



FINANCIAL SUPPLEMENT  
THIRD QUARTER 2014

**THE HANOVER INSURANCE GROUP**  
**FINANCIAL SUPPLEMENT**

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**THE HANOVER INSURANCE GROUP**  
**BASIS OF PRESENTATION**

**BUSINESS DESCRIPTIONS**

**COMMERCIAL LINES**

*Commercial multiple peril* coverage insures businesses against third party liability from accidents occurring on their premises or arising out of their operations, such as injuries sustained from products sold. It also insures business property for damage, such as that caused by fire, wind, hail, water damage (except for flooding), theft and vandalism.

*Commercial automobile* coverage insures businesses against losses incurred from personal bodily injury, bodily injury to third parties, property damage to an insured's vehicle, and property damage to other vehicles and property.

*Workers' compensation* coverage insures employers against employee medical and indemnity claims resulting from injuries related to work. Workers' compensation policies are often written in conjunction with other commercial policies.

*Other Commercial Lines* is comprised of inland marine, which insures businesses against physical losses to property, such as contractor's equipment, builders' risk and goods in transit. We also offer underwriting and managing of program business, including to under-served markets where there are specialty coverage or risk management needs. Other Commercial Lines also includes bonds, which provides businesses with contract surety coverage in the event of performance or payment claims, and commercial surety coverage related to fiduciary or regulatory obligations. Also included in Other Commercial Lines coverages are umbrella, general liability, fire, specialty property, and professional and management liability.

**PERSONAL LINES**

*Personal automobile* coverage insures individuals against losses incurred from personal bodily injury, bodily injury to third parties, property damage to an insured's vehicle, and property damage to other vehicles and other property.

*Homeowners* coverage insures individuals for losses to their residences and personal property, such as those caused by fire, wind, hail, water damage (except for flooding), theft and vandalism, and against third party liability claims.

*Other Personal Lines* are comprised of personal inland marine (jewelry, art, etc.), umbrella, fire, personal watercraft, earthquake and other miscellaneous coverages.

**CHAUCER**

The Chaucer reporting segment represents THG's international business written through Lloyd's and includes international property, marine and aviation, energy, UK motor and international casualty and other coverages.

*Property coverage*, including direct, facultative and treaty property accounts, insures property, including commercial, auto, and industrial businesses, against physical loss or damage and business interruption. The property treaty account comprises mainly catastrophe and per risk excess contract acceptances, with a small amount of proportional treaty and reinsurance assumed business.

*Marine and Aviation* includes coverages that insure marine hull, excess of loss, liability, cargo and specie, in addition to political risk, war, and satellite business coverages. It also includes aviation coverages that insure airline hull and liability, general aviation and refuellers and products.

*Energy coverage*, encompassing exploration and production, construction, liabilities downstream and renewables, insures energy businesses against physical damage, business interruption, control of well, seepage and pollution and liabilities. Energy also includes Nuclear, which predominantly provides coverage relating to power generation at nuclear power stations.

*UK Motor* coverage insures the UK private car and fleet markets. In addition, it writes specialist classes including commercial vehicle, taxi, motorcycle, motor trade and classic/specialist vehicles, as well as other UK small commercial products.

*Casualty and Other Lines* includes coverages that insure financial institutions crime and professional indemnity, medical malpractice, workers' compensation and professional, managerial and general liability, as well as syndicate participations.

**OTHER**

Included in *Other* are Opus, which provides investment advisory services to affiliates and also manages assets for unaffiliated institutions such as insurance companies, retirement plans and foundations; earnings on holding company assets; and voluntary pools business which is in run-off.

**THE HANOVER INSURANCE GROUP**  
**FINANCIAL HIGHLIGHTS**

(In millions, except earnings per share)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Sep-YTD 2013	Sep-YTD 2014
<b>PREMIUMS</b>							
Gross premiums written	\$ 1,313.8	\$ 1,175.4	\$ 1,408.1	\$ 1,423.6	\$ 1,388.2	\$ 4,026.3	\$ 4,219.9
Net premiums written	1,181.9	1,051.5	1,172.3	1,276.2	1,244.8	3,501.2	3,693.3
Net premiums earned	1,124.7	1,140.7	1,163.0	1,174.7	1,184.0	3,309.8	3,521.7
<b>EARNINGS</b>							
Operating income before interest and taxes	\$ 107.2	\$ 102.9	\$ 85.0	\$ 102.2	\$ 86.4	\$ 290.5	\$ 273.6
Operating income after taxes	60.9	59.6	47.0	58.4	47.7	167.6	153.1
Income from continuing operations	61.3	64.9	54.7	82.5	55.0	180.8	192.2
Net income	61.3	70.1	54.6	82.6	54.9	180.9	192.1
<b>PER SHARE DATA (DILUTED)</b>							
Operating income after taxes	\$ 1.36	\$ 1.33	\$ 1.05	\$ 1.30	\$ 1.06	\$ 3.73	\$ 3.41
Income from continuing operations	1.37	1.45	1.22	1.84	1.22	4.03	4.29
Net income	1.37	1.57	1.22	1.84	1.22	4.03	4.28
Weighted average shares outstanding	44.6	44.8	44.8	44.9	44.9	44.9	44.9

**BALANCE SHEET**

(In millions, except per share data)	September 30 2013	December 31 2013	March 31 2014	June 30 2014	September 30 2014
Total assets	\$ 13,463.3	\$ 13,378.7	\$ 13,643.0	\$ 13,964.8	\$ 13,960.2
Total loss and loss adjustment expense reserves	6,162.8	6,231.5	6,323.4	6,448.0	6,435.0
Total shareholders' equity	2,544.2	2,594.5	2,681.1	2,795.1	2,771.9
U.S. Property and Casualty Companies					
Statutory surplus	\$ 1,751.3	\$ 1,834.3	\$ 1,900.4	\$ 1,974.9	\$ 1,998.6
Premium to surplus ratio	1.95:1	1.87:1	1.83:1	1.77:1	1.77:1
Book value per share	\$ 58.43	\$ 59.43	\$ 61.24	\$ 63.65	\$ 63.37
Book value per share, excluding net unrealized investment gains and losses, net of tax	\$ 54.64	\$ 56.07	\$ 56.70	\$ 58.16	\$ 59.04
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 51.20	\$ 52.22	\$ 54.06	\$ 56.47	\$ 56.30
Shares outstanding	43.6	43.7	43.8	43.9	43.7
Total debt/equity	36.9 %	34.8 %	33.7 %	32.3 %	32.6 %
Total debt/total capital	27.0 %	25.8 %	25.2 %	24.4 %	24.6 %

