



The Hanover Insurance Group, Inc.

Q2 2010 Earnings Results

To be read only in conjunction with the press release dated August 4, 2010 and the conference call scheduled for August 5, 2010.

Forward-Looking Statements and Non-GAAP Financial Measures

Certain statements in this presentation, including responses to questions, contain or may contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Use of the words “believes”, “anticipates”, “expects”, “projections”, “outlook”, “should”, “plan”, “confident”, “guidance,” “on track to,” “promise” and similar expressions is intended to identify forward-looking statements. In particular, this presentation includes forward-looking statements with respect to after-tax operating earnings per share, the pricing environment and the Company’s ability to increase rates; net written premium growth and retention; new business growth (including as a result of the renewal rights transaction, new product introductions and geographic expansion); prior year reserve development; accident year loss ratios; expense ratio; product margins, including with respect to new business; new product availability; the impact of various transactions, investments, product introductions, product- geographic- and account- based mix changes on future growth and profitability; and return on equity; and may also include forward looking statements on underwriting conditions, the adequacy of reserves (including reserves established with respect to catastrophes or in connection with the Michigan Supreme Court’s recent decision overturning the so-called Kreiner standard), the impact of anticipated regulatory changes, the impact of any recent, pending or future acquisitions, and impact, capital levels, ratings, the number of shares outstanding, share repurchases, reinvestment rates, investment impairments, net investment income, and discontinued operations.

The company cautions investors that forward-looking statements are not guarantees of future performance, and actual results could differ materially. Investors are directed to consider the risks and uncertainties in our business that may affect future performance and that are discussed in readily available documents, including the company’s earnings press release dated August 4, 2010 and the Annual Report and other documents filed by The Hanover with the Securities and Exchange Commission, which are available at www.hanover.com under “Investors.” We assume no obligation to update this presentation, which speaks as of June 30, 2010.

These uncertainties include the uncertain economic environment, the possibility of adverse catastrophe experience (including terrorism) and severe weather, the uncertainties in estimating catastrophe and non-catastrophe weather-related losses, the uncertainties in estimating property and casualty losses, the ability to increase or maintain certain property and casualty insurance rates, the impact of new product introductions, adverse loss development, changes in frequency and loss trends, the ability to improve renewal rates and increase new property and casualty policy counts, adverse selection in underwriting activities, investment impairments, heightened competition (including rate pressure), adverse and evolving state and federal legislation or regulation, adverse regulatory or litigation actions, financial ratings actions, and various other factors. Comments referring to the profitability and future performance and growth as a result of the OneBeacon renewal rights deal, westward expansion, or new product introductions, the acquisition of Campania, Inc. and Benchmark and the transaction with ICW Group are forward-looking statements.

The discussion in this presentation of The Hanover’s financial performance includes reference to certain financial measures that are not derived from generally accepted accounting principles, or GAAP, such as total segment income (sometimes referred to as property and casualty segment income), segment income after taxes, and loss ratios excluding catastrophes and/or development and accident year loss ratios excluding catastrophes. A reconciliation of non-GAAP measures to the closest GAAP measure is included in either the press release or statistical supplement, which are posted on our website. The reconciliation of accident year loss ratio and combined ratio excluding catastrophes to the nearest GAAP measure, total loss ratio and combined ratio, is found on pages 10 and 11 of the statistical supplement. After-tax segment income EPS (sometimes referred to as “after-tax segment income per share” or “after-tax operating earnings 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. The definition of other financial measures and terms can be found in the Annual Report on pages 77-79.

