

The Hanover Insurance Group, Inc.

Third Quarter 2015 Results

October 28, 2015

**To be read in conjunction with the press release dated
October 28, 2015 and conference call scheduled for October 29, 2015**

Forward-Looking Statements and Non-GAAP Financial Measures

Forward-Looking Statements: 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,” “forecasts,” “outlook,” “should,” “plan,” “confident,” “guidance,” “on track or target to,” “promise,” “line of sight,” “will,” “on the right path to” and similar expressions are intended to identify forward-looking statements. In particular, this presentation and related earnings call include or may include forward-looking statements with respect to the ability to achieve financial goals and generate strong earnings, profitable growth and target returns, deliver value to shareholders, long-term success, continued momentum, ability to succeed, future profitability, ability to leverage commercial lines account size and agency strategy to hold rates, commercial lines expense ratio improvement, Specialty business development opportunities, success of strategic initiatives and planned state expansion in Personal Lines, ability to gain market share, potential impact of macroeconomic trends on auto frequency, pricing and retention trends (including whether pricing will exceed loss costs); the potential impact of capital actions and business investments; future margin improvement; the ability to manage the challenging market conditions related to Chaucer’s business; strategic direction; ability to continue earnings growth and improvement through 2016, increased income from “higher yielding assets,” ability to deliver on promises through agency distribution, product offerings, leadership and employees; transition of new CEO and CFO, financial results and earnings guidance for the full year 2015, are all forward-looking statements.

The company cautions investors that neither historical results and trends nor forward-looking statements are guarantees of or necessarily indicate future performance, and actual results could differ materially. Investors are directed to consider the risks and uncertainties in our business that may affect future performance and that are discussed in readily available documents, including the company’s earnings press release dated October 28, 2015 and the Annual Report, Form 10-Q and other documents filed by The Hanover with the Securities and Exchange Commission, which are available at www.hanover.com under “Investors.” We assume no obligation to update this presentation, which, unless otherwise noted, as of September 30, 2015.

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

Non-GAAP Measures: 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 operating income, operating income before taxes, combined ratios and loss ratios, excluding catastrophes and/or development and accident year loss ratios, excluding catastrophes and book value per share excluding net unrealized gains and losses. A reconciliation of non-GAAP measures to the closest GAAP measure is included in either the press release dated October 28, 2015 or financial 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 7, 10, 13 and 16 of the financial supplement. Operating income (operating income per diluted share) is a non-GAAP measure. It is defined as net income excluding the after-tax impact of net realized investment gains (losses), as well as results from discontinued operations divided by, in the case of per share reported figures, the average number of diluted shares of common stock. Book value per share, excluding net unrealized gains and losses, is calculated as total shareholders’ equity excluding the after-tax effect of unrealized investment gains and losses, divided by the number of common shares outstanding. The definition of other financial measures and terms can be found in the 2014 Annual Report on pages 78-80.

Financial Priorities

Earnings Stability

- Geographic diversification
 - Macro level
 - Micro level
- Balanced portfolio
 - Property/casualty
 - Diversified mix



Margin Expansion

- Business mix improvement
- Rate above loss cost trends
- Expense leverage through growth and operating efficiencies



Targeted Growth

- Growth in domestic businesses through increased rate and improved retention
- Prudently managing through the cycle at Chaucer
- Agency and broker penetration
- Continued investment in product development



Target ROE

- Improved underwriting performance
- Efficiency from growth and scale
- Growth in net investment income
- Effective capital management

We have a strong market position and multiple earnings improvement levers to drive top quartile returns

Third Quarter 2015 Highlights

We reported third quarter net income of \$1.74 per diluted share; operating earnings per diluted share⁽¹⁾ of \$1.61, up 51.9% from the prior-year quarter, translating into an operating ROE of 10.8%.

- Combined ratio of 94.9%; combined ratio excluding catastrophes⁽¹⁾ of 90.9%
- Net premiums written of \$1.2 billion; excluding the effect of exiting the U.K. motor business, net premiums written were up 2.8%, led by growth in Commercial Lines of 7.1%
- Continued price increases in Commercial and Personal Lines
- Net investment income of \$68.3 million, up 1.2% from the prior-year quarter
- Book value per share of \$66.55, up 0.4% from June 30, 2015, and up 2.6% from December 31, 2014
- Repurchased approximately 783,000 shares of common stock for \$61.8 million during the third quarter
- The company's board of directors authorized a \$300 million increase to its existing common stock repurchase program

Strong Consolidated Financial Results

Three Months Ended

Nine Months Ended

(\$ in millions, except per share amounts)

Operating Income after taxes per share

Net Income per share

Book value per share

Shareholders' equity

Debt

Total capital

Debt/total capital

Total assets

Average equity, excluding net unrealized appreciation (depreciation) on investments and derivatives, net of tax

