



FINANCIAL SUPPLEMENT  
SECOND QUARTER 2018

**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 marine, aviation and political, casualty, energy, property and treaty business.

*Marine, Aviation & Political* includes marine coverages that insure marine hull, liability, cargo and specie, fine art, and ports and terminals and political coverages that insure political violence (war, terrorism, aviation war), political risk and trade credit. It also includes aviation coverages that insure airline hull and liability, general aviation, refuellers, aviation products and satellite.

*Casualty* provides liability coverage worldwide for professional and commercial risks, credit and bond, crime and professional liability coverage for financial institutions, medical malpractice, excess workers' compensation and accident and health, as well as syndicate participations.

*Energy coverage*, encompassing exploration and production, construction, downstream, operational power 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.

*Property coverage* insures property, including commercial and industrial businesses, against physical loss or damage and business interruption.

*Treaty* encompasses a broad range of casualty, property and marine exposures worldwide. International casualty treaties cover motor, employer public, professional, pecuniary and miscellaneous liabilities. North American casualty comprises mainly excess of loss, written on an occurrence and claims made basis, and with a focus on medical malpractice supported by workers compensation clash business. Casualty also includes accident & health, a largely catastrophe exposed account, written for a range of perils. Property comprises mainly catastrophe and risk excess of loss for personal, commercial, excess and surplus lines carriers. Marine treaties, written on a whole account, specific or combined basis, focus on a broad range of assets and associated perils and liabilities.

##### **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 a discontinued voluntary pools business.

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

(In millions, except earnings per share)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Jun-YTD 2017	Jun-YTD 2018
<b>PREMIUMS</b>							
Gross premiums written	\$ 1,479.0	\$ 1,521.5	\$ 1,352.9	\$ 1,569.1	\$ 1,590.5	\$ 2,933.7	\$ 3,159.6
Net premiums written	1,275.7	1,322.5	1,173.2	1,264.6	1,363.7	2,462.5	2,628.3
Net premiums earned	1,181.2	1,226.9	1,244.0	1,263.6	1,272.9	2,362.5	2,536.5
<b>EARNINGS</b>							
Operating income before interest and taxes	\$ 118.9	\$ 13.1	\$ 135.2	\$ 116.6	\$ 129.8	\$ 188.0	\$ 246.4
Operating income after taxes	72.3	4.7	86.0	84.0	94.6	113.1	178.6
Income from continuing operations	78.4	12.3	67.1	67.8	99.2	123.6	167.0
Net income	78.4	11.1	51.5	67.7	99.3	123.6	167.0
<b>PER SHARE DATA (DILUTED)</b>							
Operating income after taxes	\$ 1.69	\$ 0.11	\$ 2.00	\$ 1.95	\$ 2.20	\$ 2.64	\$ 4.15
Income from continuing operations	1.83	0.28	1.56	1.57	2.30	2.88	3.88
Net income	1.83	0.26	1.20	1.57	2.31	2.88	3.88
Weighted average shares outstanding	42.8	42.9	43.0	43.1	43.1	42.9	43.1

**BALANCE SHEET**

(In millions, except per share data)	June 30 2017	September 30 2017	December 31 2017	March 31 2018	June 30 2018
Total assets	\$ 14,792.7	\$ 15,389.3	\$ 15,469.6	\$ 15,334.2	\$ 15,403.6
Total loss and loss adjustment expense reserves	7,162.4	7,635.4	7,745.0	7,519.2	7,506.4
Total shareholders' equity	2,972.5	2,972.0	2,997.7	2,913.1	2,939.8
Total shareholders' equity, excluding net unrealized appreciation depreciation on fixed maturity investments, net of tax	2,747.7	2,743.5	2,792.3	2,912.8	2,988.6
U.S. Property and Casualty Companies					
Statutory surplus	\$ 2,006.3	\$ 2,061.9	\$ 2,077.1	\$ 2,126.5	\$ 2,075.7
Premium to surplus ratio	1.98:1	1.96:1	1.98:1	1.97:1	2.06:1
Book value per share	\$ 70.18	\$ 70.10	\$ 70.59	\$ 68.56	\$ 69.17
Book value per share, excluding net unrealized appreciation depreciation on fixed maturity investments, net of tax	\$ 64.87	\$ 64.71	\$ 65.76	\$ 68.55	\$ 70.32
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 63.88	\$ 63.49	\$ 63.94	\$ 61.90	\$ 62.63
Shares outstanding	42.4	42.4	42.5	42.5	42.5
Total debt/equity	26.5 %	26.5 %	26.3 %	27.0 %	26.8 %
Total debt/total capital	20.9 %	20.9 %	20.8 %	21.3 %	21.1 %

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

(In millions)	Three Months ended June 30			Six Months ended June 30		
	2018	2017	% Change	2018	2017	% Change
<b>REVENUES</b>						
Premiums earned	\$ 1,272.9	\$ 1,181.2	7.8	\$ 2,536.5	\$ 2,362.5	7.4
Net investment income	78.7	72.3	8.9	161.6	143.4	12.7
Net realized and unrealized investment gains (losses):						
Net realized gains (losses) from sales and other	(0.4)	7.7	(105.2)	(0.1)	11.0	(100.9)
Net change in fair value of equity securities	6.0	-	N/M	(17.0)	-	N/M
Net other-than-temporary impairment losses on investments recognized in earnings	(1.9)	(1.8)	5.6	(2.6)	(3.2)	(18.8)
Total net realized and unrealized investment gains (losses)	3.7	5.9	(37.3)	(19.7)	7.8	(352.6)
Fees and other income	7.5	6.7	11.9	15.3	13.3	15.0
Total revenues	<u>1,362.8</u>	<u>1,266.1</u>	<u>7.6</u>	<u>2,693.7</u>	<u>2,527.0</u>	<u>6.6</u>
<b>LOSSES AND EXPENSES</b>						
Losses and loss adjustment expenses	783.6	725.0	8.1	1,569.4	1,491.5	5.2
Amortization of deferred acquisition costs	288.9	264.6	9.2	576.9	531.0	8.6
Interest expense	11.6	12.2	(4.9)	24.0	24.2	(0.8)
Other operating expenses	158.8	153.3	3.6	322.9	310.3	4.1
Total losses and expenses	<u>1,242.9</u>	<u>1,155.1</u>	<u>7.6</u>	<u>2,493.2</u>	<u>2,357.0</u>	<u>5.8</u>
Income from continuing operations before income taxes	119.9	111.0	8.0	200.5	170.0	17.9
Income tax expense	20.7	32.6	(36.5)	33.5	46.4	(27.8)
Income from continuing operations	99.2	78.4	26.5	167.0	123.6	35.1
Discontinued operations	0.1	-	N/M	-	-	N/M
Net income	<u>\$ 99.3</u>	<u>\$ 78.4</u>	<u>26.7</u>	<u>\$ 167.0</u>	<u>\$ 123.6</u>	<u>35.1</u>