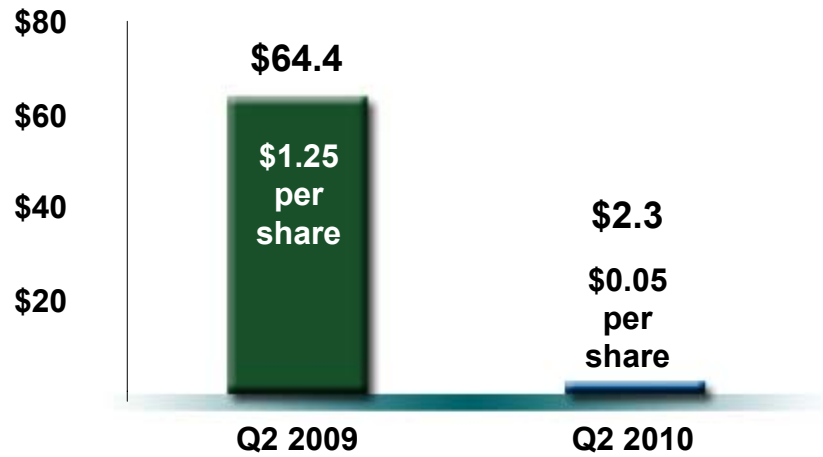


THG Second Quarter Earnings

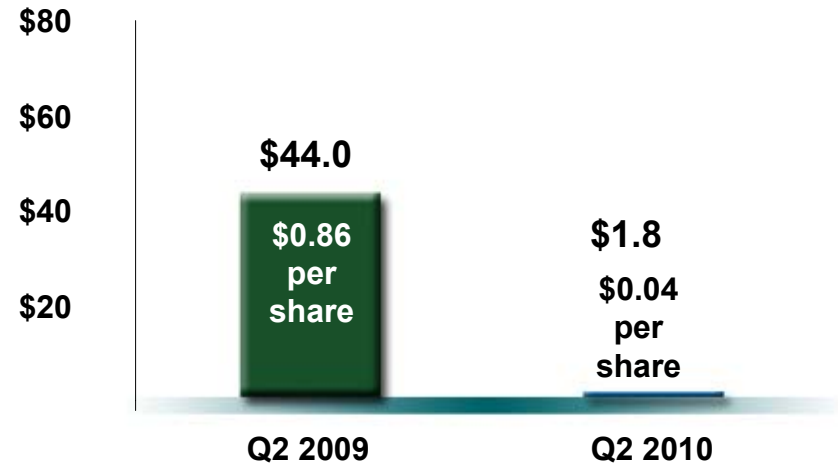
**Opening Remarks by
Fred Eppinger**

Second Quarter 2010 Results

QTR Net Income
(\$ in millions, except per share)

