade
- Weighted average quality: A+
- Duration: 4.5 years

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*Includes $779 million in initial cash consideration received in connection with the sale of Chaucer

End notes

(1) Adjusted Operating Return on Average Equity ("Adjusted Operating ROE") is a non-GAAP measure. See the disclosure on the use of non-GAAP measures throughout this presentation under the heading "Non-GAAP Financial Measures." Adjusted operating ROE is derived from operating ROE, which is calculated by dividing full year 2018 operating income (see end note (5)), by average shareholders' equity, excluding unrealized appreciation (depreciation) on fixed maturity investments, net of tax, for the stated period. For Adjusted Operating ROE, shareholders' equity is adjusted for "equity attributable to Chaucer" for measurement periods prior to the close, which occurred on December 28, 2018 and "the un-deployed equity" for measurement periods post-close and net unrealized appreciation (depreciation) on fixed maturity investments, net of tax. Operating ROE and Adjusted Operating ROE should not be construed as substitutes for GAAP ROE. Total shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, is also a non-GAAP measure. Total shareholders' equity is the most directly comparable GAAP measure, and is reconciled below. For the calculation of Operating ROE, the average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, for the beginning, ending and intra-reported quarters' are used. For the calculation of Adjusted Operating ROE, the average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, and "equity attributable to Chaucer" for measurement periods prior to the close, or "the un-deployed equity" for measurement periods post-close, net of tax, for the beginning, ending and intra-reported quarters' are used. See calculations in table on the following page, including the calculation of GAAP ROE using net income and average shareholders' equity without adjustments.

	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total shareholders' equity (GAAP)	$2,997.7	$2,913.1	$2,939.8	$2,982.4	$2,954.7
Less: net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	205.4	0.3	(48.8)	(74.0)	(27.2)
Total shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	$2,792.3	$2,912.8	$2,988.6	$3,056.4	$2,981.9
Less: Pre-sale, equity attributable to Chaucer; or post-close, un-deployed equity	614.6	614.6	614.6	614.6	656.6
Adjusted shareholders' equity, excluding both net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, and pre-sale, equity attributable to Chaucer; or post-close, un-deployed equity	$2,177.7	$2,298.2	$2,374.0	$2,441.8	$2,325.3
Average shareholders' equity					$2,957.5
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax					$2,946.4
Average adjusted shareholders' equity, excluding both net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, and pre-sale, equity attributable to Chaucer; or post-close, un-deployed equity					$2,323.4

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End notes continued

(1) Continued.

Net Income ROE	Year ended December 31 2018
Net income (GAAP)	$ 391.0
Average shareholders' equity (GAAP)	2,957.5
Return on average equity	13.2%
Operating income ROE (non-GAAP)	
Operating income after taxes	$ 292.1
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	2,946.4
Operating return on average equity	9.9%
Adjusted operating income ROE (non-GAAP)	
Operating income after taxes	$ 292.1
Adjusted average shareholders' equity, excluding both net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, and un-deployed equity	2,323.4
Adjusted operating return on average equity	12.6%

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End notes continued

(2) Core Commercial business provides commercial property and casualty coverages to small and mid-sized businesses in the U.S., generally with annual premiums per policy up to $250,000, primarily through the commercial multiple peril, commercial auto and workers' compensation lines of business, as reported on pages 8 and 9 of the Fourth Quarter 2018 Financial Supplement.

(3) Current accident year loss and LAE ratio, excluding catastrophe losses, and developed accident year loss ratio, excluding catastrophe losses, are non-GAAP measures, which are equal to the loss and LAE ratio ("loss ratio"), excluding prior-year reserve development and catastrophe losses and, in the case of "developed" accident year loss ratio, includes reserve development which presents in later years, but is attributable to the earlier accident year. The loss ratio (which includes losses, LAE, catastrophe losses and prior-year loss reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of the GAAP loss ratio to the current accident year loss ratio, excluding catastrophe losses, and the developed accident year loss ratio, excluding catastrophe losses.

	Year ended December 31,				
	2014	2015	2016	2017	2018
Total loss and LAE ratio (GAAP)	65.8%	64.8%	67.2%	64.7%	64.0%
Less:					
Prior-year reserve development	0.2%	0.7%	6.2%	-	-
Catastrophe ratio	5.6%	4.5%	3.1%	6.4%	5.2%
Current accident year loss ratio, excluding catastrophe losses	60.0%	59.6%	57.9%	58.3%	58.8%
Development on respective accident year	(0.4%)	(0.9%)	(0.6%)	0.1%	-
Developed loss and LAE ratio, excluding catastrophe losses	59.6%	58.7%	57.3%	58.4%	58.8%

(4) The expense ratio is reduced by installment fee revenues for purposes of the ratio calculation.

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End notes continued

(5) Operating income (loss) is a non-GAAP measure. Operating income (loss) before taxes, as referenced in the results of the three business segments, is defined as, with respect to such segment, operating income (loss) before taxes and interest expense. The following table provides the reconciliation of operating income (loss) to the most directly comparable GAAP measure, income (loss) from continuing operations, and to net income:

($ in millions)	Year ended December 31, 2018
OPERATING INCOME (LOSS)	
Commercial Lines	$265.7
Personal Lines	146.2
Other	(5.4)
Total	406.5
Interest expense	(45.1)
Operating income before income taxes	361.4
Income tax expense on operating income	(69.3)
Operating income after income taxes	292.1
Non-operating items:	
Net realized losses from sales and other	(2.7)
Net change in fair value of equity securities	(43.4)
Net other-than-temporary impairment losses on investments recognized in earnings	(4.6)
Loss from repayment of debt	(28.2)
Income tax benefit on other non-operating items	25.8
Income from continuing operations, net of taxes	239.0
Discontinued Operations:	
Gain from sale of Chaucer business, net of taxes	131.9
Income from Chaucer business, net of taxes	20.0
Income from discontinued life business, net of taxes	0.1
Net income	$391.0

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