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

(In millions, except per share data)	June 30 2018	December 31 2017	% Change
<b>ASSETS</b>			
Investments:			
Fixed maturities, at fair value (amortized cost of \$7,847.8 and \$7,688.8)	\$ 7,729.9	\$ 7,779.7	(0.6)
Equity securities, at fair value	554.0	576.5	(3.9)
Other investments	736.8	685.5	7.5
Total investments	<u>9,020.7</u>	<u>9,041.7</u>	<u>(0.2)</u>
Cash and cash equivalents	244.9	376.4	(34.9)
Accrued investment income	62.7	62.7	-
Premiums and accounts receivable, net	1,773.4	1,567.6	13.1
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,832.3	3,057.0	(7.4)
Deferred acquisition costs	564.5	550.2	2.6
Deferred income taxes	71.2	29.2	143.8
Goodwill	192.1	192.6	(0.3)
Other assets	539.2	504.2	6.9
Assets of discontinued operations	102.6	88.0	16.6
Total assets	<u>\$ 15,403.6</u>	<u>\$ 15,469.6</u>	<u>(0.4)</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Loss and loss adjustment expense reserves	\$ 7,506.4	\$ 7,745.0	(3.1)
Unearned premiums	2,958.5	2,763.6	7.1
Expenses and taxes payable	643.3	716.2	(10.2)
Reinsurance premiums payable	452.9	344.8	31.4
Debt	787.1	786.9	-
Liabilities of discontinued operations	115.6	115.4	0.2
Total liabilities	<u>12,463.8</u>	<u>12,471.9</u>	<u>(0.1)</u>
<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	1,864.2	1,857.0	0.4
Accumulated other comprehensive income (loss)	(169.1)	107.6	(257.2)
Retained earnings	2,200.4	1,975.0	11.4
Treasury stock at cost (18.0 million shares)	(956.3)	(942.5)	1.5
Total shareholders' equity	<u>2,939.8</u>	<u>2,997.7</u>	<u>(1.9)</u>
Total liabilities and shareholders' equity	<u>\$ 15,403.6</u>	<u>\$ 15,469.6</u>	<u>(0.4)</u>

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

**CONSOLIDATED**

Three Months ended June 30

	2018					2017				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 717.7	\$ 489.1	\$ 383.7	\$ -	\$ 1,590.5	\$ 685.2	\$ 453.5	\$ 340.3	\$ -	\$ 1,479.0
Net premiums written	\$ 629.6	\$ 464.6	\$ 269.5	\$ -	\$ 1,363.7	\$ 591.6	\$ 430.5	\$ 253.6	\$ -	\$ 1,275.7
Net premiums earned	\$ 634.6	\$ 423.6	\$ 214.7	\$ -	\$ 1,272.9	\$ 591.2	\$ 391.3	\$ 198.7	\$ -	\$ 1,181.2
Losses and LAE:										
Current accident year, excluding catastrophe losses	358.1	254.1	118.2	-	730.4	335.8	235.7	111.7	-	683.2
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(8.0)	7.8	(10.5)	0.3	(10.4)	-	-	(15.6)	0.3	(15.3)
Current accident year catastrophe losses	25.1	34.0	10.3	-	69.4	43.4	13.3	2.2	-	58.9
Prior accident year favorable catastrophe loss development	(0.3)	-	(5.5)	-	(5.8)	(0.8)	-	(1.0)	-	(1.8)
Total losses and LAE	374.9	295.9	112.5	0.3	783.6	378.4	249.0	97.3	0.3	725.0
Amortization of deferred acquisition costs and other underwriting expenses	222.0	119.7	92.9	1.1	435.7	210.5	112.8	83.4	0.6	407.3
<b>GAAP underwriting profit (loss)</b>	<b>37.7</b>	<b>8.0</b>	<b>9.3</b>	<b>(1.4)</b>	<b>53.6</b>	<b>2.3</b>	<b>29.5</b>	<b>18.0</b>	<b>(0.9)</b>	<b>48.9</b>
Net investment income	44.8	18.1	12.5	3.3	78.7	41.3	17.4	11.3	2.3	72.3
Other income	2.3	2.8	1.6	0.8	7.5	2.0	2.8	1.2	0.7	6.7
Other operating expenses	(2.8)	(1.6)	(1.5)	(4.1)	(10.0)	(2.4)	(1.8)	(0.8)	(4.0)	(9.0)
<b>Operating income (loss) before income taxes</b>	<b>\$ 82.0</b>	<b>\$ 27.3</b>	<b>\$ 21.9</b>	<b>\$ (1.4)</b>	<b>\$ 129.8</b>	<b>\$ 43.2</b>	<b>\$ 47.9</b>	<b>\$ 29.7</b>	<b>\$ (1.9)</b>	<b>\$ 118.9</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	56.5 %	60.1 %	55.1 %	N/M	57.4 %	56.8 %	60.2 %	56.3 %	N/M	57.9 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(1.3)%	1.8 %	(4.9)%	N/M	(0.8)%	-	-	(7.9)%	N/M	(1.3)%
Current accident year catastrophe losses	3.9 %	8.0 %	4.8 %	N/M	5.5 %	7.3 %	3.4 %	1.1 %	N/M	5.0 %
Prior accident year favorable catastrophe loss development	-	-	(2.6)%	N/M	(0.5)%	(0.1)%	-	(0.5)%	N/M	(0.2)%
Total loss and LAE ratio	59.1 %	69.9 %	52.4 %	N/M	61.6 %	64.0 %	63.6 %	49.0 %	N/M	61.4 %
Expense ratio	34.8 %	27.7 %	43.3 %	N/M	33.9 %	35.4 %	28.2 %	42.0 %	N/M	34.2 %
<b>Combined ratio</b>	<b>93.9 %</b>	<b>97.6 %</b>	<b>95.7 %</b>	<b>N/M</b>	<b>95.5 %</b>	<b>99.4 %</b>	<b>91.8 %</b>	<b>91.0 %</b>	<b>N/M</b>	<b>95.6 %</b>