Operating income after tax

Operating return on equity

	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	September 30, 2014 2015	
Operating Income after taxes per share	\$1.06	\$1.77	\$1.27	\$1.56	\$1.61	\$3.41	\$4.43
Net Income per share	\$1.22	\$2.00	\$1.22	\$2.68	\$1.74	\$4.28	\$5.64
Book value per share	\$63.37	\$64.85	\$65.92	\$66.28	\$66.55	\$63.37	\$66.55
Shareholders' equity	\$2,772	\$2,844	\$2,900	\$2,909	\$2,878	\$2,772	\$2,878
Debt	\$903	\$904	\$841	\$835	\$812	\$903	\$812
Total capital	\$3,675	\$3,748	\$3,741	\$3,744	\$3,690	\$3,675	\$3,690
Debt/total capital	24.6%	24.1%	22.5%	22.3%	22.0%	24.6%	22.0%
Total assets	\$13,960	\$13,760	\$13,926	\$14,145	14,041	\$13,960	\$14,041
Average equity, excluding net unrealized appreciation (depreciation) on investments and derivatives, net of tax	\$2,465	\$2,511	\$2,558	\$2,624	\$2,678	\$2,407	\$2,611
Operating income after tax	\$48	\$80	\$57	\$70	\$72	\$153	\$200
Operating return on equity	7.7%	12.7%	8.9%	10.7%	10.8%	8.5%	10.2%

Improved Underwriting Performance

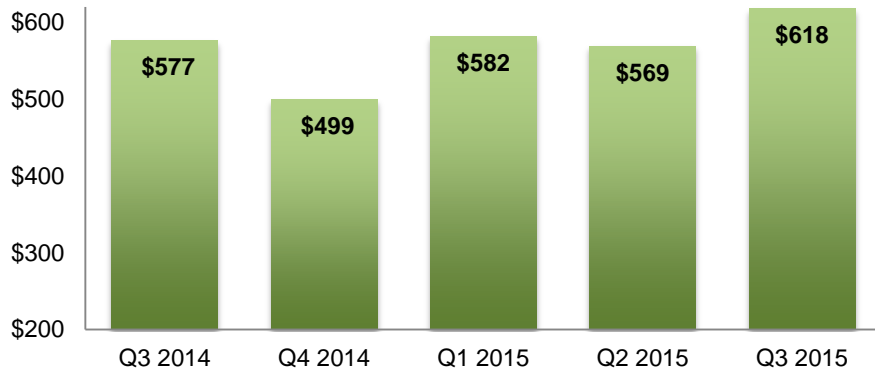
(\$ in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2015	2014	2015
Premiums:				
Net Written	\$1,244.8	\$1,199.6	\$3,693.3	\$3,708.1 ⁽²⁾
<i>Change</i>	5.3%	(3.6)%	5.5%	0.4%
Net Earned	\$1,184.0	\$1,150.1	\$3,521.7	\$3,566.9
<i>Change</i>	5.3%	(2.9)%	6.4%	1.3%
Loss and LAE ratio:				
Current accident year, ex-cat	58.2%	58.0%	59.6%	59.7%
Prior year favorable reserve development	(1.8%)	(1.9)%	(2.0%)	(2.1)%
Catastrophe losses	7.4%	4.0%	5.7%	4.3%
Loss and LAE ratio	63.8%	60.1%	63.3%	61.9%
Expense ratio	34.4%	34.8%	34.4%	34.0%
Combined ratio	98.2%	94.9%	97.7%	95.9%
Combined ratio, ex-cat	90.8%	90.9%	92.0%	91.6%
Accident year combined ratio, ex-cat	92.6%	92.8%	94.0%	93.7%
Underwriting income	\$18.0	\$54.9	\$69.1	\$135.6
Catastrophe losses	88.1	45.8	201.7	154.6
Ex-cat, underwriting income	<u>\$106.1</u>	<u>\$100.7</u>	<u>\$270.8</u>	<u>\$290.2</u>

(2) Net premiums written do not reflect the June 30, 2015 transfer of \$137.4 million of unearned premium reserves previously written by the U.K. motor business. This transfer of unearned premium reserves is part of the disposition of the U.K. motor business and has no impact on net premiums earned.