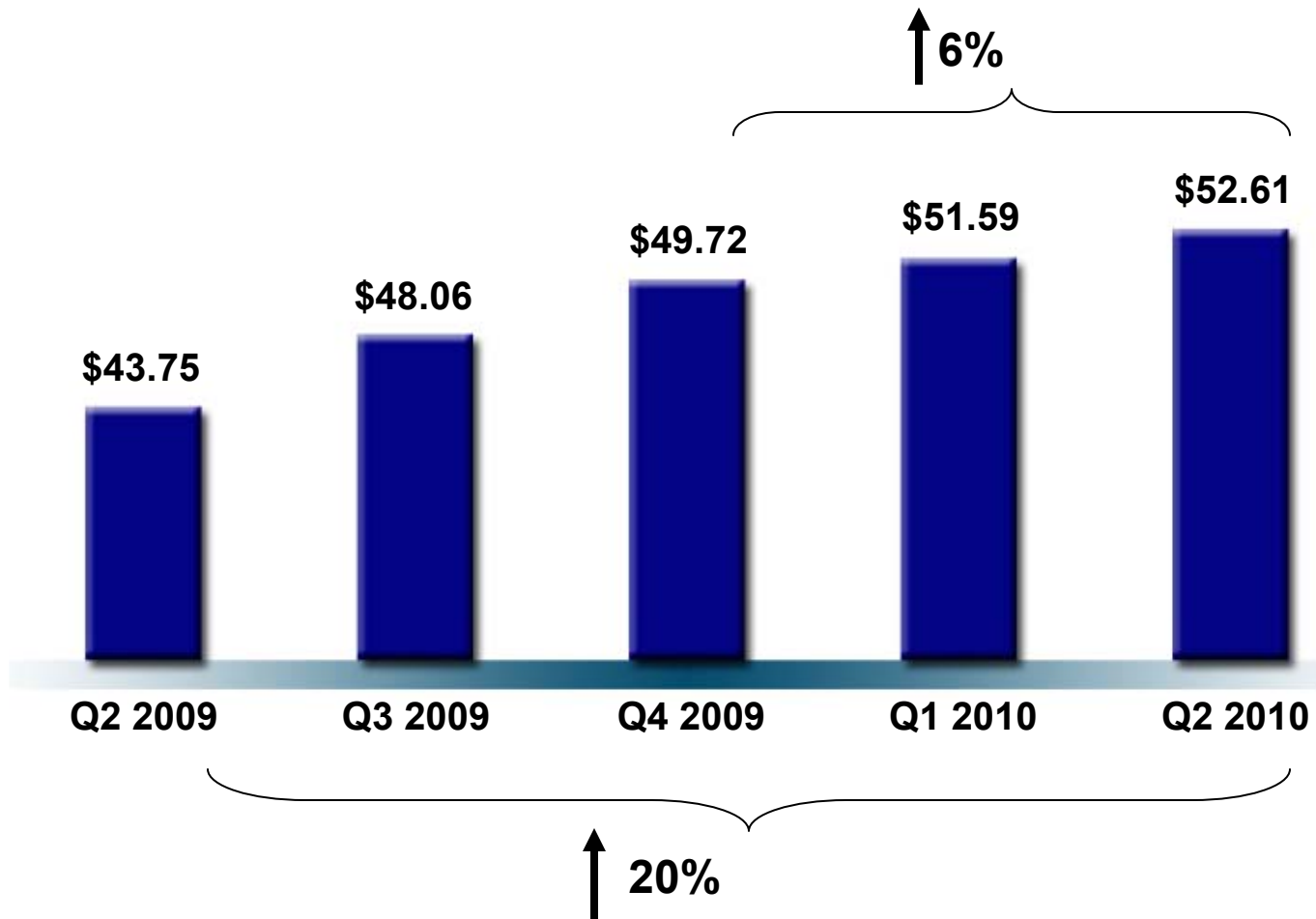


QTR After Tax Segment Income⁽¹⁾
(\$ in millions, except per share)



⁽¹⁾ Non-GAAP Financial Measure

Book Value Per Share Growth



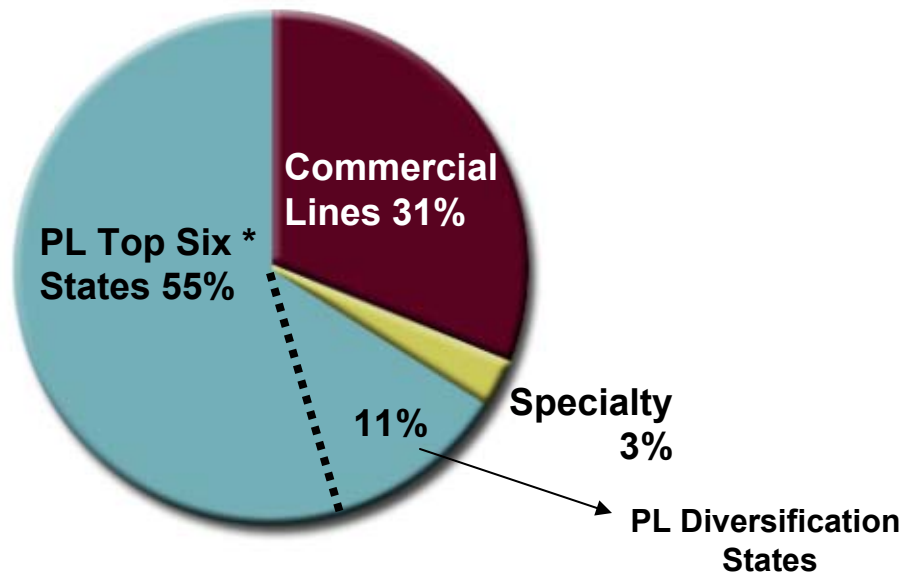


THG Second Quarter Earnings

P&C Underwriting Highlights
by Marita Zuraitis

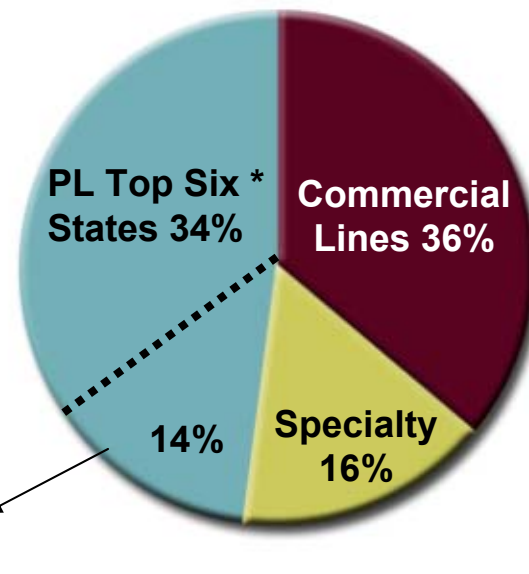
We Have Significantly Improved Our Geographic and Product Mix

2004



Total NWP: \$2.2B

Six months 2010



Total NWP YTD: \$1.5B

<u>Recent Growth**</u>	
PL Diversification States.....	12%
CL Specialty Growth	95%
PL Total.....	0%
CL Total.....	47%