**THE HANOVER INSURANCE GROUP**  
**CONSOLIDATED INCOME STATEMENTS**

(In millions)	Three Months ended September 30			Nine Months ended September 30		
	2014	2013	% Change	2014	2013	% Change
<b>REVENUES</b>						
Premiums earned	\$ 1,184.0	\$ 1,124.7	5.3	\$ 3,521.7	\$ 3,309.8	6.4
Net investment income	67.5	65.7	2.7	201.5	200.9	0.3
Net realized investment gains	4.9	1.0	N/M	31.5	22.8	38.2
Fees and other income	9.2	10.4	(11.5)	27.8	31.2	(10.9)
Total revenues	<u>1,265.6</u>	<u>1,201.8</u>	<u>5.3</u>	<u>3,782.5</u>	<u>3,564.7</u>	<u>6.1</u>
<b>LOSSES AND EXPENSES</b>						
Losses and loss adjustment expenses	755.6	695.9	8.6	2,231.6	2,071.4	7.7
Amortization of deferred acquisition costs	260.0	243.9	6.6	773.3	719.1	7.5
Interest expense	16.3	16.6	(1.8)	48.9	48.7	0.4
Other operating expenses	158.4	159.3	(0.6)	473.6	484.6	(2.3)
Total losses and expenses	<u>1,190.3</u>	<u>1,115.7</u>	<u>6.7</u>	<u>3,527.4</u>	<u>3,323.8</u>	<u>6.1</u>
Income from continuing operations before income taxes	75.3	86.1	(12.5)	255.1	240.9	5.9
Income tax expense	20.3	24.8	(18.1)	62.9	60.1	4.7
Income from continuing operations	<u>55.0</u>	<u>61.3</u>	<u>(10.3)</u>	<u>192.2</u>	<u>180.8</u>	<u>6.3</u>
Discontinued operations	<u>(0.1)</u>	-	N/M	<u>(0.1)</u>	0.1	N/M
Net income	<u>\$ 54.9</u>	<u>\$ 61.3</u>	<u>(10.4)</u>	<u>\$ 192.1</u>	<u>\$ 180.9</u>	<u>6.2</u>

**THE HANOVER INSURANCE GROUP**  
**CONSOLIDATED BALANCE SHEETS**

(In millions, except per share data)	September 30 2014	December 31 2013	% Change
<b>ASSETS</b>			
Investments:			
Fixed maturities, at fair value (amortized cost of \$7,006.9 and \$6,815.2)	\$ 7,227.5	\$ 6,970.6	3.7
Equity securities, at fair value (cost of \$479.5 and \$366.5)	548.5	430.2	27.5
Other investments	247.6	192.5	28.6
Total investments	<u>8,023.6</u>	<u>7,593.3</u>	5.7
Cash and cash equivalents	509.6	486.2	4.8
Accrued investment income	70.7	68.0	4.0
Premiums and accounts receivable, net	1,493.6	1,324.6	12.8
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,379.6	2,335.0	1.9
Deferred acquisition costs	540.3	506.0	6.8
Deferred income taxes	146.3	239.7	(39.0)
Goodwill	184.8	184.9	(0.1)
Other assets	497.5	526.1	(5.4)
Assets of discontinued operations	114.2	114.9	(0.6)
Total assets	<u>\$ 13,960.2</u>	<u>\$ 13,378.7</u>	4.3
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Loss and loss adjustment expense reserves	\$ 6,435.0	\$ 6,231.5	3.3
Unearned premiums	2,701.7	2,515.8	7.4
Expenses and taxes payable	636.4	637.2	(0.1)
Reinsurance premiums payable	396.7	374.7	5.9
Debt	903.4	903.9	(0.1)
Liabilities of discontinued operations	115.1	121.1	(5.0)
Total liabilities	<u>11,188.3</u>	<u>10,784.2</u>	3.7
<b>SHAREHOLDERS' EQUITY</b>			
Preferred stock, par value \$0.01 per share; 20.0 million shares authorized; none issued	-	-	-
Common stock, par value \$0.01 per share; 300.0 million shares authorized; 60.5 million shares issued	0.6	0.6	-
Additional paid-in capital	1,827.4	1,830.1	(0.1)
Accumulated other comprehensive income	214.1	177.6	20.6
Retained earnings	1,489.2	1,349.1	10.4
Treasury stock at cost (16.8 and 16.8 million shares)	(759.4)	(762.9)	(0.5)
Total shareholders' equity	<u>2,771.9</u>	<u>2,594.5</u>	6.8
Total liabilities and shareholders' equity	<u>\$ 13,960.2</u>	<u>\$ 13,378.7</u>	4.3

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING AND OPERATING INCOME INFORMATION AND RATIOS**

**CONSOLIDATED**

Three Months ended September 30

	2014					2013				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 656.0	\$ 402.3	\$ 329.9	\$ -	\$ 1,388.2	\$ 601.7	\$ 398.4	\$ 313.7	\$ -	\$ 1,313.8
Net premiums written	\$ 576.6	\$ 379.1	\$ 289.1	\$ -	\$ 1,244.8	\$ 530.5	\$ 372.9	\$ 278.5	\$ -	\$ 1,181.9
Net premiums earned	\$ 521.9	\$ 353.0	\$ 309.1	\$ -	\$ 1,184.0	\$ 492.7	\$ 363.4	\$ 268.6	\$ -	\$ 1,124.7
Losses and LAE:										
Current accident year, excluding catastrophe losses	299.9	213.5	176.0	-	689.4	293.7	230.5	164.8	(0.1)	688.9
Prior year unfavorable (favorable) reserve development	1.1	(0.7)	(22.6)	0.3	(21.9)	2.3	2.1	(27.8)	(0.2)	(23.6)
Catastrophe losses	20.4	51.6	16.1	-	88.1	8.5	10.3	11.8	-	30.6
Total losses and LAE	321.4	264.4	169.5	0.3	755.6	304.5	242.9	148.8	(0.3)	695.9
Amortization of deferred acquisition costs and other underwriting expense:	194.6	101.0	114.4	0.4	410.4	185.4	102.5	99.0	0.5	387.4
<b>GAAP underwriting profit (loss)</b>	5.9	(12.4)	25.2	(0.7)	18.0	2.8	18.0	20.8	(0.2)	41.4
Net investment income	37.4	18.0	11.0	1.1	67.5	35.3	18.6	10.2	1.6	65.7
Other income	2.1	2.9	3.5	0.7	9.2	2.0	3.1	4.6	0.7	10.4
Other operating expenses	(2.3)	(1.8)	(0.3)	(3.9)	(8.3)	(1.6)	(2.0)	(3.2)	(3.5)	(10.3)
<b>Operating income (loss) before income taxes</b>	\$ 43.1	\$ 6.7	\$ 39.4	\$ (2.8)	\$ 86.4	\$ 38.5	\$ 37.7	\$ 32.4	\$ (1.4)	\$ 107.2
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	57.5 %	60.5 %	56.9 %	N/M	58.2 %	59.6 %	63.4 %	61.3 %	N/M	61.3 %
Prior year unfavorable (favorable) reserve development	0.2 %	(0.2)%	(7.3)%	N/M	(1.8)%	0.5 %	0.6 %	(10.3)%	N/M	(2.1)%
Catastrophe losses	3.9 %	14.6 %	5.2 %	N/M	7.4 %	1.7 %	2.8 %	4.4 %	N/M	2.7 %
Total loss and LAE ratio	61.6 %	74.9 %	54.8 %	N/M	63.8 %	61.8 %	66.8 %	55.4 %	N/M	61.9 %
Expense ratio	37.1 %	27.9 %	37.0 %	N/M	34.4 %	37.4 %	27.5 %	36.9 %	N/M	34.1 %
<b>Combined ratio</b>	98.7 %	102.8 %	91.8 %	N/M	98.2 %	99.2 %	94.3 %	92.3 %	N/M	96.0 %