Commercial Lines Financial Highlights

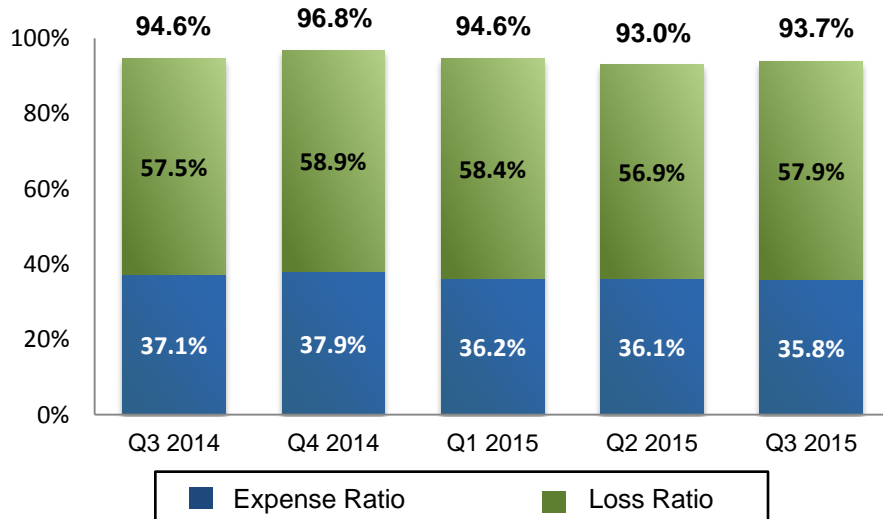
Net Premiums Written

(\$ in millions)

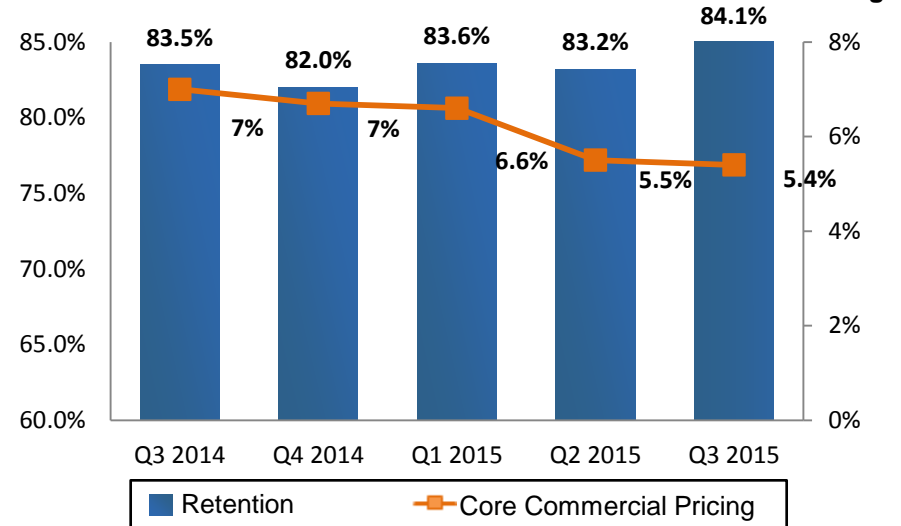


- Strong net premiums written growth of 7.1% compared to prior-year quarter, driven by growth in all segments.
- Core Commercial pricing held at 5.4% for the quarter, while retention was strong at 84.1%.
- New business remained on an upward trajectory as we continued to capitalize on opportunities within this business segment.
- Accident year combined ratio, excluding catastrophes, improved by approximately one point compared to prior-year quarter, driven by expense ratio improvement of 1.3 points due to growth leverage as well as favorable timing in recognizing certain expenses.