*MI, MA, NY, NJ, FL, LA

** NWP growth from first half of 2008 to first half of 2010

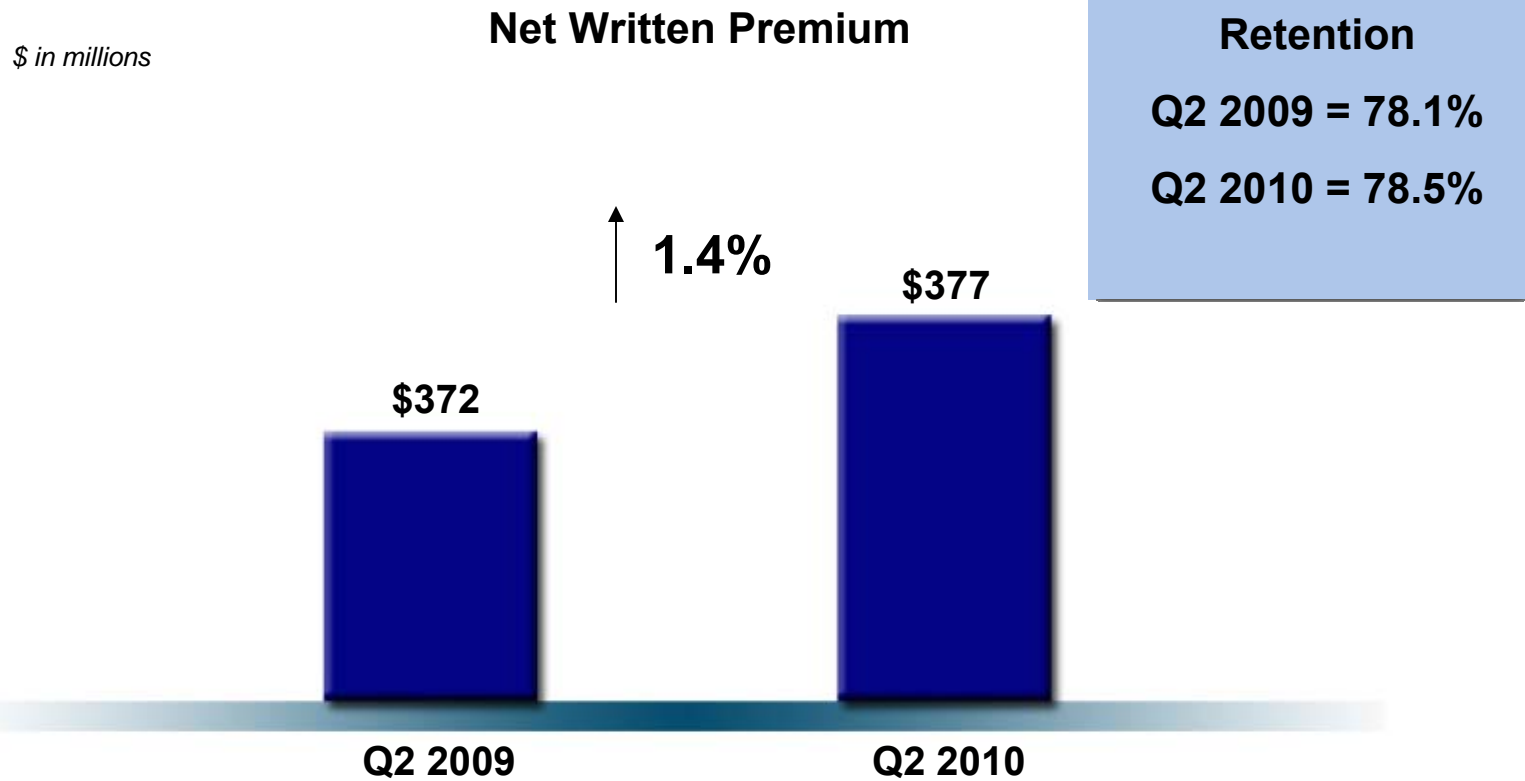
PL Second Quarter Operating Highlights

	<u>Q2 2010</u>	<u>Q2 2009</u>	<u>Change</u>
Pre-Tax Segment Income ⁽¹⁾	\$ (4)M	\$ 26 M	\$ (30) M
Catastrophe Impact	59 M	22 M	37 M
Adjusted Ex-Cat Segment Income ⁽¹⁾	<u>\$ 55 M</u>	<u>\$ 48 M</u>	<u>\$ 7 M</u>