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

**CONSOLIDATED**

Six Months ended June 30

(In millions, except percentage data)	2018					2017				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
Gross premiums written	\$ 1,476.7	\$ 908.7	\$ 774.2	\$ -	\$ 3,159.6	\$ 1,403.2	\$ 836.7	\$ 693.8	\$ -	\$ 2,933.7
Net premiums written	\$ 1,301.5	\$ 861.4	\$ 465.4	\$ -	\$ 2,628.3	\$ 1,216.9	\$ 792.6	\$ 453.0	\$ -	\$ 2,462.5
Net premiums earned	\$ 1,263.6	\$ 837.1	\$ 435.8	\$ -	\$ 2,536.5	\$ 1,179.5	\$ 773.1	\$ 409.9	\$ -	\$ 2,362.5
Losses and LAE:										
Current accident year, excluding catastrophe losses	711.3	505.9	236.2	-	1,453.4	675.1	473.1	219.4	-	1,367.6
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(9.6)	9.4	(19.2)	0.6	(18.8)	(0.1)	0.1	(17.9)	0.6	(17.3)
Current accident year catastrophe losses	69.7	61.7	18.7	-	150.1	79.8	53.7	14.9	-	148.4
Prior accident year favorable catastrophe loss development	(6.9)	(0.2)	(8.2)	-	(15.3)	(0.8)	-	(6.4)	-	(7.2)
Total losses and LAE	764.5	576.8	227.5	0.6	1,569.4	754.0	526.9	210.0	0.6	1,491.5
Amortization of deferred acquisition costs and other underwriting expenses	445.0	237.6	192.8	2.1	877.5	425.9	225.1	168.1	1.2	820.3
<b>GAAP underwriting profit (loss)</b>	54.1	22.7	15.5	(2.7)	89.6	(0.4)	21.1	31.8	(1.8)	50.7
Net investment income	90.1	36.5	28.9	6.1	161.6	81.6	34.5	23.7	3.6	143.4
Other income	4.6	5.8	3.5	1.4	15.3	3.9	5.7	2.3	1.4	13.3
Other operating expenses	(5.3)	(3.3)	(3.1)	(8.4)	(20.1)	(4.5)	(3.5)	(3.2)	(8.2)	(19.4)
<b>Operating income (loss) before income taxes</b>	<b>\$ 143.5</b>	<b>\$ 61.7</b>	<b>\$ 44.8</b>	<b>\$ (3.6)</b>	<b>\$ 246.4</b>	<b>\$ 80.6</b>	<b>\$ 57.8</b>	<b>\$ 54.6</b>	<b>\$ (5.0)</b>	<b>\$ 188.0</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	56.3 %	60.5 %	54.2 %	N/M	57.3 %	57.2 %	61.3 %	53.5 %	N/M	57.8 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.8)%	1.1 %	(4.4)%	N/M	(0.7)%	-	-	(4.4)%	N/M	(0.7)%
Current accident year catastrophe losses	5.5 %	7.3 %	4.3 %	N/M	5.9 %	6.8 %	6.9 %	3.7 %	N/M	6.3 %
Prior accident year favorable catastrophe loss development	(0.5)%	-	(1.9)%	N/M	(0.6)%	(0.1)%	-	(1.6)%	N/M	(0.3)%
Total loss and LAE ratio	60.5 %	68.9 %	52.2 %	N/M	61.9 %	63.9 %	68.2 %	51.2 %	N/M	63.1 %
Expense ratio	35.0 %	27.8 %	44.2 %	N/M	34.3 %	35.9 %	28.5 %	41.0 %	N/M	34.4 %
<b>Combined ratio</b>	<b>95.5 %</b>	<b>96.7 %</b>	<b>96.4 %</b>	<b>N/M</b>	<b>96.2 %</b>	<b>99.8 %</b>	<b>96.7 %</b>	<b>92.2 %</b>	<b>N/M</b>	<b>97.5 %</b>



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

**CONSOLIDATED**

(In millions, except percentage data)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Jun-YTD 2017	Jun-YTD 2018
Gross premiums written	\$ 1,479.0	\$ 1,521.5	\$ 1,352.9	\$ 1,569.1	\$ 1,590.5	\$ 2,933.7	\$ 3,159.6
Net premiums written	\$ 1,275.7	\$ 1,322.5	\$ 1,173.2	\$ 1,264.6	\$ 1,363.7	\$ 2,462.5	\$ 2,628.3
Net premiums earned	\$ 1,181.2	\$ 1,226.9	\$ 1,244.0	\$ 1,263.6	\$ 1,272.9	\$ 2,362.5	\$ 2,536.5
Losses and LAE:							
Current accident year, excluding catastrophe losses	683.2	691.9	714.8	723.0	730.4	1,367.6	1,453.4
Prior accident year favorable reserve development, excluding catastrophe losses	(15.3)	(12.2)	(3.4)	(8.4)	(10.4)	(17.3)	(18.8)
Current accident year catastrophe losses	58.9	202.4	57.3	80.7	69.4	148.4	150.1
Prior accident year favorable catastrophe loss development	(1.8)	(7.9)	(10.4)	(9.5)	(5.8)	(7.2)	(15.3)
Total losses and LAE	725.0	874.2	758.3	785.8	783.6	1,491.5	1,569.4
Amortization of deferred acquisition costs and other underwriting expenses	407.3	414.3	428.5	441.8	435.7	820.3	877.5
<b>GAAP underwriting profit (loss)</b>	<b>\$ 48.9</b>	<b>\$ (61.6)</b>	<b>\$ 57.2</b>	<b>\$ 36.0</b>	<b>\$ 53.6</b>	<b>\$ 50.7</b>	<b>\$ 89.6</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	57.9 %	56.4 %	57.4 %	57.3 %	57.4 %	57.8 %	57.3 %
Prior accident year favorable reserve development, excluding catastrophe losses	(1.3)%	(1.0)%	(0.3)%	(0.7)%	(0.8)%	(0.7)%	(0.7)%
Current accident year catastrophe losses	5.0 %	16.5 %	4.6 %	6.4 %	5.5 %	6.3 %	5.9 %
Prior accident year favorable catastrophe loss development	(0.2)%	(0.6)%	(0.8)%	(0.8)%	(0.5)%	(0.3)%	(0.6)%
Total loss and LAE ratio	61.4 %	71.3 %	61.0 %	62.2 %	61.6 %	63.1 %	61.9 %
Expense ratio	34.2 %	33.5 %	34.1 %	34.7 %	33.9 %	34.4 %	34.3 %
<b>Combined ratio</b>	<b>95.6 %</b>	<b>104.8 %</b>	<b>95.1 %</b>	<b>96.9 %</b>	<b>95.5 %</b>	<b>97.5 %</b>	<b>96.2 %</b>
Combined ratio, excluding catastrophe losses	90.8 %	88.9 %	91.3 %	91.3 %	90.5 %	91.5 %	90.9 %
Current accident year combined ratio, excluding catastrophe losses	92.1 %	89.9 %	91.6 %	92.0 %	91.3 %	92.2 %	91.6 %