Accident Year Combined Ratio, Ex-Cat



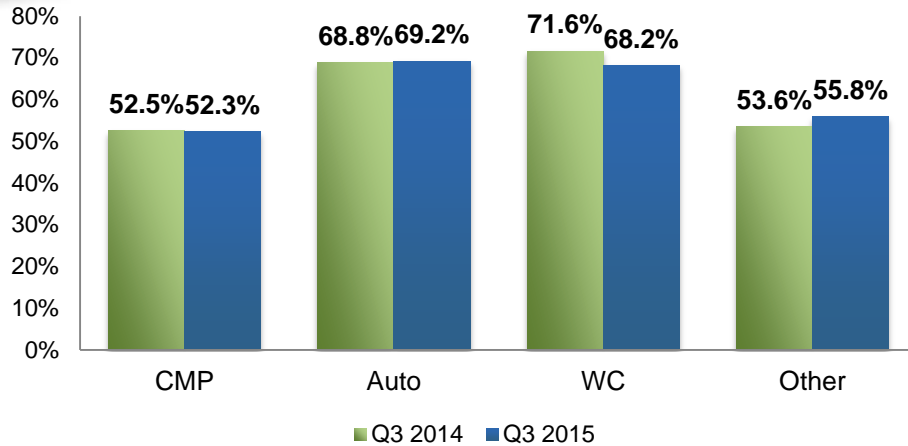
Retention



Pricing

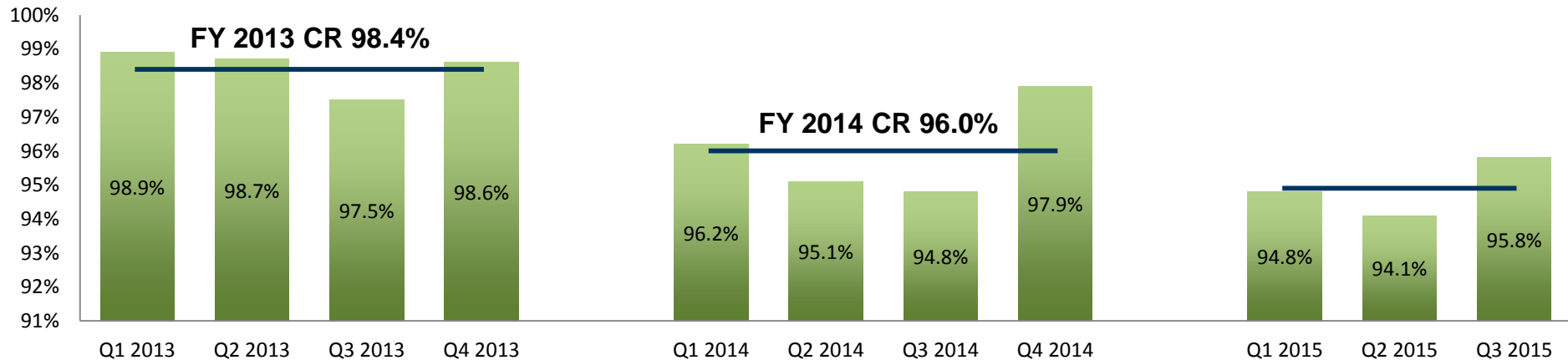
Commercial Lines Profitability Continues to Improve

Accident Year Loss Ratio, Ex-Cat



- Accident year loss ratio improved in most lines, driven by continued efforts in both rate and business mix management.
- Other Commercial Lines loss ratio increased approximately 2 points compared to prior-year quarter, due to some property volatility, in otherwise profitable lines of business.
- Combined ratio, excluding catastrophes, increased one point compared to the prior-year quarter, driven by unfavorable loss development in commercial auto and CMP lines.

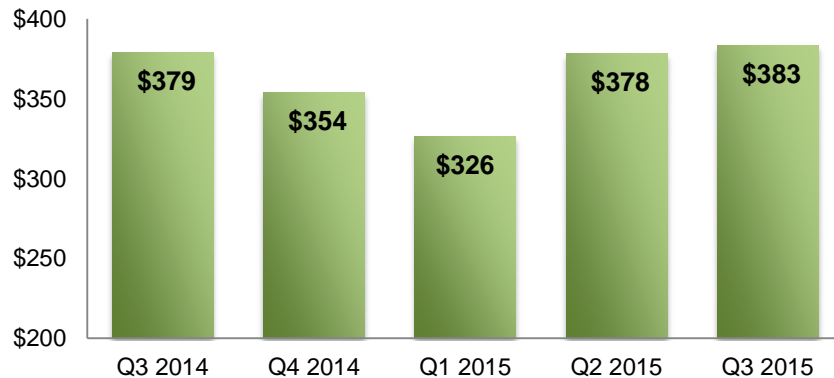
Calendar Year Combined Ratio (CR), Ex-Cat



Personal Lines Financial Highlights

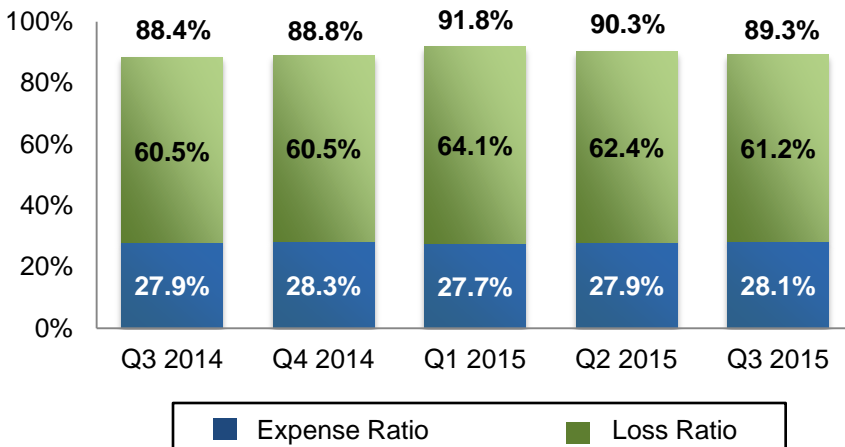
Net Premiums Written

(\$ in millions)