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING AND OPERATING INCOME INFORMATION AND RATIOS**

**CONSOLIDATED**

Nine Months ended September 30

	2014					2013				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 1,866.8	\$ 1,140.8	\$ 1,212.3	\$ -	\$ 4,219.9	\$ 1,754.1	\$ 1,163.4	\$ 1,108.8	\$ -	\$ 4,026.3
Net premiums written	\$ 1,656.9	\$ 1,069.1	\$ 967.3	\$ -	\$ 3,693.3	\$ 1,535.6	\$ 1,085.1	\$ 880.5	\$ -	\$ 3,501.2
Net premiums earned	\$ 1,552.2	\$ 1,053.5	\$ 916.0	\$ -	\$ 3,521.7	\$ 1,455.1	\$ 1,098.9	\$ 755.8	\$ -	\$ 3,309.8
Losses and LAE:										
Current accident year, excluding catastrophe losses	904.3	663.9	532.5	-	2,100.7	879.7	697.9	439.2	(0.1)	2,016.7
Prior year unfavorable (favorable) reserve development	3.5	(3.9)	(71.4)	1.0	(70.8)	3.0	10.5	(71.8)	0.9	(57.4)
Catastrophe losses	77.6	97.2	26.9	-	201.7	31.0	54.2	26.9	-	112.1
Total losses and LAE	985.4	757.2	488.0	1.0	2,231.6	913.7	762.6	394.3	0.8	2,071.4
Amortization of deferred acquisition costs and other underwriting expenses	574.9	303.0	342.0	1.1	1,221.0	551.2	308.5	283.0	1.5	1,144.2
<b>GAAP underwriting profit (loss)</b>	<b>(8.1)</b>	<b>(6.7)</b>	<b>86.0</b>	<b>(2.1)</b>	<b>69.1</b>	<b>(9.8)</b>	<b>27.8</b>	<b>78.5</b>	<b>(2.3)</b>	<b>94.2</b>
Net investment income	111.9	53.9	32.2	3.5	201.5	107.4	56.7	31.4	5.4	200.9
Other income	6.2	8.9	10.5	2.2	27.8	5.9	9.5	13.6	2.2	31.2
Other operating expenses	(6.6)	(5.1)	(2.0)	(11.1)	(24.8)	(5.8)	(5.9)	(13.3)	(10.8)	(35.8)
<b>Operating income (loss) before income taxes</b>	<b>\$ 103.4</b>	<b>\$ 51.0</b>	<b>\$ 126.7</b>	<b>\$ (7.5)</b>	<b>\$ 273.6</b>	<b>\$ 97.7</b>	<b>\$ 88.1</b>	<b>\$ 110.2</b>	<b>\$ (5.5)</b>	<b>\$ 290.5</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	58.2 %	63.1 %	58.2 %	N/M	59.6 %	60.5 %	63.5 %	58.1 %	N/M	60.9 %
Prior year unfavorable (favorable) reserve development	0.2 %	(0.4)%	(7.8)%	N/M	(2.0)%	0.2 %	1.0 %	(9.5)%	N/M	(1.7)%
Catastrophe losses	5.0 %	9.2 %	2.9 %	N/M	5.7 %	2.1 %	4.9 %	3.6 %	N/M	3.4 %
Total loss and LAE ratio	63.4 %	71.9 %	53.3 %	N/M	63.3 %	62.8 %	69.4 %	52.2 %	N/M	62.6 %
Expense ratio	36.9 %	28.0 %	37.3 %	N/M	34.4 %	37.7 %	27.3 %	37.4 %	N/M	34.2 %
<b>Combined ratio</b>	<b>100.3 %</b>	<b>99.9 %</b>	<b>90.6 %</b>	<b>N/M</b>	<b>97.7 %</b>	<b>100.5 %</b>	<b>96.7 %</b>	<b>89.6 %</b>	<b>N/M</b>	<b>96.8 %</b>



**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING INFORMATION AND RELATED RATIOS**

**CONSOLIDATED**

(In millions, except percentage data)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Sep-YTD 2013	Sep-YTD 2014
Gross premiums written	\$ 1,313.8	\$ 1,175.4	\$ 1,408.1	\$ 1,423.6	\$ <b>1,388.2</b>	\$ 4,026.3	\$ <b>4,219.9</b>
Net premiums written	\$ 1,181.9	\$ 1,051.5	\$ 1,172.3	\$ 1,276.2	\$ <b>1,244.8</b>	\$ 3,501.2	\$ <b>3,693.3</b>
Net premiums earned	\$ 1,124.7	\$ 1,140.7	\$ 1,163.0	\$ 1,174.7	\$ <b>1,184.0</b>	\$ 3,309.8	\$ <b>3,521.7</b>
Losses and LAE:							
Current accident year, excluding catastrophe losses	688.9	680.7	712.3	699.0	<b>689.4</b>	2,016.7	<b>2,100.7</b>
Prior year favorable reserve development	(23.6)	(18.9)	(19.7)	(29.2)	<b>(21.9)</b>	(57.4)	<b>(70.8)</b>
Catastrophe losses	30.6	27.9	57.9	55.7	<b>88.1</b>	112.1	<b>201.7</b>
Total losses and LAE	695.9	689.7	750.5	725.5	<b>755.6</b>	2,071.4	<b>2,231.6</b>
Amortization of deferred acquisition costs and other underwriting expenses	387.4	414.3	395.7	414.9	<b>410.4</b>	1,144.2	<b>1,221.0</b>
<b>GAAP underwriting profit</b>	<b>\$ 41.4</b>	<b>\$ 36.7</b>	<b>\$ 16.8</b>	<b>\$ 34.3</b>	<b>\$ 18.0</b>	<b>\$ 94.2</b>	<b>\$ 69.1</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	61.3 %	59.8 %	61.3 %	59.6 %	<b>58.2 %</b>	60.9 %	<b>59.6 %</b>
Prior year favorable reserve development	(2.1)%	(1.7)%	(1.7)%	(2.5)%	<b>(1.8)%</b>	(1.7)%	<b>(2.0)%</b>
Catastrophe losses	2.7 %	2.4 %	5.0 %	4.7 %	<b>7.4 %</b>	3.4 %	<b>5.7 %</b>
Total loss and LAE ratio	61.9 %	60.5 %	64.6 %	61.8 %	<b>63.8 %</b>	62.6 %	<b>63.3 %</b>
Expense ratio	34.1 %	36.0 %	33.7 %	35.0 %	<b>34.4 %</b>	34.2 %	<b>34.4 %</b>
<b>Combined ratio</b>	<b>96.0 %</b>	<b>96.5 %</b>	<b>98.3 %</b>	<b>96.8 %</b>	<b>98.2 %</b>	<b>96.8 %</b>	<b>97.7 %</b>
Combined ratio, excluding catastrophe losses	93.3 %	94.1 %	93.3 %	92.1 %	<b>90.8 %</b>	93.4 %	<b>92.0 %</b>
Current accident year combined ratio, excluding catastrophe losses	95.4 %	95.8 %	95.0 %	94.6 %	<b>92.6 %</b>	95.1 %	<b>94.0 %</b>