- **Higher ex-catastrophe accident year loss margins** **\$ 12M**
 - **Lower underwriting expenses** **\$ 4M**
 - **Lower favorable loss and LAE development** **\$ (8)M**
 - **Lower net investment income and other** **\$ (1)M**
-
- \$ 7M**

⁽¹⁾ Non-GAAP financial measure

PL Growth Trends



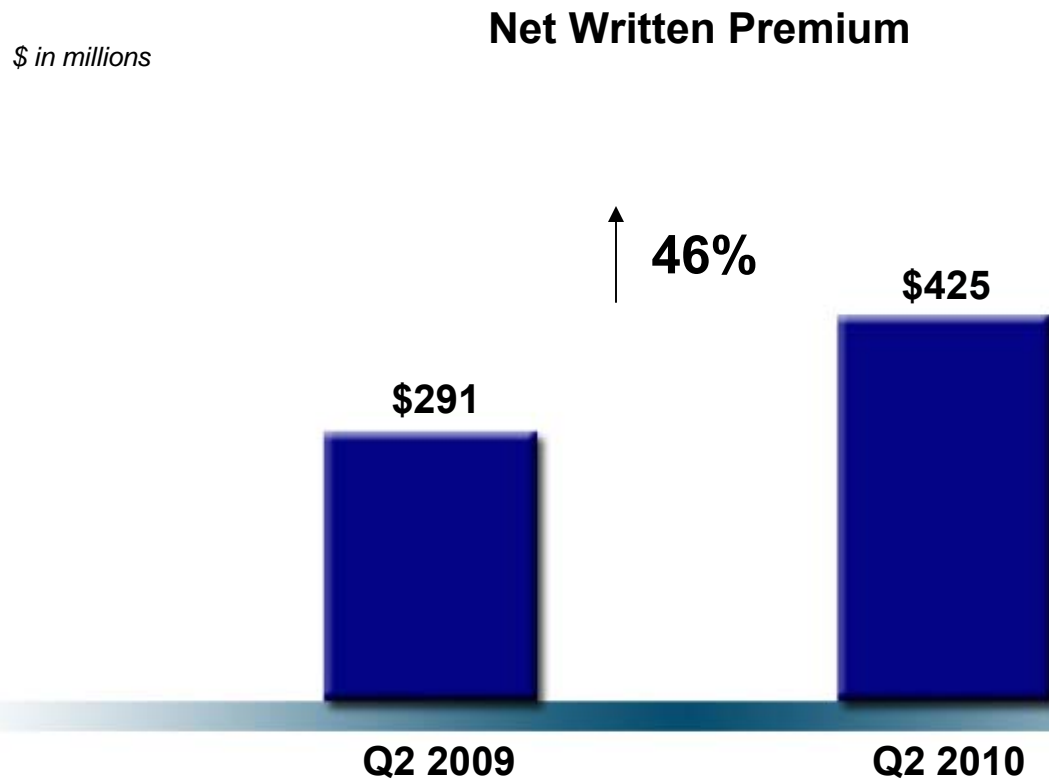
CL Second Quarter Operating Highlights

	<u>Q2 2010</u>	<u>Q2 2009</u>	<u>Change</u>
Pre-Tax Segment Income ⁽¹⁾	\$ 17 M	\$ 51 M	\$ (34) M
Catastrophe Impact	26 M	8 M	18 M
Adjusted Ex-Cat Segment Income ⁽¹⁾	<u>\$ 43 M</u>	<u>\$ 59 M</u>	<u>\$ (16) M</u>

- **Lower favorable loss and LAE development** **\$ (12)M**
 - **Higher underwriting expenses** **\$ (7)M**
 - **Higher net investment income and other** **\$ 3M**
-
- \$ (16)M**