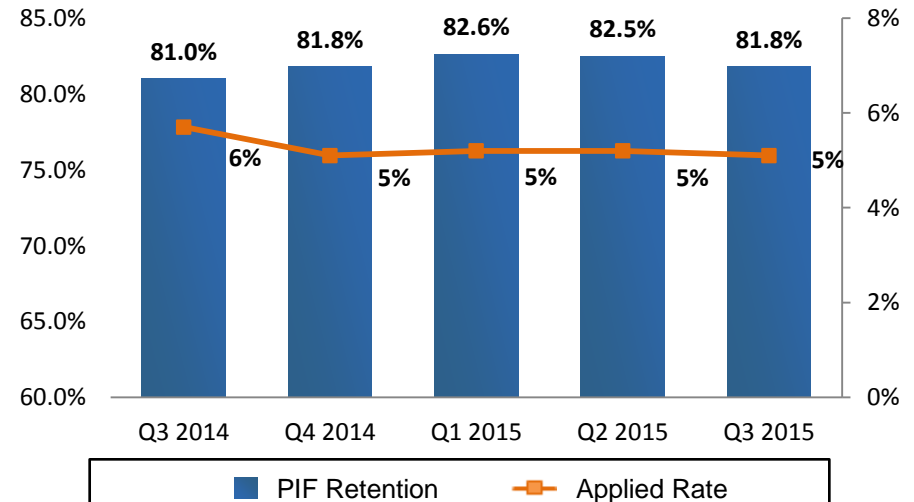
- Net premiums written grew 1.1%, compared to prior-year quarter.
- Rates held at 5% in both home and auto. Retention improved by approximately one point, compared to prior-year quarter. Continued to leverage our Platinum product and agency engagement programs to further penetrate the market in the bundled account sector.
- Account business represents 80% of policies in force, helping to drive a strong business mix.
- Accident year combined ratio, excluding catastrophes, increased slightly compared to the prior year, due to some isolated large loss activity in homeowners.

Accident Year Combined Ratio, Ex-Cat



Retention

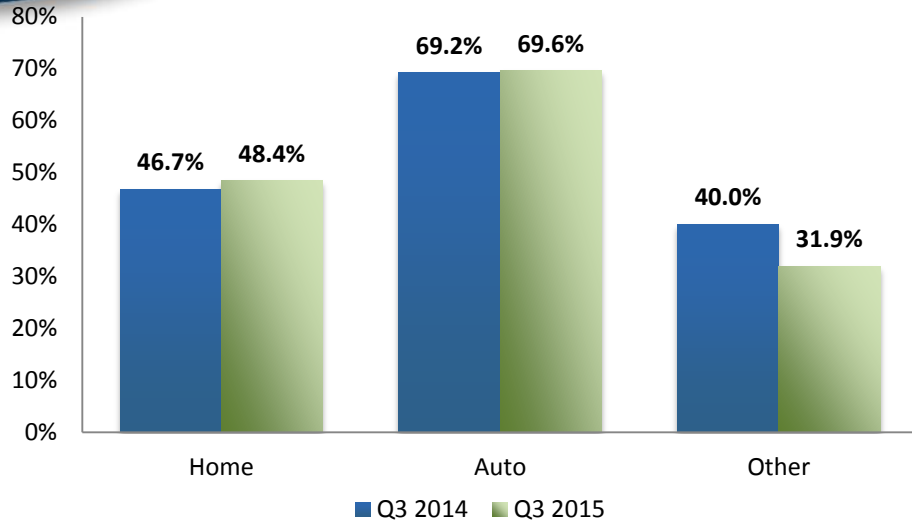
Applied Rate



*Retention is defined as ratio of net retained policies for noted period to those policies available to renew over the same period.