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING AND OPERATING INCOME INFORMATION AND RATIOS**

**COMMERCIAL LINES**

Three Months ended September 30

(In millions, except percentage data)	2014					2013				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
Net premiums written	\$ 199.5	\$ 79.3	\$ 63.7	\$ 234.1	\$ 576.6	\$ 185.5	\$ 81.1	\$ 57.3	\$ 206.6	\$ 530.5
Net premiums earned	\$ 172.3	\$ 75.3	\$ 60.2	\$ 214.1	\$ 521.9	\$ 156.8	\$ 74.9	\$ 54.0	\$ 207.0	\$ 492.7
Losses and LAE:										
Current accident year, excluding catastrophe losses	90.3	51.8	43.1	114.7	299.9	77.9	53.0	38.8	124.0	293.7
Prior year unfavorable (favorable) reserve development	-	3.1	(2.3)	0.3	1.1	-	2.5	(3.5)	3.3	2.3
Catastrophe losses	17.3	1.4	-	1.7	20.4	8.2	0.4	-	(0.1)	8.5
Total losses and LAE	107.6	56.3	40.8	116.7	321.4	86.1	55.9	35.3	127.2	304.5
Amortization of deferred acquisition costs and other underwriting expenses					194.6					185.4
<b>GAAP underwriting profit</b>					5.9					2.8
Net investment income					37.4					35.3
Other income					2.1					2.0
Other operating expenses					(2.3)					(1.6)
<b>Operating income before income taxes</b>					<u>\$ 43.1</u>					<u>\$ 38.5</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	52.5 %	68.8 %	71.6 %	53.6 %	57.5 %	49.7 %	70.9 %	71.9 %	59.8 %	59.6 %
Prior year unfavorable (favorable) reserve development	-	4.1 %	(3.8)%	0.1 %	0.2 %	-	3.3 %	(6.5)%	1.6 %	0.5 %
Catastrophe losses	10.0 %	1.9 %	-	0.8 %	3.9 %	5.2 %	0.5 %	-	-	1.7 %
Total loss and LAE ratio	62.5 %	74.8 %	67.8 %	54.5 %	61.6 %	54.9 %	74.7 %	65.4 %	61.4 %	61.8 %
Expense ratio					37.1 %					37.4 %
<b>Combined ratio</b>					<u>98.7 %</u>					<u>99.2 %</u>
Change in policies in force	4.1 %	2.7 %	8.5 %	3.0 %	4.0 %	2.0 %	6.6 %	13.6 %	2.6 %	4.3%
Retention	86.0 %	79.7 %	78.0 %	N/M	83.5 %	83.7 %	80.6 %	78.9 %	N/M	82.2%

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING AND OPERATING INCOME INFORMATION AND RATIOS**

**COMMERCIAL LINES**

Nine Months ended September 30

(In millions, except percentage data)	2014					2013				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
Net premiums written	\$ 544.1	\$ 231.9	\$ 193.6	\$ 687.3	\$ 1,656.9	\$ 502.7	\$ 230.7	\$ 176.6	\$ 625.6	\$ 1,535.6
Net premiums earned	\$ 509.6	\$ 226.6	\$ 178.4	\$ 637.6	\$ 1,552.2	\$ 467.3	\$ 214.9	\$ 161.8	\$ 611.1	\$ 1,455.1
Losses and LAE:										
Current accident year, excluding catastrophe losses	269.2	160.9	126.8	347.4	904.3	252.2	152.6	114.3	360.6	879.7
Prior year unfavorable (favorable) reserve development	(4.8)	10.6	(4.2)	1.9	3.5	(4.0)	7.9	(11.0)	10.1	3.0
Catastrophe losses	62.0	1.6	-	14.0	77.6	24.5	0.6	-	5.9	31.0
Total losses and LAE	326.4	173.1	122.6	363.3	985.4	272.7	161.1	103.3	376.6	913.7
Amortization of deferred acquisition costs and other underwriting expenses					574.9					551.2
<b>GAAP underwriting loss</b>					(8.1)					(9.8)
Net investment income					111.9					107.4
Other income					6.2					5.9
Other operating expenses					(6.6)					(5.8)
<b>Operating income before income taxes</b>					<u>\$ 103.4</u>					<u>\$ 97.7</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	52.8 %	71.0 %	71.1 %	54.4 %	58.2 %	54.1 %	71.0 %	70.6 %	58.9 %	60.5 %
Prior year unfavorable (favorable) reserve development	(0.9)%	4.7 %	(2.4)%	0.3 %	0.2 %	(0.9)%	3.7 %	(6.8)%	1.7 %	0.2 %
Catastrophe losses	12.2 %	0.7 %	-	2.2 %	5.0 %	5.2 %	0.3 %	-	1.0 %	2.1 %
Total loss and LAE ratio	64.1 %	76.4 %	68.7 %	56.9 %	63.4 %	58.4 %	75.0 %	63.8 %	61.6 %	62.8 %
Expense ratio					36.9 %					37.7 %
<b>Combined ratio</b>					<u>100.3 %</u>					<u>100.5 %</u>
Change in policies in force	4.1 %	2.7 %	8.5 %	3.0 %	4.0 %	2.0 %	6.6 %	13.6 %	2.6 %	4.3%
Retention	85.3 %	79.4 %	77.7 %	N/M	82.9 %	83.4 %	80.2 %	78.5 %	N/M	81.7%

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING INFORMATION AND RELATED RATIOS**

**COMMERCIAL LINES**

(In millions, except percentage data)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Sep-YTD 2013	Sep-YTD 2014
Gross premiums written	\$ 601.7	\$ 541.8	\$ 597.8	\$ 613.0	\$ 656.0	\$ 1,754.1	\$ 1,866.8
Net premiums written	\$ 530.5	\$ 471.6	\$ 539.3	\$ 541.0	\$ 576.6	\$ 1,535.6	\$ 1,656.9
Net premiums earned	\$ 492.7	\$ 503.3	\$ 512.7	\$ 517.6	\$ 521.9	\$ 1,455.1	\$ 1,552.2
Losses and LAE:							
Current accident year, excluding catastrophe losses	293.7	300.2	303.6	300.8	299.9	879.7	904.3
Prior year unfavorable reserve development	2.3	0.3	0.6	1.8	1.1	3.0	3.5
Catastrophe losses	8.5	7.7	40.2	17.0	20.4	31.0	77.6
Total losses and LAE	304.5	308.2	344.4	319.6	321.4	913.7	985.4
Amortization of deferred acquisition costs and other underwriting expenses	185.4	196.3	189.6	190.7	194.6	551.2	574.9
<b>GAAP underwriting profit (loss)</b>	<b>\$ 2.8</b>	<b>\$ (1.2)</b>	<b>\$ (21.3)</b>	<b>\$ 7.3</b>	<b>\$ 5.9</b>	<b>\$ (9.8)</b>	<b>\$ (8.1)</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	59.6 %	59.7 %	59.3 %	58.2 %	57.5 %	60.5 %	58.2 %
Prior year unfavorable reserve development	0.5 %	0.1 %	0.1 %	0.3 %	0.2 %	0.2 %	0.2 %
Catastrophe losses	1.7 %	1.5 %	7.8 %	3.3 %	3.9 %	2.1 %	5.0 %
Total loss and LAE ratio	61.8 %	61.3 %	67.2 %	61.8 %	61.6 %	62.8 %	63.4 %
Expense ratio	37.4 %	38.8 %	36.8 %	36.6 %	37.1 %	37.7 %	36.9 %
<b>Combined ratio</b>	<b>99.2 %</b>	<b>100.1 %</b>	<b>104.0 %</b>	<b>98.4 %</b>	<b>98.7 %</b>	<b>100.5 %</b>	<b>100.3 %</b>
Combined ratio, excluding catastrophe losses	97.5 %	98.6 %	96.2 %	95.1 %	94.8 %	98.4 %	95.3 %
Current accident year combined ratio, excluding catastrophe losses	97.0 %	98.5 %	96.1 %	94.8 %	94.6 %	98.2 %	95.1 %