⁽¹⁾ Non-GAAP financial measure

CL Growth Trends





THG Second Quarter Earnings

**Financial Review by
Steve Bensinger**

Second Quarter Segment Income

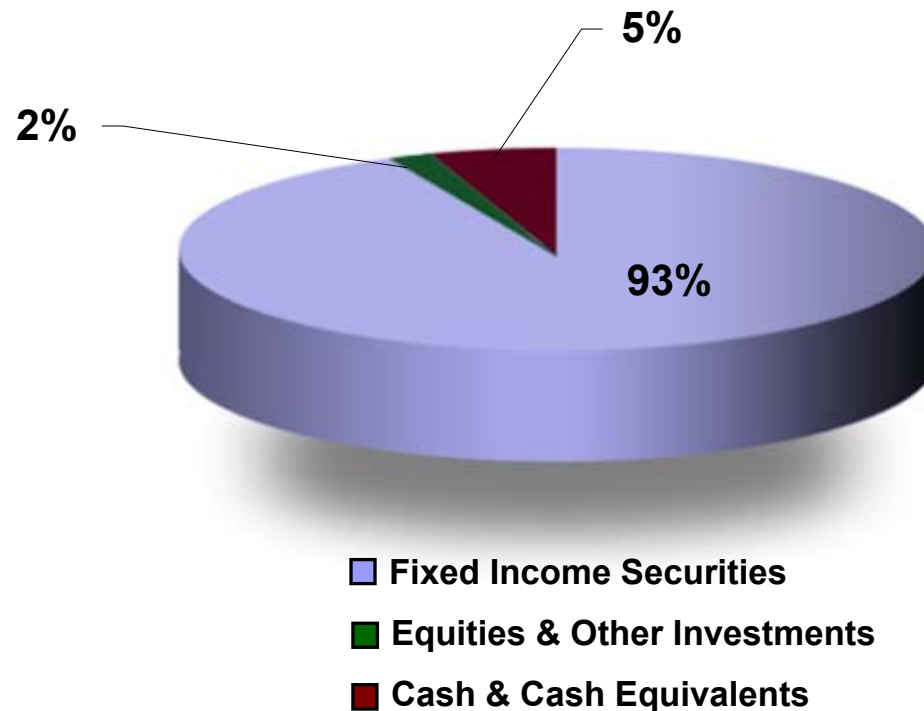
(In millions)	2010 Q2 2010	2010 Q1 2010	2009 Q2 2009
Property and Casualty ⁽¹⁾			
GAAP underwriting (loss) income	\$ (46.6)	\$ (1.8)	\$ 18.2
Net Investment Income	61.8	61.1	61.1
Other, net	(0.6)	(1.6)	(3.0)
Total Property and Casualty ⁽¹⁾	14.6	57.7	76.3
Interest expense on debt	(11.7)	(9.3)	(10.5)
Total federal income tax expense on segment income	(1.1)	(16.4)	(21.8)
Total segment income after taxes ⁽¹⁾	\$ 1.8	\$ 32.0	\$ 44.0
GAAP combined ratio	106.1%	99.7%	96.4%
Catastrophe loss ratio	12.2%	5.2%	4.8%
Loss development ratio	-3.3%	-3.5%	-5.8%
Ex-cat accident year combined ratio ⁽²⁾	97.2%	98.0%	97.4%

(1) Property and Casualty and Total Segment income after tax, are non-GAAP financial measures. The reconciliation to the closest GAAP measure, Income from Continuing Operations, can be found on the last page of the earnings press release dated August, 4, 2010.

(2) Non-GAAP financial measure, the closest GAAP measure in Combined ratio.

THG Asset Mix

% of market value



Investment Portfolio Holdings \$5.3B⁽¹⁾ Market Value

As of 6/30/2010

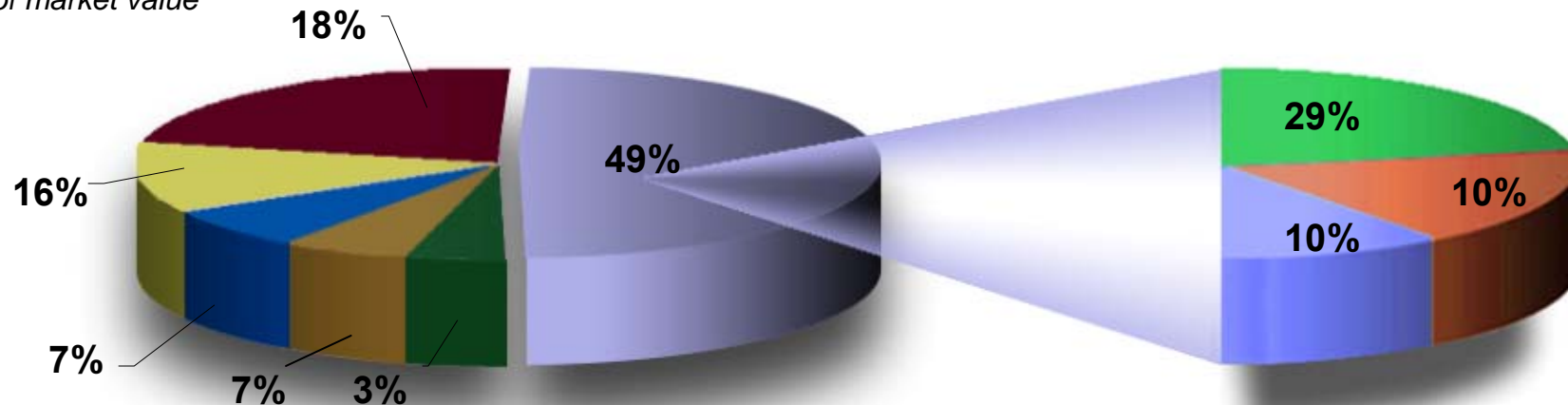
(1) This information and investment information presented later in this presentation includes assets of the discontinued accident and health business