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

**COMMERCIAL LINES**

Three Months ended June 30

(In millions, except percentage data)	2018					2017				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
Net premiums written	\$ 201.4	\$ 83.9	\$ 74.6	\$ 269.7	\$ 629.6	\$ 191.4	\$ 78.5	\$ 70.9	\$ 250.8	\$ 591.6
Net premiums earned	\$ 207.4	\$ 83.2	\$ 80.6	\$ 263.4	\$ 634.6	\$ 194.5	\$ 78.2	\$ 74.7	\$ 243.8	\$ 591.2
Losses and LAE:										
Current accident year, excluding catastrophe losses	114.8	55.7	49.7	137.9	358.1	102.9	52.1	46.4	134.4	335.8
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.9)	4.6	(3.6)	(8.1)	(8.0)	-	-	-	-	-
Current accident year catastrophe losses	11.1	1.8	-	12.2	25.1	26.6	0.9	-	15.9	43.4
Prior accident year favorable catastrophe loss development	(0.2)	-	-	(0.1)	(0.3)	-	-	-	(0.8)	(0.8)
Total losses and LAE	124.8	62.1	46.1	141.9	374.9	129.5	53.0	46.4	149.5	378.4
Amortization of deferred acquisition costs and other underwriting expenses					222.0					210.5
<b>GAAP underwriting profit</b>					37.7					2.3
Net investment income					44.8					41.3
Other income					2.3					2.0
Other operating expenses					(2.8)					(2.4)
<b>Operating income before income taxes</b>					<u>\$ 82.0</u>					<u>\$ 43.2</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	55.3 %	66.9 %	61.7 %	52.4 %	56.5 %	52.9 %	66.6 %	62.1 %	55.1 %	56.8 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.4)%	5.5 %	(4.5)%	(3.1)%	(1.3)%	-	-	-	-	-
Current accident year catastrophe losses	5.4 %	2.2 %	-	4.6 %	3.9 %	13.7 %	1.2 %	-	6.5 %	7.3 %
Prior accident year favorable catastrophe loss development	(0.1)%	-	-	-	-	-	-	-	(0.3)%	(0.1)%
Total loss and LAE ratio	<u>60.2 %</u>	<u>74.6 %</u>	<u>57.2 %</u>	<u>53.9 %</u>	<u>59.1 %</u>	<u>66.6 %</u>	<u>67.8 %</u>	<u>62.1 %</u>	<u>61.3 %</u>	<u>64.0 %</u>
Expense ratio					34.8 %					35.4 %
<b>Combined ratio</b>					<u>93.9 %</u>					<u>99.4 %</u>
Change in policies in force	7.4 %	3.3 %	11.6 %	5.3 %	6.6 %	6.2 %	-	11.7 %	6.1 %	6.1 %
Retention	86.2 %	83.2 %	81.3 %	N/M	84.6 %	85.4 %	80.6 %	80.1 %	N/M	83.0 %

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

**COMMERCIAL LINES**

Six Months ended June 30

	2018					2017				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 417.3	\$ 173.6	\$ 167.7	\$ 542.9	\$ 1,301.5	\$ 394.4	\$ 161.5	\$ 160.1	\$ 500.9	\$ 1,216.9
Net premiums earned	\$ 415.1	\$ 165.4	\$ 159.2	\$ 523.9	\$ 1,263.6	\$ 392.4	\$ 155.5	\$ 147.5	\$ 484.1	\$ 1,179.5
Losses and LAE:										
Current accident year, excluding catastrophe losses	230.8	111.7	97.5	271.3	711.3	216.3	105.8	92.5	260.5	675.1
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(1.7)	7.9	(6.2)	(9.6)	(9.6)	-	-	-	(0.1)	(0.1)
Current accident year catastrophe losses	43.0	2.1	-	24.6	69.7	48.1	1.5	-	30.2	79.8
Prior accident year unfavorable (favorable) catastrophe loss development	(5.4)	-	-	(1.5)	(6.9)	1.2	(0.1)	-	(1.9)	(0.8)
Total losses and LAE	<u>266.7</u>	<u>121.7</u>	<u>91.3</u>	<u>284.8</u>	<u>764.5</u>	<u>265.6</u>	<u>107.2</u>	<u>92.5</u>	<u>288.7</u>	<u>754.0</u>
Amortization of deferred acquisition costs and other underwriting expenses					<u>445.0</u>					<u>425.9</u>
<b>GAAP underwriting profit (loss)</b>					<u>54.1</u>					<u>(0.4)</u>
Net investment income					90.1					81.6
Other income					4.6					3.9
Other operating expenses					(5.3)					(4.5)
<b>Operating income before income taxes</b>					<u>\$ 143.5</u>					<u>\$ 80.6</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	55.5 %	67.5 %	61.2 %	51.8 %	56.3 %	55.1 %	68.0 %	62.7 %	53.8 %	57.2 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.4)%	4.8 %	(3.9)%	(1.8)%	(0.8)%	-	-	-	-	-
Current accident year catastrophe losses	10.4 %	1.3 %	-	4.7 %	5.5 %	12.3 %	1.0 %	-	6.2 %	6.8 %
Prior accident year unfavorable (favorable) catastrophe loss development	(1.3)%	-	-	(0.3)%	(0.5)%	0.3 %	(0.1)%	-	(0.4)%	(0.1)%
Total loss and LAE ratio	<u>64.2 %</u>	<u>73.6 %</u>	<u>57.3 %</u>	<u>54.4 %</u>	<u>60.5 %</u>	<u>67.7 %</u>	<u>68.9 %</u>	<u>62.7 %</u>	<u>59.6 %</u>	<u>63.9 %</u>
Expense ratio					<u>35.0 %</u>					<u>35.9 %</u>
<b>Combined ratio</b>					<u>95.5 %</u>					<u>99.8 %</u>
Change in policies in force	7.4 %	3.3 %	11.6 %	5.3 %	6.6 %	6.2 %	-	11.7 %	6.1 %	6.1 %
Retention	86.5 %	84.1 %	80.9 %	N/M	84.9 %	86.2 %	81.1 %	81.1 %	N/M	83.9 %

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

**COMMERCIAL LINES**

(In millions, except percentage data)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Jun-YTD 2017	Jun-YTD 2018
Gross premiums written	\$ 685.2	\$ 772.8	\$ 650.8	\$ 759.0	\$ 717.7	\$ 1,403.2	\$ 1,476.7
Net premiums written	\$ 591.6	\$ 680.2	\$ 564.9	\$ 671.9	\$ 629.6	\$ 1,216.9	\$ 1,301.5
Net premiums earned	\$ 591.2	\$ 604.0	\$ 616.1	\$ 629.0	\$ 634.6	\$ 1,179.5	\$ 1,263.6
Losses and LAE:							
Current accident year, excluding catastrophe losses	335.8	342.9	349.7	353.2	358.1	675.1	711.3
Prior accident year favorable reserve development, excluding catastrophe losses	-	-	(9.3)	(1.6)	(8.0)	(0.1)	(9.6)
Current accident year catastrophe losses	43.4	62.5	29.7	44.6	25.1	79.8	69.7
Prior accident year favorable catastrophe loss development	(0.8)	(0.4)	(0.2)	(6.6)	(0.3)	(0.8)	(6.9)
Total losses and LAE	378.4	405.0	369.9	389.6	374.9	754.0	764.5
Amortization of deferred acquisition costs and other underwriting expenses	210.5	212.7	219.4	223.0	222.0	425.9	445.0
<b>GAAP underwriting profit (loss)</b>	<b>\$ 2.3</b>	<b>\$ (13.7)</b>	<b>\$ 26.8</b>	<b>\$ 16.4</b>	<b>\$ 37.7</b>	<b>\$ (0.4)</b>	<b>\$ 54.1</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	56.8 %	56.8 %	56.7 %	56.2 %	56.5 %	57.2 %	56.3 %
Prior accident year favorable reserve development, excluding catastrophe losses	-	-	(1.5)%	(0.3)%	(1.3)%	-	(0.8)%
Current accident year catastrophe losses	7.3 %	10.4 %	4.8 %	7.0 %	3.9 %	6.8 %	5.5 %
Prior accident year favorable catastrophe loss development	(0.1)%	(0.1)%	-	(1.0)%	-	(0.1)%	(0.5)%
Total loss and LAE ratio	64.0 %	67.1 %	60.0 %	61.9 %	59.1 %	63.9 %	60.5 %
Expense ratio	35.4 %	35.0 %	35.4 %	35.3 %	34.8 %	35.9 %	35.0 %
<b>Combined ratio</b>	<b>99.4 %</b>	<b>102.1 %</b>	<b>95.4 %</b>	<b>97.2 %</b>	<b>93.9 %</b>	<b>99.8 %</b>	<b>95.5 %</b>
Combined ratio, excluding catastrophe losses	92.2 %	91.8 %	90.6 %	91.2 %	90.0 %	93.1 %	90.5 %
Current accident year combined ratio, excluding catastrophe losses	92.2 %	91.8 %	92.1 %	91.5 %	91.3 %	93.1 %	91.3 %