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING AND OPERATING INCOME INFORMATION AND RATIOS**

**PERSONAL LINES**

**Three Months ended September 30**

	2014				2013			
	Auto	Home	Other	Total	Auto	Home	Other	Total
(In millions, except percentage data)								
Net premiums written	\$ 229.1	\$ 139.2	\$ 10.8	\$ 379.1	\$ 225.8	\$ 136.1	\$ 11.0	\$ 372.9
Net premiums earned	\$ 219.0	\$ 124.0	\$ 10.0	\$ 353.0	\$ 226.2	\$ 126.7	\$ 10.5	\$ 363.4
Losses and LAE:								
Current accident year, excluding catastrophe losses	151.7	57.8	4.0	213.5	161.8	64.4	4.3	230.5
Prior year unfavorable (favorable) reserve development	(0.5)	-	(0.2)	(0.7)	3.1	(1.0)	-	2.1
Catastrophe losses	8.1	43.3	0.2	51.6	0.5	9.5	0.3	10.3
Total losses and LAE	159.3	101.1	4.0	264.4	165.4	72.9	4.6	242.9
Amortization of deferred acquisition costs and other underwriting expenses				101.0				102.5
<b>GAAP underwriting profit (loss)</b>				<b>(12.4)</b>				<b>18.0</b>
Net investment income				18.0				18.6
Other income				2.9				3.1
Other operating expenses				(1.8)				(2.0)
<b>Operating income before income taxes</b>				<b>\$ 6.7</b>				<b>\$ 37.7</b>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	69.2 %	46.7 %	40.0 %	60.5 %	71.5 %	50.8 %	40.9 %	63.4 %
Prior year unfavorable (favorable) reserve development	(0.2)%	-	(2.0)%	(0.2)%	1.4 %	(0.8)%	-	0.6 %
Catastrophe losses	3.7 %	34.9 %	2.0 %	14.6 %	0.2 %	7.5 %	2.9 %	2.8 %
Total loss and LAE ratio	72.7 %	81.6 %	40.0 %	74.9 %	73.1 %	57.5 %	43.8 %	66.8 %
Expense ratio				27.9 %				27.5 %
<b>Combined ratio</b>				<b>102.8 %</b>				<b>94.3 %</b>
Change in policies in force	(6.1)%	(8.2)%	(13.8)%	(7.5)%	(9.4)%	(9.9)%	(12.4)%	(9.8)%
Retention	76.0 %	76.1 %	N/M	76.3 %	75.2 %	76.9 %	N/M	76.3%

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING AND OPERATING INCOME INFORMATION AND RATIOS**

**PERSONAL LINES**

Nine Months ended September 30

	2014				2013			
	Auto	Home	Other	Total	Auto	Home	Other	Total
(In millions, except percentage data)								
Net premiums written	\$ 668.2	\$ 370.9	\$ 30.0	\$ 1,069.1	\$ 680.8	\$ 373.3	\$ 31.0	\$ 1,085.1
Net premiums earned	\$ 649.9	\$ 373.3	\$ 30.3	\$ 1,053.5	\$ 683.2	\$ 384.2	\$ 31.5	\$ 1,098.9
Losses and LAE:								
Current accident year, excluding catastrophe losses	463.5	188.7	11.7	663.9	497.6	187.7	12.6	697.9
Prior year unfavorable (favorable) reserve development	(4.5)	1.0	(0.4)	(3.9)	10.4	-	0.1	10.5
Catastrophe losses	9.4	86.9	0.9	97.2	2.6	49.8	1.8	54.2
Total losses and LAE	468.4	276.6	12.2	757.2	510.6	237.5	14.5	762.6
Amortization of deferred acquisition costs and other underwriting expenses				303.0				308.5
<b>GAAP underwriting profit (loss)</b>				<b>(6.7)</b>				<b>27.8</b>
Net investment income				53.9				56.7
Other income				8.9				9.5
Other operating expenses				(5.1)				(5.9)
<b>Operating income before income taxes</b>				<b>\$ 51.0</b>				<b>\$ 88.1</b>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	71.3 %	50.5 %	38.5 %	63.1 %	72.8 %	48.8 %	40.0 %	63.5 %
Prior year unfavorable (favorable) reserve development	(0.7)%	0.3 %	(1.3)%	(0.4)%	1.5 %	-	0.3 %	1.0 %
Catastrophe losses	1.4 %	23.3 %	3.0 %	9.2 %	0.4 %	13.0 %	5.7 %	4.9 %
Total loss and LAE ratio	72.0 %	74.1 %	40.2 %	71.9 %	74.7 %	61.8 %	46.0 %	69.4 %
Expense ratio				28.0 %				27.3 %
<b>Combined ratio</b>				<b>99.9 %</b>				<b>96.7 %</b>
Change in policies in force	(6.1)%	(8.2)%	(13.8)%	(7.5)%	(9.4)%	(9.9)%	(12.4)%	(9.8)%
Retention	76.0 %	76.1 %	N/M	76.3 %	75.2 %	76.9 %	N/M	76.3%

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING INFORMATION AND RELATED RATIOS**

**PERSONAL LINES**

(In millions, except percentage data)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Sep-YTD 2013	Sep-YTD 2014
Gross premiums written	\$ 398.4	\$ 368.2	\$ 343.3	\$ 395.2	\$ 402.3	\$ 1,163.4	\$ 1,140.8
Net premiums written	\$ 372.9	\$ 342.9	\$ 319.2	\$ 370.8	\$ 379.1	\$ 1,085.1	\$ 1,069.1
Net premiums earned	\$ 363.4	\$ 355.3	\$ 350.2	\$ 350.3	\$ 353.0	\$ 1,098.9	\$ 1,053.5
Losses and LAE:							
Current accident year, excluding catastrophe losses	230.5	221.2	230.6	219.8	213.5	697.9	663.9
Prior year unfavorable (favorable) reserve development	2.1	3.2	(1.0)	(2.2)	(0.7)	10.5	(3.9)
Catastrophe losses	10.3	12.7	18.4	27.2	51.6	54.2	97.2
Total losses and LAE	242.9	237.1	248.0	244.8	264.4	762.6	757.2
Amortization of deferred acquisition costs and other underwriting expenses	102.5	108.4	100.1	101.9	101.0	308.5	303.0
<b>GAAP underwriting profit (loss)</b>	<b>\$ 18.0</b>	<b>\$ 9.8</b>	<b>\$ 2.1</b>	<b>\$ 3.6</b>	<b>\$ (12.4)</b>	<b>\$ 27.8</b>	<b>\$ (6.7)</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	63.4 %	62.2 %	65.8 %	62.7 %	60.5 %	63.5 %	63.1 %
Prior year unfavorable (favorable) reserve development	0.6 %	0.9 %	(0.3)%	(0.6)%	(0.2)%	1.0 %	(0.4)%
Catastrophe losses	2.8 %	3.6 %	5.3 %	7.8 %	14.6 %	4.9 %	9.2 %
Total loss and LAE ratio	66.8 %	66.7 %	70.8 %	69.9 %	74.9 %	69.4 %	71.9 %
Expense ratio	27.5 %	29.8 %	27.9 %	28.4 %	27.9 %	27.3 %	28.0 %
<b>Combined ratio</b>	<b>94.3 %</b>	<b>96.5 %</b>	<b>98.7 %</b>	<b>98.3 %</b>	<b>102.8 %</b>	<b>96.7 %</b>	<b>99.9 %</b>
Combined ratio, excluding catastrophe losses	91.5 %	92.9 %	93.4 %	90.5 %	88.2 %	91.8 %	90.7 %
Current accident year combined ratio, excluding catastrophe losses	90.9 %	92.0 %	93.7 %	91.1 %	88.4 %	90.8 %	91.1%