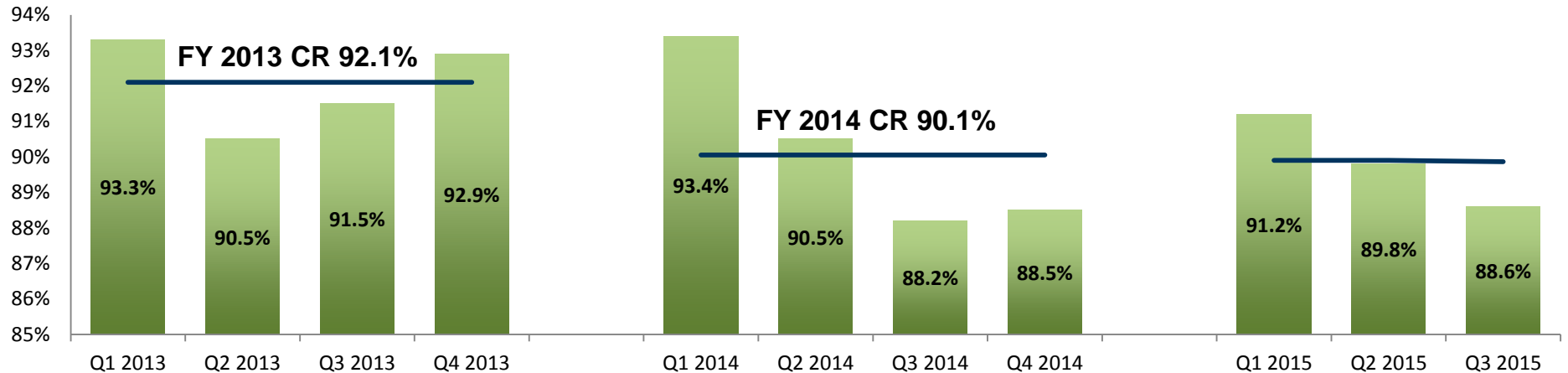
Personal Lines Profitability Continues to Improve

Accident Year Loss Ratio, Ex-Cat



- Accident year loss ratios were slightly elevated compared to the prior year quarter, driven by large losses in homeowner's line in the month of July.
- Combined ratio, excluding catastrophes, continued to show year-to-date improvement. The first nine months of 2015 demonstrated an approximate one point improvement compared to the same period last year, in line with expectations.

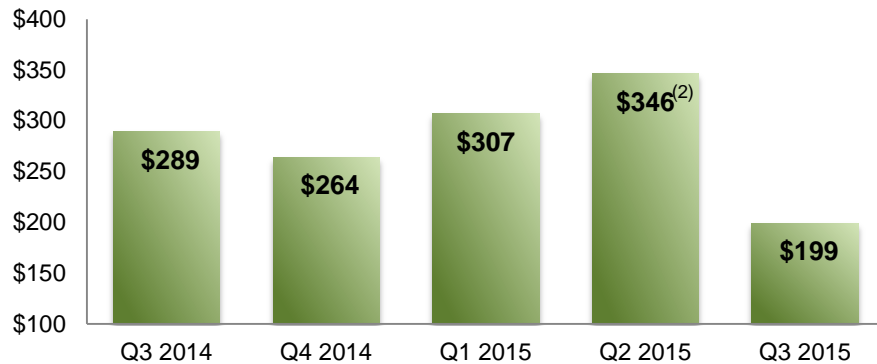
Calendar Year Combined Ratio (CR), Ex-Cat



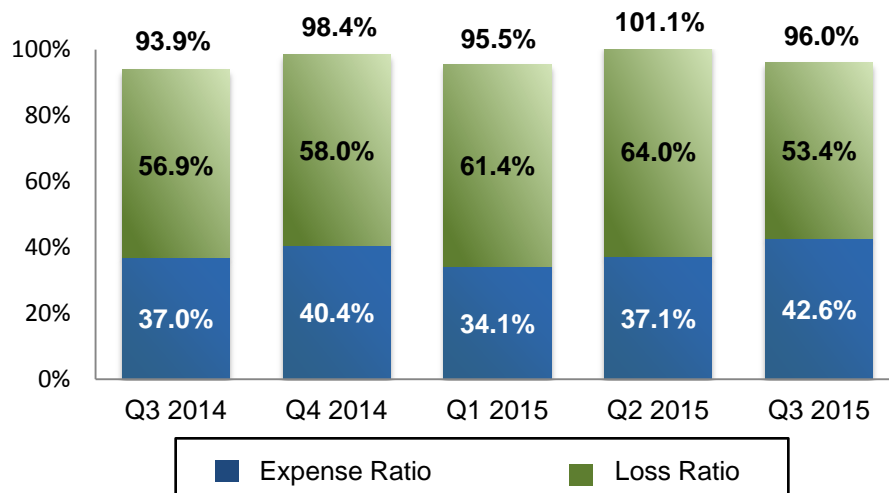
Chaucer Financial Highlights

Net Premiums Written

(\$ in millions)