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

**PERSONAL LINES**

Three Months ended June 30

(In millions, except percentage data)	2018				2017			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 293.2	\$ 160.4	\$ 11.0	\$ 464.6	\$ 269.6	\$ 150.6	\$ 10.3	\$ 430.5
Net premiums earned	\$ 268.1	\$ 145.7	\$ 9.8	\$ 423.6	\$ 245.1	\$ 136.6	\$ 9.6	\$ 391.3
Losses and LAE:								
Current accident year, excluding catastrophe losses	180.8	69.3	4.0	254.1	168.2	63.7	3.8	235.7
Prior accident year unfavorable reserve development, excluding catastrophe losses	5.5	2.1	0.2	7.8	-	-	-	-
Current accident year catastrophe losses	2.9	31.0	0.1	34.0	1.9	11.3	0.1	13.3
Prior accident year unfavorable (favorable) catastrophe loss development	-	0.1	(0.1)	-	(0.1)	-	0.1	-
Total losses and LAE	<u>189.2</u>	<u>102.5</u>	<u>4.2</u>	<u>295.9</u>	<u>170.0</u>	<u>75.0</u>	<u>4.0</u>	<u>249.0</u>
Amortization of deferred acquisition costs and other underwriting expenses				<u>119.7</u>				<u>112.8</u>
<b>GAAP underwriting profit</b>				<u>8.0</u>				<u>29.5</u>
Net investment income				18.1				17.4
Other income				2.8				2.8
Other operating expenses				(1.6)				(1.8)
<b>Operating income before income taxes</b>				<u>\$ 27.3</u>				<u>\$ 47.9</u>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	67.4 %	47.7 %	40.9 %	60.1 %	68.7 %	46.6 %	39.6 %	60.2 %
Prior accident year unfavorable reserve development, excluding catastrophe losses	2.1 %	1.4 %	2.0 %	1.8 %	-	-	-	-
Current accident year catastrophe losses	1.1 %	21.2 %	1.0 %	8.0 %	0.7 %	8.3 %	1.1 %	3.4 %
Prior accident year unfavorable (favorable) catastrophe loss development	-	0.1 %	(1.0)%	-	-	-	1.0 %	-
Total loss and LAE ratio	<u>70.6 %</u>	<u>70.4 %</u>	<u>42.9 %</u>	<u>69.9 %</u>	<u>69.4 %</u>	<u>54.9 %</u>	<u>41.7 %</u>	<u>63.6 %</u>
Expense ratio				<u>27.7 %</u>				<u>28.2 %</u>
<b>Combined ratio</b>				<u>97.6 %</u>				<u>91.8 %</u>
Change in policies in force	3.3 %	3.6 %	1.0 %	3.4 %	3.4 %	3.4 %	(11.0)%	2.9 %
Retention	85.0 %	84.5 %	N/M	84.7 %	85.6 %	84.6 %	N/M	85.1 %

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

**PERSONAL LINES**

Six Months ended June 30

(In millions, except percentage data)	2018				2017			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 555.7	\$ 286.0	\$ 19.7	\$ 861.4	\$ 509.2	\$ 265.0	\$ 18.4	\$ 792.6
Net premiums earned	\$ 528.3	\$ 289.2	\$ 19.6	\$ 837.1	\$ 483.7	\$ 270.4	\$ 19.0	\$ 773.1
Losses and LAE:								
Current accident year, excluding catastrophe losses	362.6	135.2	8.1	505.9	336.7	129.2	7.2	473.1
Prior accident year unfavorable reserve development, excluding catastrophe losses	6.6	2.8	-	9.4	-	-	0.1	0.1
Current accident year catastrophe losses	4.3	57.0	0.4	61.7	3.6	49.9	0.2	53.7
Prior accident year unfavorable(favorable) catastrophe loss development	(0.3)	(0.1)	0.2	(0.2)	(0.3)	0.2	0.1	-
Total losses and LAE	<u>373.2</u>	<u>194.9</u>	<u>8.7</u>	<u>576.8</u>	<u>340.0</u>	<u>179.3</u>	<u>7.6</u>	<u>526.9</u>
Amortization of deferred acquisition costs and other underwriting expenses				<u>237.6</u>				<u>225.1</u>
<b>GAAP underwriting profit</b>				<u>22.7</u>				<u>21.1</u>
Net investment income				36.5				34.5
Other income				5.8				5.7
Other operating expenses				(3.3)				(3.5)
<b>Operating income before income taxes</b>				<u>\$ 61.7</u>				<u>\$ 57.8</u>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	68.6 %	46.7 %	41.3 %	60.5 %	69.6 %	47.8 %	37.9 %	61.3 %
Prior accident year unfavorable reserve development, excluding catastrophe losses	1.2 %	1.0 %	-	1.1 %	-	-	0.5 %	-
Current accident year catastrophe losses	0.9 %	19.7 %	2.1 %	7.3 %	0.8 %	18.4 %	1.1 %	6.9 %
Prior accident year unfavorable (favorable) catastrophe loss development	(0.1)%	-	1.0 %	-	(0.1)%	0.1 %	0.5 %	-
Total loss and LAE ratio	<u>70.6 %</u>	<u>67.4 %</u>	<u>44.4 %</u>	<u>68.9 %</u>	<u>70.3 %</u>	<u>66.3 %</u>	<u>40.0 %</u>	<u>68.2 %</u>
Expense ratio				<u>27.8 %</u>				<u>28.5 %</u>
<b>Combined ratio</b>				<u>96.7 %</u>				<u>96.7 %</u>
Change in policies in force	3.3 %	3.6 %	1.0 %	3.4 %	3.4 %	3.4 %	(11.0)%	2.9 %
Retention	85.5 %	84.4 %	N/M	85.0 %	85.7 %	84.1 %	N/M	85.0 %