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING AND OPERATING INCOME INFORMATION AND RATIOS**

**CHAUCER**

Three Months ended September 30

(In millions, except percentage data)	2014						2013					
	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 46.9	\$ 80.8	\$ 57.0	\$ 77.8	\$ 67.4	\$ 329.9	\$ 48.1	\$ 84.7	\$ 48.0	\$ 77.5	\$ 55.4	\$ 313.7
Net premiums written	\$ 38.9	\$ 68.1	\$ 43.3	\$ 78.4	\$ 60.4	\$ 289.1	\$ 42.6	\$ 71.4	\$ 42.1	\$ 77.6	\$ 44.8	\$ 278.5
Net premiums earned	\$ 46.9	\$ 73.1	\$ 48.7	\$ 75.5	\$ 64.9	\$ 309.1	\$ 49.6	\$ 67.8	\$ 42.0	\$ 72.1	\$ 37.1	\$ 268.6
Losses and LAE:												
Current accident year, excluding catastrophe losses						176.0						164.8
Prior year favorable reserve development						(22.6)						(27.8)
Catastrophe losses						16.1						11.8
Total losses and LAE						169.5						148.8
Amortization of deferred acquisition costs and other underwriting expenses						114.4						99.0
<b>GAAP underwriting profit</b>						25.2						20.8
Net investment income						11.0						10.2
Other income						3.5						4.6
Other operating expenses						(0.3)						(3.2)
<b>Operating income before income taxes</b>						<u>\$ 39.4</u>						<u>\$ 32.4</u>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						56.9 %						61.3 %
Prior year favorable reserve development						(7.3)%						(10.3)%
Catastrophe losses						5.2 %						4.4 %
Total loss and LAE ratio						54.8 %						55.4 %
Expense ratio						37.0 %						36.9 %
<b>Combined ratio</b>						<u>91.8 %</u>						<u>92.3 %</u>



**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING AND OPERATING INCOME INFORMATION AND RATIOS**

**CHAUCER**

Nine Months ended September 30

(In millions, except percentage data)	2014						2013					
	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 221.8	\$ 291.5	\$ 197.2	\$ 250.8	\$ 251.0	\$ 1,212.3	\$ 234.0	\$ 276.9	\$ 185.2	\$ 243.7	\$ 169.0	\$ 1,108.8
Net premiums written	\$ 157.1	\$ 229.0	\$ 132.6	\$ 229.1	\$ 219.5	\$ 967.3	\$ 168.7	\$ 220.0	\$ 132.8	\$ 224.7	\$ 134.3	\$ 880.5
Net premiums earned	\$ 141.6	\$ 209.2	\$ 149.9	\$ 235.2	\$ 180.1	\$ 916.0	\$ 134.6	\$ 184.8	\$ 120.9	\$ 208.3	\$ 107.2	\$ 755.8
Losses and LAE:												
Current accident year, excluding catastrophe losses						532.5						439.2
Prior year favorable reserve development						(71.4)						(71.8)
Catastrophe losses						26.9						26.9
Total losses and LAE						488.0						394.3
Amortization of deferred acquisition costs and other underwriting expenses						342.0						283.0
<b>GAAP underwriting profit</b>						86.0						78.5
Net investment income						32.2						31.4
Other income						10.5						13.6
Other operating expenses						(2.0)						(13.3)
<b>Operating income before income taxes</b>						<u>\$ 126.7</u>						<u>\$ 110.2</u>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						58.2 %						58.1 %
Prior year favorable reserve development						(7.8)%						(9.5)%
Catastrophe losses						2.9 %						3.6 %
Total loss and LAE ratio						53.3 %						52.2 %
Expense ratio						37.3 %						37.4 %
<b>Combined ratio</b>						<u>90.6 %</u>						<u>89.6 %</u>

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING INFORMATION AND RELATED RATIOS**

**CHAUCER**

(In millions, except percentage data)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Sep-YTD 2013	Sep-YTD 2014
Gross premiums written	\$ 313.7	\$ 265.4	\$ 467.0	\$ 415.4	\$ 329.9	\$ 1,108.8	\$ 1,212.3
Net premiums written	\$ 278.5	\$ 237.0	\$ 313.8	\$ 364.4	\$ 289.1	\$ 880.5	\$ 967.3
Net premiums earned	\$ 268.6	\$ 282.1	\$ 300.1	\$ 306.8	\$ 309.1	\$ 755.8	\$ 916.0
Losses and LAE:							
Current accident year, excluding catastrophe losses	164.8	159.2	178.1	178.4	176.0	439.2	532.5
Prior year favorable reserve development	(27.8)	(22.8)	(19.6)	(29.2)	(22.6)	(71.8)	(71.4)
Catastrophe losses	11.8	7.5	(0.7)	11.5	16.1	26.9	26.9
Total losses and LAE	148.8	143.9	157.8	160.7	169.5	394.3	488.0
Amortization of deferred acquisition costs and other underwriting expenses	99.0	109.0	105.8	121.8	114.4	283.0	342.0
<b>GAAP underwriting profit</b>	<b>\$ 20.8</b>	<b>\$ 29.2</b>	<b>\$ 36.5</b>	<b>\$ 24.3</b>	<b>\$ 25.2</b>	<b>\$ 78.5</b>	<b>\$ 86.0</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	61.3 %	56.4 %	59.2 %	58.2 %	56.9 %	58.1 %	58.2 %
Prior year favorable reserve development	(10.3)%	(8.1)%	(6.5)%	(9.5)%	(7.3)%	(9.5)%	(7.8)%
Catastrophe losses	4.4 %	2.7 %	(0.2)%	3.7 %	5.2 %	3.6 %	2.9 %
Total loss and LAE ratio	55.4 %	51.0 %	52.5 %	52.4 %	54.8 %	52.2 %	53.3 %
Expense ratio	36.9 %	38.6 %	35.3 %	39.7 %	37.0 %	37.4 %	37.3 %
<b>Combined ratio</b>	<b>92.3 %</b>	<b>89.6 %</b>	<b>87.8 %</b>	<b>92.1 %</b>	<b>91.8 %</b>	<b>89.6 %</b>	<b>90.6 %</b>
Combined ratio, excluding catastrophe losses	87.9%	86.9%	88.0 %	88.4 %	86.6 %	86.0 %	87.7 %
Current accident year combined ratio, excluding catastrophe losses	98.2%	95.0%	94.5 %	97.9 %	93.9 %	95.5 %	95.5 %