Fixed Income Sector Breakdown

\$4.9 Billion Market Value
As of 6/30/2010

Corporates \$2.4 Billion

% of market value



- Corporates
 Municipals (Tax-exempt)
 CMBS
 Industrials
 Financials
 Utilities
- U.S. Govt/Agencies
 Municipals (Taxable)
 MBS/ABS

Fixed Income Characteristics:

93% of fixed income securities are investment grade

Weighted average quality A+

Duration: 4.2 years

Corporate Holding Characteristics:

86% Investment Grade

Duration 4.3 years

CMBS Portfolio

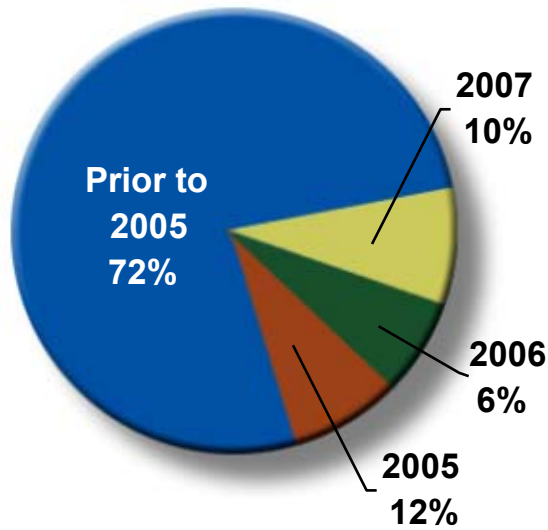
% of market value

\$357.2 million
as of 6/30/2010

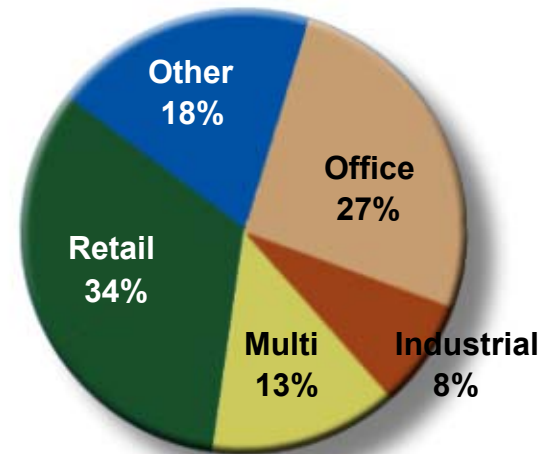
Rating:
AAA – 75%
AA – 11%
A – 14%

Weighted average
LTV: 73%

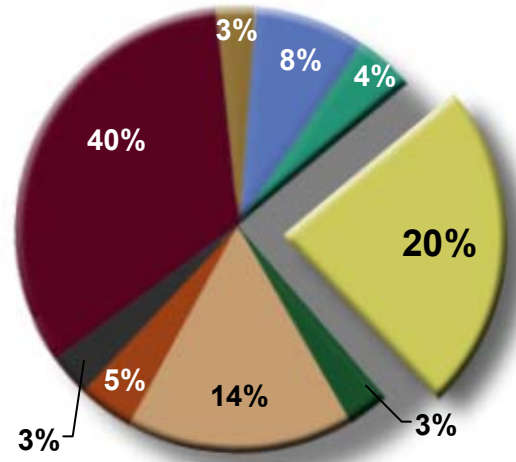
Vintage



Property Type



Geography



■ Defeased ■ NJ ■ CA ■ TX ■ IL ■ Other ■ NC ■ NY ■ FL

Net Unrealized Position

(\$ in millions)

