



The Hanover Insurance Group, Inc.

Third Quarter 2011 Results

November 2, 2011

To be read in conjunction with the press release dated
November 2, 2011 and the conference call scheduled for November 3, 2011

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," "line of sight," "will" and similar expressions are intended to identify forward-looking statements. In particular, this presentation and related earnings call includes forward-looking statements with respect to 2012 segment income per share; trends compared to prior statements of expectations; improved market conditions; building momentum in Personal and Commercial Lines profitability improvement; the pricing environment and the company's ability to increase rates in domestic P&C and in Lloyd's businesses; the investment yield environment and the company's ability to minimize the impact; competitive position, including with respect to agents; net written premium growth and retention; new business growth; future prior year reserve development and reserve adequacy; GAAP and accident year loss ratios; expectation for large losses in Commercial Lines; expense ratio and expense improvements from improving scale; adequacy of capital to rating agency expectations; product margins, including with respect to specialty business; ability to realize on prior investments; expected contribution of operating results of Chaucer Holdings PLC ("Chaucer") to consolidated earnings, including expected segment earnings in the fourth quarter of 2011 and full year 2012, and Chaucer's earnings accretion; Chaucer's ability to contribute to the company's profitability; Chaucer's ability to benefit from improved international rate environment; net investment income and the effect of lower yields on future net investment income; product introductions; product- geographic- and account- based mix changes on future growth and profitability; and may also include forward looking statements on underwriting conditions, other potential benefits of the acquisition of Chaucer, capital levels, ratings, the number of shares outstanding, investment impairments and net investment income.

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 November 2, 2011 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, unless otherwise noted, speaks as of September 30, 2011.

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, including the surety line, 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, the risks that the company will not achieve the benefits from the Chaucer transaction and those inherent in Chaucer's business.

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 (loss), segment income (loss) after taxes, combined ratios 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 7, 10 and 13 of the statistical supplement. Segment income after-tax (segment income after tax per diluted 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 75-77.

2011 Third Quarter Highlights

Overall, the third quarter was characterized by numerous operating achievements and stable underlying results, which were overshadowed by high catastrophe and weather-related losses:

- Net loss of \$9.7 million, or \$0.21 per share; segment loss after tax* of \$18.5 million, or \$0.41 per share; catastrophe losses after tax of \$64.7 million, or \$1.43 per share
- Combined ratio of 106.8%; ex-catastrophe combined ratio of 97.0%*
- Completed the Chaucer acquisition on July 1st
- Chaucer segment income before interest and taxes* of \$19.9 million
- Net premiums written surpassed \$1 billion, 30.8% higher than the prior-year quarter driven by:
 - Commercial Lines growth of 5.6% driven by specialty offering
 - Addition of \$222.3 million in net premiums written from Chaucer
- Fourth consecutive quarter of accelerating rate increases in Commercial Lines
- Book value per share of \$54.98, up 0.4% from December 2010
- Repurchased 574,139 shares at an average price of \$34.83; Debt repurchases of \$29.5 million

* Non-GAAP measure. See slide 2.