**THE HANOVER INSURANCE GROUP**  
**NET INVESTMENT INCOME AND YIELDS**

(In millions, except yields)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q3 YTD 2013	Q3 YTD 2014
<b>Net Investment Income</b>							
Fixed maturities	\$ 63.0	\$ 64.5	\$ 64.7	\$ 63.2	\$ 63.4	\$ 190.3	\$ 191.3
Equity securities	4.0	3.6	3.4	4.4	4.5	12.0	12.3
Other investments	1.3	2.5	1.5	2.1	2.3	6.3	5.9
Investment expenses	(2.6)	(2.5)	(2.6)	(2.7)	(2.7)	(7.7)	(8.0)
<b>Total</b>	<b>\$ 65.7</b>	<b>\$ 68.1</b>	<b>\$ 67.0</b>	<b>\$ 67.0</b>	<b>\$ 67.5</b>	<b>\$ 200.9</b>	<b>\$ 201.5</b>
<b>Pre-tax Yields</b>							
Fixed maturities	3.99%	3.86%	3.79%	3.74%	3.68%	3.99%	3.73%
<b>Total</b>	<b>3.61%</b>	<b>3.59%</b>	<b>3.47%</b>	<b>3.42%</b>	<b>3.39%</b>	<b>3.65%</b>	<b>3.43%</b>

Pre-tax yields are calculated as annualized net investment income divided by the average of investment balances, excluding unrealized capital gains and losses, at the end of each month during the period.

**THE HANOVER INSURANCE GROUP**  
**INVESTMENT PORTFOLIO**  
September 30, 2014

(In millions)

<b>Investment Type</b>	<b>Weighted Average Quality</b>	<b>Amortized Cost or Cost</b>	<b>Fair Value</b>	<b>% of Total</b>	<b>Net Unrealized Gain (Loss)</b>	<b>Change in Net Unrealized During Q3 2014</b>	<b>Change in Net Unrealized YTD</b>
Fixed maturities:							
U.S. Treasury and government agencies	AAA	\$ 408.7	\$ 407.6	4.8%	\$ (1.1)	\$ (0.8)	\$ 9.8
Foreign government	AAA	339.0	340.9	4.0%	1.9	0.6	1.4
Municipals:							
Taxable	AA	933.8	980.9	11.5%	47.1	(2.5)	29.2
Tax exempt	AA	138.1	138.6	1.6%	0.5	(3.0)	0.1
Corporate:							
NAIC 1	A	1,855.1	1,921.8	22.5%	66.7	(10.0)	10.4
NAIC 2	BBB	1,554.2	1,627.4	19.1%	73.2	(16.5)	12.4
NAIC 3 and below	B+	404.9	415.3	4.9%	10.4	(13.6)	(6.5)
Total corporate	BBB+	3,814.2	3,964.5	46.5%	150.3	(40.1)	16.3
Asset backed:							
Residential mortgage-backed	AA+	737.6	750.4	8.8%	12.8	(3.5)	6.8
Commercial mortgage-backed	AA+	440.0	447.9	5.2%	7.9	(3.1)	2.2
Asset-backed	AAA	195.5	196.7	2.3%	1.2	(0.4)	(0.6)
Total fixed maturities	A+	7,006.9	7,227.5	84.7%	220.6	(52.8)	65.2
Equity securities		479.5	548.5	6.4%	69.0	(15.1)	5.3
Other investments		244.4	247.6	2.9%	3.2	-	-
Total investments		7,730.8	8,023.6	94.0%	292.8	(67.9)	70.5
Cash and cash equivalents		509.6	509.6	6.0%	-	-	-
Total		\$ 8,240.4	\$ 8,533.2	100.0%	\$ 292.8	\$ (67.9)	\$ 70.5

**THE HANOVER INSURANCE GROUP**  
**CREDIT QUALITY AND DURATION OF FIXED MATURITIES**  
September 30, 2014

(In millions)

**CREDIT QUALITY OF FIXED MATURITIES**

NAIC Designation	Rating Agency Equivalent Designation	Amortized Cost	Fair Value	% of Total Fair Value
1	Aaa/Aa/A	\$ 5,006.6	\$ 5,145.6	71.2%
2	Baa	1,584.3	1,658.2	22.9%
3	Ba	188.0	195.4	2.7%
4	B	186.6	190.0	2.7%
5	Caa and lower	40.9	37.7	0.5%
6	In or near default	0.5	0.6	- %
Total fixed maturities		\$ 7,006.9	\$ 7,227.5	100.0%

**DURATION OF FIXED MATURITIES**

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 years	\$ 1,634.5	\$ 1,677.4	23.2%
2-4 years	1,802.8	1,875.1	25.9%
4-6 years	1,801.5	1,872.2	25.9%
6-8 years	1,431.1	1,459.3	20.2%
8-10 years	271.5	274.5	3.8%
10+ years	65.5	69.0	1.0%
Total fixed maturities	\$ 7,006.9	\$ 7,227.5	100.0%
Weighted Average Duration	4.16		

**THE HANOVER INSURANCE GROUP**  
**TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS**  
September 30, 2014

(In millions, except percentage data)

<b>Issuer</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>As a Percent of Invested Assets</b>	<b>S&amp;P Ratings</b>
Royal Bank of Scotland: (1)				
Term deposits	\$ 81.8	\$ 82.1	0.96%	A-
Notes	8.7	9.0	0.11%	A
Lloyds Bank: (2)				
Term deposits	48.8	48.4	0.57%	A
Notes	7.7	8.1	0.09%	A-
Citigroup	28.2	29.6	0.35%	A-
Bank of America	27.4	29.0	0.34%	BBB+
American Express	27.1	27.9	0.33%	A-
GE Capital	26.3	27.7	0.32%	AA+
Wells Fargo	25.9	27.3	0.32%	A+
JP Morgan	25.4	26.1	0.30%	A
Goldman Sachs	25.3	26.5	0.31%	A-
Metlife	24.9	25.8	0.30%	A+
<b>Top 10 Corporate and Municipal Fixed</b>	<b>\$ 357.5</b>	<b>\$ 367.5</b>	<b>4.30%</b>	

(1) UK government owns 79% of bank equity; term deposits mature in the fourth quarter of 2014.

(2) UK government owns 25% of bank equity; term deposits mature in the third quarter of 2015.