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

**PERSONAL LINES**

(In millions, except percentage data)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Jun-YTD 2017	Jun-YTD 2018
Gross premiums written	\$ 453.5	\$ 462.0	\$ 438.0	\$ 419.6	\$ 489.1	\$ 836.7	\$ 908.7
Net premiums written	\$ 430.5	\$ 438.8	\$ 415.7	\$ 396.8	\$ 464.6	\$ 792.6	\$ 861.4
Net premiums earned	\$ 391.3	\$ 400.4	\$ 407.3	\$ 413.5	\$ 423.6	\$ 773.1	\$ 837.1
Losses and LAE:							
Current accident year, excluding catastrophe losses	235.7	232.1	248.8	251.8	254.1	473.1	505.9
Prior accident year unfavorable reserve development, excluding catastrophe losses	-	-	9.3	1.6	7.8	0.1	9.4
Current accident year catastrophe losses	13.3	15.0	12.2	27.7	34.0	53.7	61.7
Prior accident year favorable catastrophe loss development	-	-	-	(0.2)	-	-	(0.2)
Total losses and LAE	249.0	247.1	270.3	280.9	295.9	526.9	576.8
Amortization of deferred acquisition costs and other underwriting expenses	112.8	112.5	114.8	117.9	119.7	225.1	237.6
<b>GAAP underwriting profit</b>	<b>\$ 29.5</b>	<b>\$ 40.8</b>	<b>\$ 22.2</b>	<b>\$ 14.7</b>	<b>\$ 8.0</b>	<b>\$ 21.1</b>	<b>\$ 22.7</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	60.2 %	58.0 %	61.1 %	60.8 %	60.1 %	61.3 %	60.5 %
Prior accident year unfavorable reserve development, excluding catastrophe losses	-	-	2.3 %	0.4 %	1.8 %	-	1.1 %
Current accident year catastrophe losses	3.4 %	3.7 %	3.0 %	6.7 %	8.0 %	6.9 %	7.3 %
Prior accident year unfavorable catastrophe loss development	-	-	-	-	-	-	-
Total loss and LAE ratio	63.6 %	61.7 %	66.4 %	67.9 %	69.9 %	68.2 %	68.9 %
Expense ratio	28.2 %	27.5 %	27.6 %	27.9 %	27.7 %	28.5 %	27.8 %
<b>Combined ratio</b>	<b>91.8 %</b>	<b>89.2 %</b>	<b>94.0 %</b>	<b>95.8 %</b>	<b>97.6 %</b>	<b>96.7 %</b>	<b>96.7 %</b>
Combined ratio, excluding catastrophe losses	88.4 %	85.5 %	91.0 %	89.1 %	89.6 %	89.8 %	89.4 %
Current accident year combined ratio, excluding catastrophe losses	88.4 %	85.5 %	88.7 %	88.7 %	87.8 %	89.8 %	88.3 %

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

**CHAUCER**

Three Months ended June 30

(In millions, except percentage data)	2018						2017					
	Marine, Aviation & Political	Casualty	Energy	Property	Treaty	Total	Marine, Aviation & Political	Casualty	Energy	Property	Treaty	Total
Gross premiums written	\$ 78.1	\$ 77.7	\$ 62.3	\$ 28.8	\$ 136.8	\$ 383.7	\$ 65.4	\$ 65.4	\$ 57.6	\$ 27.7	\$ 124.2	\$ 340.3
Net premiums written	\$ 57.0	\$ 60.0	\$ 41.4	\$ 18.6	\$ 92.5	\$ 269.5	\$ 51.6	\$ 52.6	\$ 41.5	\$ 16.6	\$ 91.3	\$ 253.6
Net premiums earned	\$ 53.8	\$ 58.3	\$ 24.7	\$ 12.9	\$ 65.0	\$ 214.7	\$ 52.5	\$ 46.6	\$ 26.1	\$ 12.5	\$ 61.0	\$ 198.7
Losses and LAE:												
Current accident year, excluding catastrophe losses						118.2						111.7
Prior accident year favorable reserve development, excluding catastrophe losses						(10.5)						(15.6)
Current accident year catastrophe losses						10.3						2.2
Prior accident year favorable catastrophe loss development						(5.5)						(1.0)
Total losses and LAE						112.5						97.3
Amortization of deferred acquisition costs and other underwriting expenses						92.9						83.4
<b>GAAP underwriting profit</b>						9.3						18.0
Net investment income						12.5						11.3
Other income						1.6						1.2
Other operating expenses						(1.5)						(0.8)
<b>Operating income before income taxes</b>						<u>\$ 21.9</u>						<u>\$ 29.7</u>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						55.1 %						56.3 %
Prior accident year favorable reserve development, excluding catastrophe losses						(4.9)%						(7.9)%
Current accident year catastrophe losses						4.8 %						1.1 %
Prior accident year favorable catastrophe loss development						(2.6)%						(0.5)%
Total loss and LAE ratio						<u>52.4 %</u>						<u>49.0 %</u>
Expense ratio						43.3 %						42.0 %
<b>Combined ratio</b>						<u>95.7 %</u>						<u>91.0 %</u>



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

**CHAUCER**

Six Months ended June 30

(In millions, except percentage data)	2018						2017					
	Marine, Aviation & Political	Casualty	Energy	Property	Treaty	Total	Marine, Aviation & Political	Casualty	Energy	Property	Treaty	Total
Gross premiums written	\$ 158.1	\$ 148.7	\$ 102.0	\$ 51.8	\$ 313.6	\$ 774.2	\$ 150.5	\$ 118.8	\$ 99.2	\$ 50.9	\$ 274.4	\$ 693.8
Net premiums written	\$ 108.5	\$ 116.3	\$ 51.2	\$ 22.0	\$ 167.4	\$ 465.4	\$ 105.7	\$ 92.1	\$ 53.4	\$ 27.8	\$ 174.0	\$ 453.0
Net premiums earned	\$ 117.4	\$ 115.7	\$ 53.8	\$ 23.7	\$ 125.2	\$ 435.8	\$ 112.7	\$ 91.2	\$ 60.1	\$ 25.1	\$ 120.8	\$ 409.9
Losses and LAE:												
Current accident year, excluding catastrophe losses						236.2						219.4
Prior accident year favorable reserve development, excluding catastrophe losses						(19.2)						(17.9)
Current accident year catastrophe losses						18.7						14.9
Prior accident year favorable catastrophe loss development						(8.2)						(6.4)
Total losses and LAE						227.5						210.0
Amortization of deferred acquisition costs and other underwriting expenses						192.8						168.1
<b>GAAP underwriting profit</b>						15.5						31.8
Net investment income						28.9						23.7
Other income						3.5						2.3
Other operating expenses						(3.1)						(3.2)
<b>Operating income before income taxes</b>						<u>\$ 44.8</u>						<u>\$ 54.6</u>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						54.2 %						53.5 %
Prior accident year favorable reserve development, excluding catastrophe losses						(4.4)%						(4.4)%
Current accident year catastrophe losses						4.3 %						3.7 %
Prior accident year favorable catastrophe loss development						(1.9)%						(1.6)%
Total loss and LAE ratio						52.2 %						51.2 %
Expense ratio						44.2 %						41.0 %
<b>Combined ratio</b>						<u>96.4 %</u>						<u>92.2 %</u>