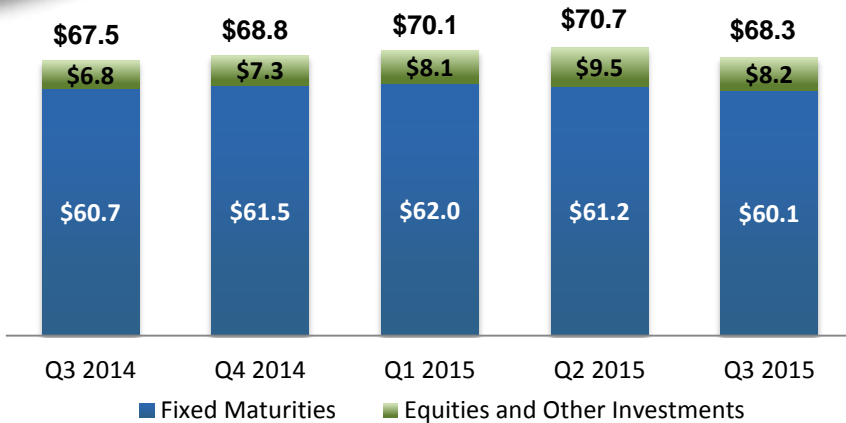
Accident Year Combined Ratio, Ex-Cat



- Net premiums written were down 4%, excluding the impact of foreign exchange translations and the transfer of the U.K. motor business.
- Strong underwriting performance with a combined ratio of 87%, despite continued competition in many lines of business.
- The exit from the U.K. motor business resulted in the increase in expense ratio and decrease in the loss ratio. Ex- U.K. motor, loss ratio increased compared to the third quarter 2015, due to higher loss experience in Energy.

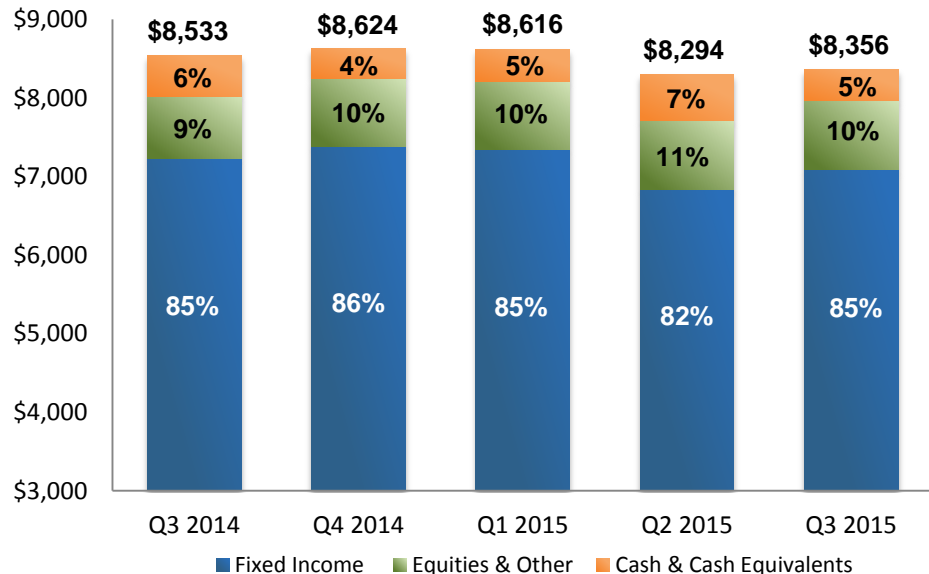
Net Investment Income Trends

(\$ in millions) **Net Investment Income***

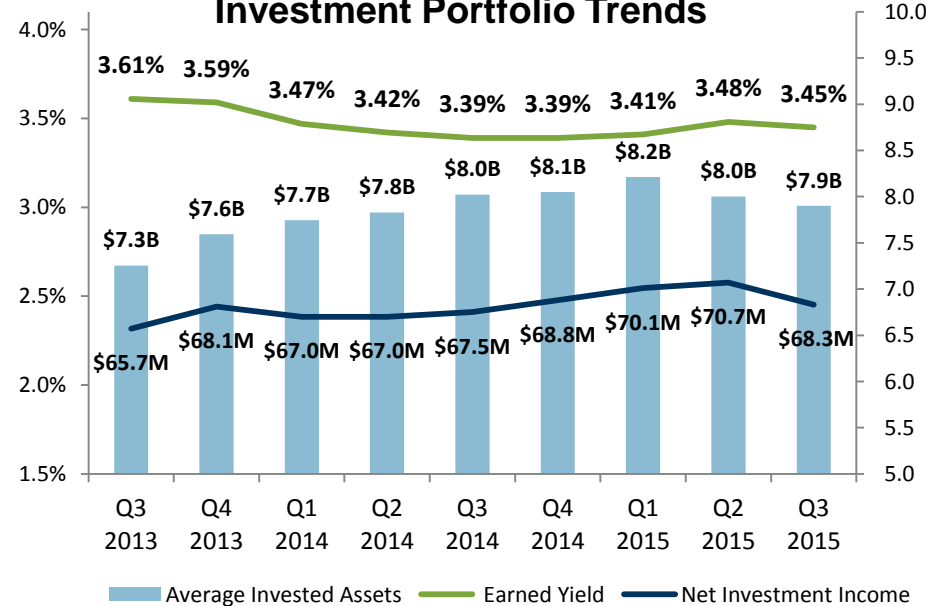


- Net investment income was \$68.3 million, an increase of \$0.8 million, or 1.2% compared to the prior-year quarter.
- Net investment income growth was achieved despite transferring \$385 million of the portfolio as a part of the U.K. motor exit in the second quarter 2015.
- The gradual shift in the investment portfolio towards higher yielding asset classes such as limited partnerships and commercial mortgage loan participations, helped to offset continuing fixed income yield pressures.