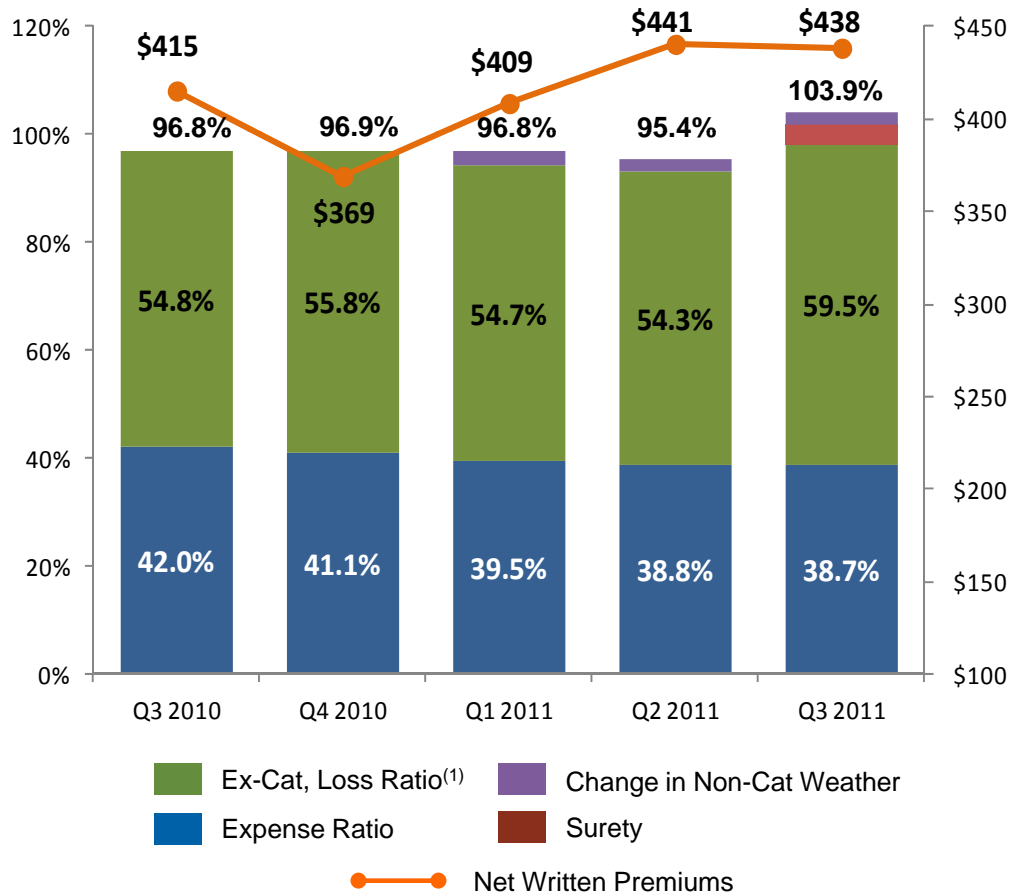
Underwriting Performance

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Loss and LAE ratio:				
Current accident year, ex-cat	65.2%	62.7%	63.9%	63.5%
Catastrophe losses	9.8%	3.3%	12.0%	6.9%
Prior year favorable development	(2.8%)	(3.6%)	(2.8%)	(4.2%)
Loss and LAE ratio	72.2%	62.4%	73.1%	66.2%
Expense ratio	34.6%	34.6%	33.9%	34.7%
Combined ratio	106.8%	97.0%	107.0%	100.9%
Combined ratio, ex-cat⁽¹⁾	97.0%	93.7%	95.0%	94.0%
Current accident year combined ratio, ex-cat⁽¹⁾	99.8%	97.3%	97.8%	98.2%
Underwriting income (loss)	\$ (73.5)	\$ 17.9	\$ (189.6)	\$ (30.5)
Catastrophes	99.6	24.1	306.0	143.5
Ex-cat, underwriting income⁽¹⁾	\$ 26.1	\$ 42.0	\$ 116.4	\$ 113.0
Ex-cat, ex-dev, underwriting income⁽¹⁾	\$ (2.7)	\$ 16.1	\$ 43.8	\$ 25.6

⁽¹⁾ Non-GAAP measure. See slide 2.

Commercial Lines Highlights

Net Written Premiums and Combined Ratio, Ex-Cat⁽¹⁾
(In millions)