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

CHAUCER

(In millions, except percentage data)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Jun-YTD 2017	Jun-YTD 2018
Gross premiums written	\$ 340.3	\$ 286.7	\$ 264.1	\$ 390.5	\$ 383.7	\$ 693.8	\$ 774.2
Net premiums written	\$ 253.6	\$ 203.5	\$ 192.6	\$ 195.9	\$ 269.5	\$ 453.0	\$ 465.4
Net premiums earned	\$ 198.7	\$ 222.5	\$ 220.6	\$ 221.1	\$ 214.7	\$ 409.9	\$ 435.8
Losses and LAE:							
Current accident year, excluding catastrophe losses	111.7	116.8	116.3	118.0	118.2	219.4	236.2
Prior accident year favorable reserve development, excluding catastrophe losses	(15.6)	(12.5)	(3.7)	(8.7)	(10.5)	(17.9)	(19.2)
Current accident year catastrophe losses	2.2	124.9	15.4	8.4	10.3	14.9	18.7
Prior accident year favorable catastrophe loss development	(1.0)	(7.5)	(10.2)	(2.7)	(5.5)	(6.4)	(8.2)
Total losses and LAE	97.3	221.7	117.8	115.0	112.5	210.0	227.5
Amortization of deferred acquisition costs and other underwriting expenses	83.4	88.5	92.0	99.9	92.9	168.1	192.8
<b>GAAP underwriting profit (loss)</b>	<b>\$ 18.0</b>	<b>\$ (87.7)</b>	<b>\$ 10.8</b>	<b>\$ 6.2</b>	<b>\$ 9.3</b>	<b>\$ 31.8</b>	<b>\$ 15.5</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	56.3 %	52.4 %	52.7 %	53.3 %	55.1 %	53.5 %	54.2 %
Prior accident year favorable reserve development, excluding catastrophe losses	(7.9)%	(5.6)%	(1.7)%	(3.9)%	(4.9)%	(4.4)%	(4.4)%
Current accident year catastrophe losses	1.1 %	56.2 %	7.0 %	3.8 %	4.8 %	3.7 %	4.3 %
Prior accident year favorable catastrophe loss development	(0.5)%	(3.4)%	(4.6)%	(1.2)%	(2.6)%	(1.6)%	(1.9)%
Total loss and LAE ratio	49.0 %	99.6 %	53.4 %	52.0 %	52.4 %	51.2 %	52.2 %
Expense ratio	42.0 %	39.8 %	41.7 %	45.2 %	43.3 %	41.0 %	44.2 %
<b>Combined ratio</b>	<b>91.0 %</b>	<b>139.4 %</b>	<b>95.1 %</b>	<b>97.2 %</b>	<b>95.7 %</b>	<b>92.2 %</b>	<b>96.4 %</b>
Combined ratio, excluding catastrophe losses	90.4 %	86.6 %	92.7 %	94.6 %	93.5 %	90.1 %	94.0 %
Current accident year combined ratio, excluding catastrophe losses	98.3 %	92.2 %	94.4 %	98.5 %	98.4 %	94.5 %	98.4 %

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

(In millions, except yields)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	YTD 2017	YTD 2018
<b>Net Investment Income</b>							
Fixed maturities	\$ 61.4	\$ 62.6	\$ 64.8	\$ 64.6	\$ 64.7	\$ 122.3	\$ 129.3
Equity securities	5.0	4.1	4.6	3.9	4.6	9.3	8.5
Limited partnerships	3.7	5.8	3.5	7.3	5.8	6.0	13.1
Other investments	5.1	6.8	7.9	9.7	6.5	11.4	16.2
Investment expenses	(2.9)	(2.7)	(2.7)	(2.6)	(2.9)	(5.6)	(5.5)
<b>Total</b>	<b>\$ 72.3</b>	<b>\$ 76.6</b>	<b>\$ 78.1</b>	<b>\$ 82.9</b>	<b>\$ 78.7</b>	<b>\$ 143.4</b>	<b>\$ 161.6</b>
<b>Pre-tax Yields</b>							
Fixed maturities	3.37%	3.32%	3.35%	3.31%	3.32%	3.37%	3.31%
<b>Total</b>	<b>3.35%</b>	<b>3.40%</b>	<b>3.34%</b>	<b>3.46%</b>	<b>3.43%</b>	<b>3.31%</b>	<b>3.44%</b>

Pre-tax yields represent annualized net investment income for the period, excluding income on reinsurance contracts subject to deposit accounting, divided by the monthly average invested assets, excluding accumulated changes in fair value for fixed maturities and equity securities.

**THE HANOVER INSURANCE GROUP**  
**INVESTMENT PORTFOLIO**  
June 30, 2018

(In millions)

Investment Type	Weighted Average Quality	Amortized Cost or Cost	Fair Value	% of Total	Net Unrealized Gain (Loss)	Change in Net Unrealized During Q2	Change in Net Unrealized YTD
Fixed maturities:							
U.S. Treasury and government agencies	AAA	\$ 595.1	\$ 580.5	6.3%	\$ (14.6)	\$ (3.9)	\$ (12.4)
Foreign government	AA+	209.6	209.5	2.3%	(0.1)	(0.2)	(2.0)
Municipals:							
Taxable	AA	972.8	975.6	10.5%	2.8	(7.3)	(19.5)
Tax-exempt	AA	62.5	62.1	0.7%	(0.4)	(0.1)	(0.8)
Corporate:							
NAIC 1	A	2,000.0	1,970.7	21.3%	(29.3)	(13.2)	(54.2)
NAIC 2	BBB	1,930.1	1,894.9	20.4%	(35.2)	(18.8)	(66.4)
NAIC 3 and below	B+	348.6	350.7	3.8%	2.1	(2.1)	(10.4)
Total corporate	BBB+	4,278.7	4,216.3	45.5%	(62.4)	(34.1)	(131.0)
Asset-backed:							
Residential mortgage-backed	AAA	1,026.7	997.0	10.7%	(29.7)	(6.5)	(25.1)
Commercial mortgage-backed	AAA	624.0	611.6	6.6%	(12.4)	(4.7)	(17.1)
Asset-backed	AA+	78.4	77.3	0.8%	(1.1)	(0.1)	(0.9)
Total fixed maturities	A+	7,847.8	7,729.9	83.4%	(117.9)	(56.9)	(208.8)
Equity securities <sup>(1)</sup>		554.0	554.0	6.0%	-	-	(142.8)
Mortgage and other loans		384.2	384.2	4.2%	-	-	-
Other investments <sup>(1)</sup>		352.6	352.6	3.8%	-	-	(3.4)
Total investments		9,138.6	9,020.7	97.4%	(117.9)	(56.9)	(355.0)
Cash and cash equivalents		244.9	244.9	2.6%	-	-	-
Total		\$ 9,383.5	\$ 9,265.6	100.0%	\$ (117.9)	\$ (56.9)	\$ (355.0)

(1) The balance of unrealized was reclassified to retained earnings, net of tax, on January 1, 2018 as a result of implementing FASB's ASU 2016-01, Recognition and Measurement of Financial Instruments. Following the implementation, changes in fair value on these investments are recorded in net income.