(\$ in millions) **Cash and Invested Assets**



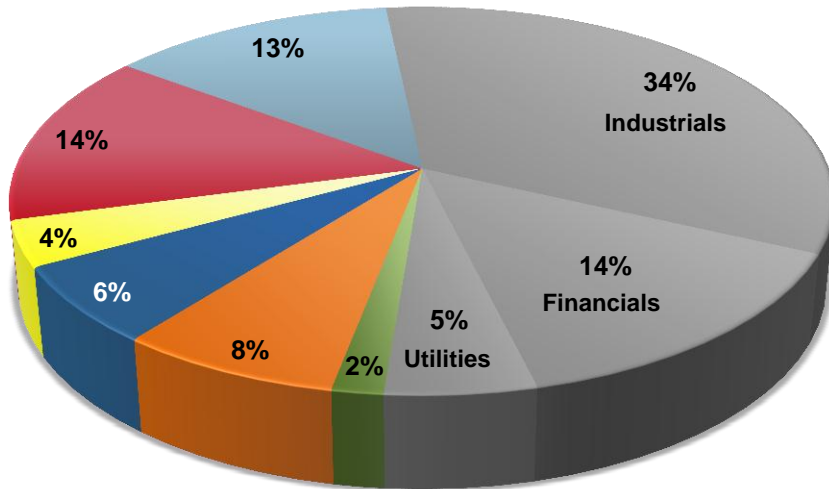
Investment Portfolio Trends



*Net Investment Income from fixed maturities is presented net of investment expenses

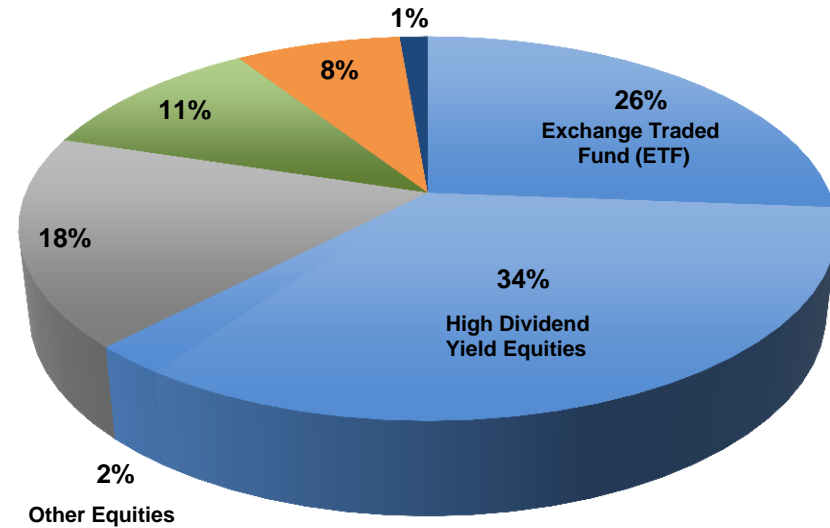
Portfolio Holdings Breakdown as of September 30, 2015

Fixed Income \$7.1 Billion



- Corporates
- Municipal (Tax-exempt)
- CMBS
- U.S. Gov't/Agencies
- Foreign Gov't
- Municipal (Taxable)
- RMBS/ABS

Equities & Other \$885.6 Million



- Equities
- Partnerships
- Other
- Commercial Mortgage and Other Loans
- Overseas Deposits

Fixed Income Characteristics:

- 94% of fixed income securities are investment grade
- Weighted average quality A+
- Duration: 4.2 years

About The Hanover

The Hanover Insurance Group, Inc., based in Worcester, Mass., is the holding company for several property and casualty insurance companies, which together constitute one of the largest insurance businesses in the United States. For more than 160 years, The Hanover has provided a wide range of property and casualty products and services to businesses, individuals, and families. The Hanover distributes its products through a select group of independent agents and brokers. Together with its agents, the company offers specialized coverages for small and mid-sized businesses, as well as insurance protection for homes, automobiles, and other personal items. Through its international member company, Chaucer, The Hanover also underwrites business at Lloyd's of London in several major insurance and reinsurance classes, including marine, casualty, property and energy. For more information, please visit hanover.com