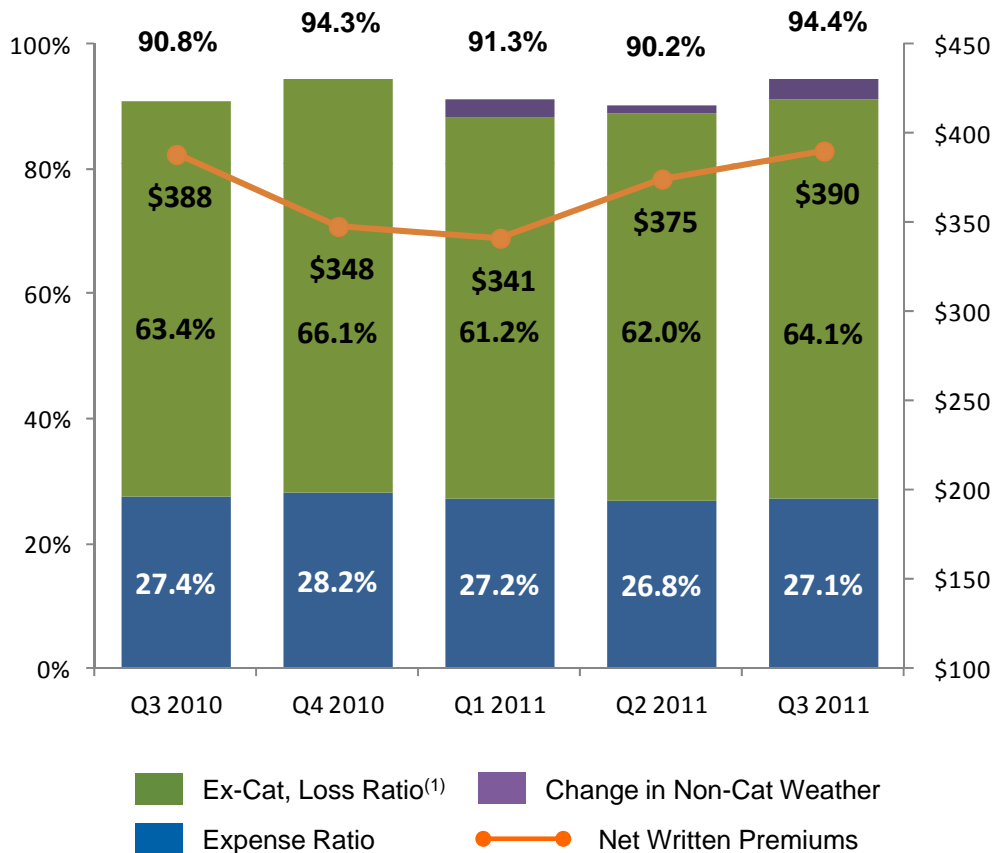
Financial Highlights

- Net written premium growth of 5.6%, primarily driven by specialty lines
- Pricing increases of approximately 3% in core commercial, fourth consecutive quarter of pricing increase
- Combined ratio of 113.6% includes 9.7 points of catastrophe losses
- Expense ratio improved by 3.3 points from Q3 2010, and is in line with Q2 2011
- Year-over-year increase in combined ratio, ex-cat, primarily driven by addition to surety reserves and non-cat weather

⁽¹⁾ Non-GAAP measure. See slide 2.

Personal Lines Highlights

Net Written Premiums and Combined Ratio, Ex-Cat⁽¹⁾
(In millions)



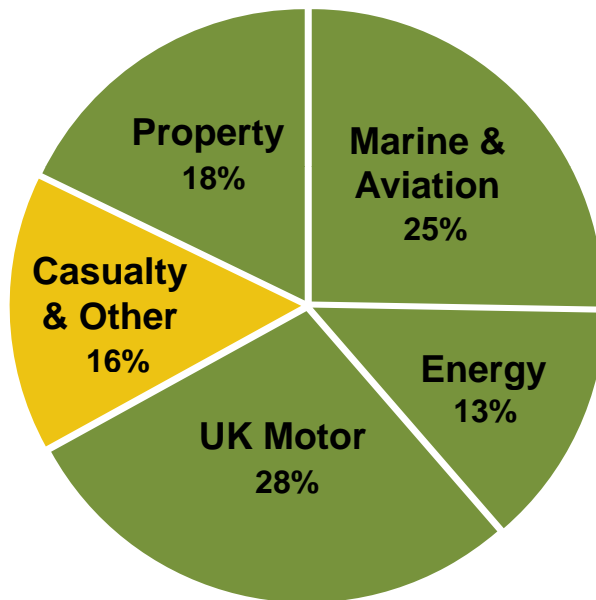
Financial Highlights

- Net written premium growth of 0.5%
 - Applied rate increases of 4.6% in auto and 6.2% in homeowners
- Retention improved 1.8 points from Q3 2010, driven by continued improvement in business line mix
- Year-over-year increase in the combined ratio, ex-cat, primarily driven by non-catastrophe weather losses

⁽¹⁾ Non-GAAP measure. See slide 2.