Investment Type	Wtd Avg Quality	Book Value	Market Value	Net Unrealized @ 6/30/2010	Net Unrealized @ 12/31/2009	Δ in Net Unrealized
Corporate:						
NAIC 1	A	\$ 854.9	\$ 917.3	\$ 62.4	\$ 32.3	\$ 30.1
NAIC 2	BBB	1,055.5	1,132.6	77.1	48.5	28.6
NAIC 3 and Below	B+	325.5	330.1	4.6	3.9	0.7
	BBB+	2,235.9	2,380.0	144.1	84.7	59.4
MBS / CMBS / ABS:						
MBS	AA+	775.8	812.7	36.9	15.6	21.3
CMBS	AA+	346.5	357.2	10.7	2.7	8.0
ABS	A+	72.8	77.1	4.3	2.5	1.8
Municipals:						
Taxable	AA	752.8	767.8	15.0	(16.6)	31.6
Tax Exempt	A+	158.1	162.6	4.5	4.1	0.4
U.S. Government						
	AAA	327.8	336.4	8.6	(0.5)	9.1
Total Fixed Maturities	A+	4,669.7	4,893.8	224.1	92.5	131.6
Equities		44.6	51.3	6.7	11.9	(5.2)
Mortgage loans and other long-term investments		43.6	45.1	1.5	2.0	(0.5)
Total		\$ 4,757.9	\$ 4,990.2	\$ 232.3	\$ 106.4	\$ 125.9

THG Balance Sheet Strength

<i>(In millions, except per share data)</i>	June 30 2010	March 31 2010
Total shareholders' equity	\$2,352	\$2,302
Total book value per share	\$52.61	\$51.59
Debt/total capital	21.2%	21.5%
THG holding company cash and investments	\$350	\$348
Statutory surplus	\$1,752	\$1,747
Property and casualty premium to surplus ratio	1.6:1	1.6:1

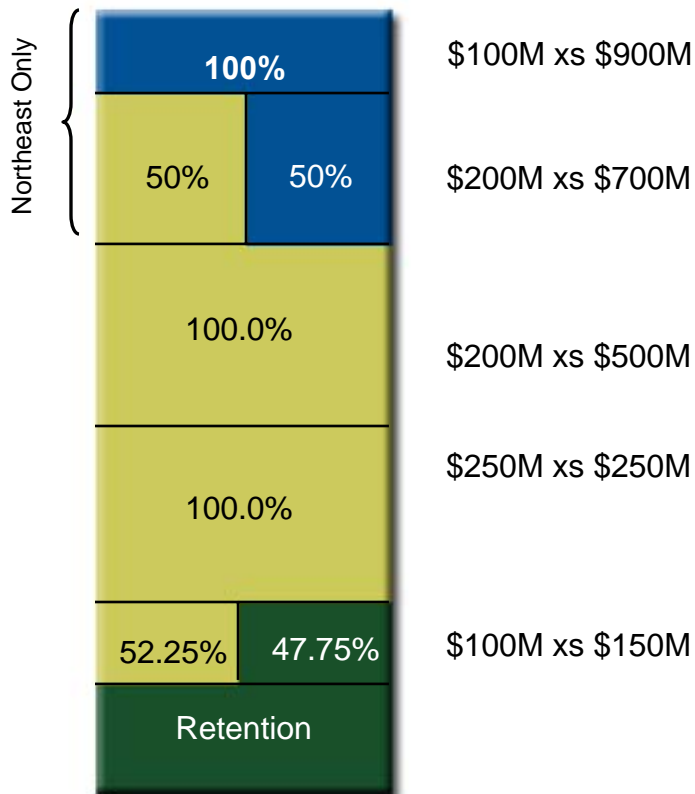
Positive Ratings Momentum


	2003 FSR	Current FSR	Current Senior Debt Ratings	Date of Most Recent Upgrade/Outlook Change
A.M. Best	B++	A	bbb	May 2009 - Upgrade
Moody's	Baa2	A3	Baa3	January 2008 - Upgrade
S&P	BBB+	A-	BBB-	May 2010 - Positive Outlook
Fitch	NA	A-	BBB-	January 2009 - Initiated Rating


- Over the span of 18 months in 2008 and 2009, upgraded by A.M. Best, S&P and Moody's
- S&P changed the outlook to positive on May 25, 2010, despite the overall negative industry outlook and soft market cycle

July 1, 2010 Reinsurance Renewals

Current Catastrophe Reinsurance Cover



 New \$200M additional purchased at July 1, 2010

 Purchased at Jan 1, 2010

- Top layers of the property catastrophe treaty (Northeast only) – bought additional \$200 million limit:
 - Filled in the expiring top layer, so we now have no co-participation
 - Bought an additional \$100 million, extending the overall cat reinsurance tower to \$1 billion
- Property Per Risk Treaty - renewed same structure as expiring
- Surety/Fidelity bond reinsurance - renewed same structure as expiring

Questions