**THE HANOVER INSURANCE GROUP**  
**RECONCILIATION OF OPERATING INCOME TO NET INCOME**

	Three Months ended September 30				Nine Months ended September 30			
	2014		2013		2014		2013	
(In millions, except per share data)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)
<b>OPERATING INCOME (LOSS)</b>								
Commercial Lines	\$ 43.1		\$ 38.5		\$ 103.4		\$ 97.7	
Personal Lines	6.7		37.7		51.0		88.1	
Chaucer	39.4		32.4		126.7		110.2	
Other	(2.8)		(1.4)		(7.5)		(5.5)	
Total	<u>86.4</u>		<u>107.2</u>		<u>273.6</u>		<u>290.5</u>	
Interest expense	<u>(16.3)</u>		<u>(16.6)</u>		<u>(48.9)</u>		<u>(48.7)</u>	
Operating income before income taxes	70.1	\$ 1.56	90.6	\$ 2.03	224.7	\$ 5.01	241.8	\$ 5.38
Income tax expense on operating income	<u>(22.4)</u>	<u>(0.50)</u>	<u>(29.7)</u>	<u>(0.67)</u>	<u>(71.6)</u>	<u>(1.60)</u>	<u>(74.2)</u>	<u>(1.65)</u>
Operating income after income taxes	47.7	1.06	60.9	1.36	153.1	3.41	167.6	3.73
Net realized investment gains	4.9	0.11	1.0	0.02	31.5	0.70	22.8	0.51
Loss on real estate	-	-	(4.7)	(0.11)	-	-	(4.7)	(0.10)
Loss from repayment of debt	(0.1)	-	-	-	(0.1)	-	(19.1)	(0.42)
Net costs related to acquired businesses	-	-	(0.2)	-	(1.1)	(0.02)	-	-
Net foreign exchange gains (losses)	0.4	0.01	(0.6)	(0.01)	0.1	-	0.1	-
Income tax benefit								
on non-operating items	<u>2.1</u>	<u>0.04</u>	<u>4.9</u>	<u>0.11</u>	<u>8.7</u>	<u>0.20</u>	<u>14.1</u>	<u>0.31</u>
Income from continuing operations, net of taxes	<u>55.0</u>	<u>1.22</u>	<u>61.3</u>	<u>1.37</u>	<u>192.2</u>	<u>4.29</u>	<u>180.8</u>	<u>4.03</u>
Discontinued operations, net of taxes	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.1)</u>	<u>(0.01)</u>	<u>0.1</u>	<u>-</u>
<b>NET INCOME</b>	<u>\$ 54.9</u>	<u>\$ 1.22</u>	<u>\$ 61.3</u>	<u>\$ 1.37</u>	<u>\$ 192.1</u>	<u>\$ 4.28</u>	<u>\$ 180.9</u>	<u>\$ 4.03</u>

## Non-GAAP Financial Measures

The Hanover uses non-GAAP financial measures as important measures of the Company's operating performance, which we believe provide investors with additional information regarding management's evaluation of our results of operations and financial performance. The Company's non-GAAP measures include operating income before interest expense and taxes, total operating income after taxes, total operating income after taxes per share, total book value per share, total book value per share excluding net unrealized gains and losses related to investments, net of tax, tangible book value per share and measures of operating income and loss ratios excluding catastrophe losses and reserve development. After-tax operating income EPS (sometimes referred to as "after-tax operating income per share") is a non-GAAP measure. It is defined as net income (loss) excluding the after-tax impact of net realized investment gains (losses), as well as results from discontinued operations for a period divided by the average number of diluted shares of common stock.

Operating income before interest expense and taxes is net income, excluding interest expense on debt, income taxes and net realized investment gains and losses, because fluctuations in these gains and losses are determined by interest rates, financial markets and the timing of sales. Operating income before interest expense and taxes also excludes net gains and losses on disposals of businesses, discontinued operations, restructuring costs, extraordinary items, the cumulative effect of accounting changes and certain other items. Operating income before interest expense and taxes is the sum of the operating income from: Commercial Lines, Personal Lines, Chaucer, and Other. The Hanover believes that measures of operating income before interest expense and taxes provide investors with a valuable measure of the performance of the Company's ongoing businesses because they highlight net income attributable to the core operations of the business.

Book value per share is total shareholders' equity divided by the number of common shares outstanding. Book value per share excluding net unrealized gains and losses related to investments, net of tax is total shareholders' equity excluding the after-tax effect of unrealized investment gains and losses divided by the number of common shares outstanding. Tangible book value per share is total shareholders' equity, excluding goodwill, divided by the number of common shares outstanding.

The Hanover also provides measures of operating income and loss ratios that exclude the effects of catastrophe losses. A catastrophe is a severe loss, resulting from natural or manmade events, including risks such as fire, hurricane, earthquake, windstorm, explosion, terrorism or other similar events. Each catastrophe has unique characteristics. Catastrophes are not predictable as to timing or loss amount in advance. The Hanover believes that providing certain financial metrics and trends excluding the effects of catastrophes is meaningful for investors to understand the variability of periodic earnings and loss ratios.

Prior year reserve development, which can be favorable or unfavorable, represents changes in our estimate of the costs to pay claims from prior years. We believe that a discussion of operating income excluding prior year reserve development is helpful to investors since it provides insight into both our estimate of current year accident results and changes to prior-year reserve estimates.

Operating income before and after interest expense and taxes and measures of operating income that exclude the effects of catastrophe losses or reserve development should not be construed as substitutes for net income determined in accordance with GAAP. A reconciliation of income from continuing operations to operating income before interest expense and taxes and income from continuing operations per share to operating income after taxes per share for the nine months ended September 30, 2014 and 2013 is set forth on page 21 of this document. The presentation of loss ratios calculated excluding the effects of reserve development and/or catastrophe losses should not be construed as a substitute for loss ratios determined in accordance with GAAP.



**CORPORATE OFFICES AND PRINCIPAL SUBSIDIARIES**

**THE HANOVER INSURANCE GROUP, INC.**

440 Lincoln Street  
Worcester, MA 01653

**The Hanover Insurance Company**

440 Lincoln Street  
Worcester, MA 01653

**Citizens Insurance Company of America**

808 North Highlander Way  
Howell, MI 48843

**Chaucer Holdings PLC**

Plantation Place  
30 Fenchurch Street  
London  
EC3M 3AD

**MARKET AND DIVIDEND INFORMATION**

The following tables set forth the high and low closing sales prices of our common stock and cash dividends for the periods indicated:

Quarter Ended	2014		
	Price Range		Dividends Per Share
	High	Low	
March 31	\$61.44	\$53.14	\$0.370
June 30	\$64.00	\$58.23	\$0.370
September 30	<b>\$63.82</b>	<b>\$57.81</b>	<b>\$0.370</b>

Quarter Ended	2013		
	Price Range		Dividends Per Share
	High	Low	
March 31	\$49.68	\$39.19	\$0.330
June 30	\$51.66	\$46.73	\$0.330
September 30	\$56.06	\$48.67	\$0.330
December 31	\$60.99	\$54.83	\$0.370

**INDUSTRY RATINGS AS OF OCTOBER 29, 2014**

<b>Financial Strength Ratings</b>	<b>A.M. Best</b>	<b>Standard &amp; Poor's</b>	<b>Moody's</b>
The Hanover Insurance Company	A	A-	A3
Citizens Insurance Company of America	A	A-	-

<b>Debt Ratings</b>	<b>A.M. Best</b>	<b>Standard &amp; Poor's</b>	<b>Moody's</b>
The Hanover Insurance Group, Inc.			
Senior Debt	bbb	BBB-	Baa3
Subordinated Debentures	bb+	BB	Ba1

**TRANSFER AGENT**

Computershare Investor Services  
PO Box 30170  
College Station, TX 77842-3170  
1-800-317-4454

**COMMON STOCK**

Common stock of The Hanover Insurance Group is traded on the New York Stock Exchange under the symbol "THG".

**INQUIRIES**

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Investor Relations  
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**INVESTOR INFORMATION LINE**

Dial 1-800-407-5222 to receive additional printed information, fax-on-demand services or other prerecorded messages.

Please visit our internet site at [http:// www.Hanover.com](http://www.Hanover.com)