**THE HANOVER INSURANCE GROUP**  
**CREDIT QUALITY AND DURATION OF FIXED MATURITIES**  
June 30, 2018

(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	\$ 5,537.8	\$ 5,453.9	70.6%
2	Baa	1,953.8	1,917.6	24.8%
3	Ba	186.1	188.2	2.4%
4	B	154.1	154.1	2.0%
5	Caa and lower	15.7	15.8	0.2%
6	In or near default	0.3	0.3	-
Total fixed maturities		<u>\$ 7,847.8</u>	<u>\$ 7,729.9</u>	<u>100.0%</u>

**DURATION OF FIXED MATURITIES**

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 Years	\$ 1,359.9	\$ 1,369.9	17.7%
2-4 Years	2,211.4	2,205.3	28.5%
4-6 Years	2,173.8	2,129.6	27.6%
6-8 Years	1,917.2	1,840.2	23.8%
8-10 Years	113.3	113.4	1.5%
10+ Years	72.2	71.5	0.9%
Total fixed maturities	<u>\$ 7,847.8</u>	<u>\$ 7,729.9</u>	<u>100.0%</u>
Weighted Average Duration	<u>4.3</u>		

**THE HANOVER INSURANCE GROUP**  
**TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS**

June 30, 2018

(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>Ratings (1)</b>
Oracle	\$ 28.5	\$ 28.3	0.30%	AA-
US Bancorp	28.0	27.3	0.29%	A
Bank of America	27.6	27.8	0.30%	A-
JP Morgan Chase	27.2	26.4	0.28%	A-
Wells Fargo	26.3	25.5	0.28%	A-
Key Bank	26.3	25.7	0.28%	BBB+
Enterprise Holdings	26.0	25.1	0.27%	A-
PNC Bank	26.0	25.1	0.27%	A
AvalonBay Communities	25.8	24.7	0.27%	A-
Morgan Stanley	25.2	24.7	0.27%	BBB+
Top 10 Corporate and Municipal Fixed	\$ 266.9	\$ 260.6	2.81%	

(1) Represents nationally recognized rating agency sources.

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

	Three Months ended June 30				Six Months ended June 30			
	2018		2017		2018		2017	
	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)
<i>(In millions, except per share data)</i>								
<b>OPERATING INCOME (LOSS)</b>								
Commercial Lines	\$ 82.0		\$ 43.2		\$ 143.5		\$ 80.6	
Personal Lines	27.3		47.9		61.7		57.8	
Chaucer	21.9		29.7		44.8		54.6	
Other	(1.4)		(1.9)		(3.6)		(5.0)	
Total	<u>129.8</u>		<u>118.9</u>		<u>246.4</u>		<u>188.0</u>	
Interest expense	<u>(11.6)</u>		<u>(12.2)</u>		<u>(24.0)</u>		<u>(24.2)</u>	
Operating income before income taxes	118.2	\$ 2.74	106.7	\$ 2.49	222.4	\$ 5.17	163.8	\$ 3.82
Income tax expense on operating income	<u>(23.6)</u>	<u>(0.54)</u>	<u>(34.4)</u>	<u>(0.80)</u>	<u>(43.8)</u>	<u>(1.02)</u>	<u>(50.7)</u>	<u>(1.18)</u>
Operating income after income taxes	94.6	2.20	72.3	1.69	178.6	4.15	113.1	2.64
Non-operating items:								
Net realized gains (losses) from sales and other	(0.4)	(0.01)	7.7	0.18	(0.1)	-	11.0	0.26
Net change in fair value of equity securities	6.0	0.14	-	-	(17.0)	(0.40)	-	-
Net other-than-temporary impairment losses on investments recognized in earnings	(1.9)	(0.05)	(1.8)	(0.04)	(2.6)	(0.06)	(3.2)	(0.08)
Other	(2.0)	(0.05)	(1.6)	(0.04)	(2.2)	(0.05)	(1.6)	(0.04)
Income tax benefit on non-operating items	2.9	0.07	1.8	0.04	10.3	0.24	4.3	0.10
Income from continuing operations, net of taxes	<u>99.2</u>	<u>2.30</u>	<u>78.4</u>	<u>1.83</u>	<u>167.0</u>	<u>3.88</u>	<u>123.6</u>	<u>2.88</u>
Discontinued operations, net of taxes	0.1	0.01	-	-	-	-	-	-
<b>NET INCOME</b>	<u>\$ 99.3</u>	<u>\$ 2.31</u>	<u>\$ 78.4</u>	<u>\$ 1.83</u>	<u>\$ 167.0</u>	<u>\$ 3.88</u>	<u>\$ 123.6</u>	<u>\$ 2.88</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 and combined ratios excluding catastrophe losses (catastrophe losses as discussed here and in all other measures include catastrophe loss development) 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 and unrealized 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 and unrealized investment gains and losses, which, in 2018 also included changes in the fair value of equity securities still held as a result of the implementation of a new accounting standard, 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 fixed maturity investments, net of tax is total shareholders' equity excluding the after-tax effect of unrealized investment gains and losses on fixed maturities divided by the number of common shares outstanding. Tangible book value per share is total shareholders' equity, excluding goodwill and intangible assets, 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 three and six months ended June 30, 2018 and 2017 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 Limited**

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	2018		Dividends Per Share
	Price Range		
	High	Low	
March 31	\$120.84	\$106.61	\$0.540
<b>June 30</b>	<b>\$123.22</b>	<b>\$112.61</b>	<b>\$0.540</b>

Quarter Ended	2017		Dividends Per Share
	Price Range		
	High	Low	
March 31	\$91.58	\$83.09	\$0.500
June 30	\$89.51	\$80.59	\$0.500
September 30	\$99.63	\$87.90	\$0.500
December 31	\$108.85	\$96.87	\$0.540

**INDUSTRY RATINGS AS OF August 1, 2018**

Financial Strength Ratings	A.M. Best	Standard & Poor's	Moody's
The Hanover Insurance Company	A	A	A3
Citizens Insurance Company of America	A	A	-

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

**TRANSFER AGENT**

Computershare Investor Services  
PO Box 505000  
Louisville, KY 40233-5000  
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)