Chaucer Highlights

Net Written Premiums by Division



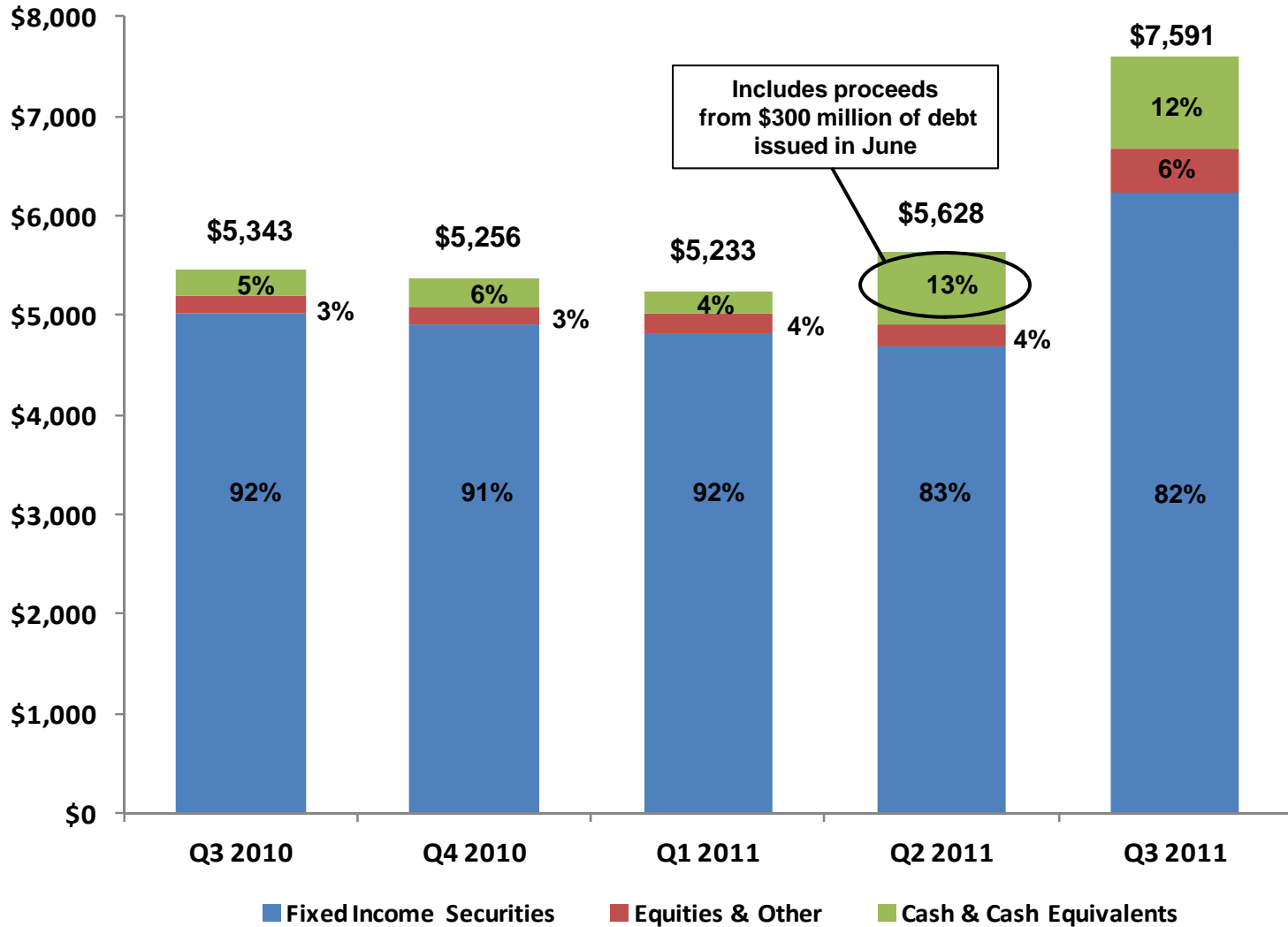
Financial Highlights

- Net written premiums \$222.3 million; net premium earned \$244.8 million
- 84% of the Chaucer portfolio is experiencing rate increases
- Underwriting profit of \$12.1 million, segment income before interest and taxes⁽¹⁾ of \$19.9 million
- Combined ratio of 95.1% included 5.6 points of catastrophes and 6.8 points of favorable development
- Major catastrophe losses in the third quarter 2011 included flash floods in Denmark and Hurricane Irene

⁽¹⁾ Non-GAAP measure. See slide 2.

Investment Portfolio

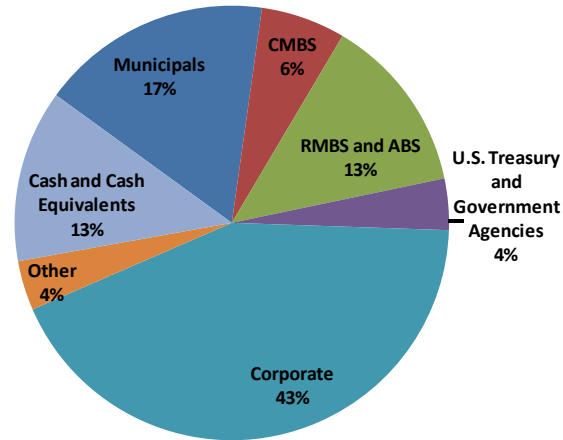
\$ in millions



Change in Portfolio Allocation

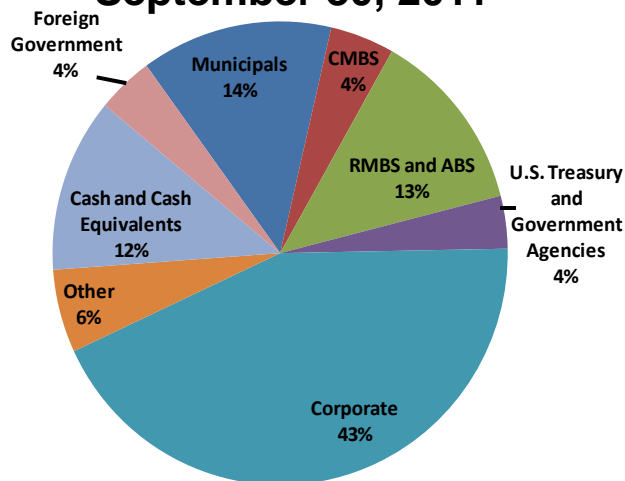
(June 30, 2011 vs. September 30, 2011)

June 30, 2011



Total Holdings: \$5.6 billion

September 30, 2011

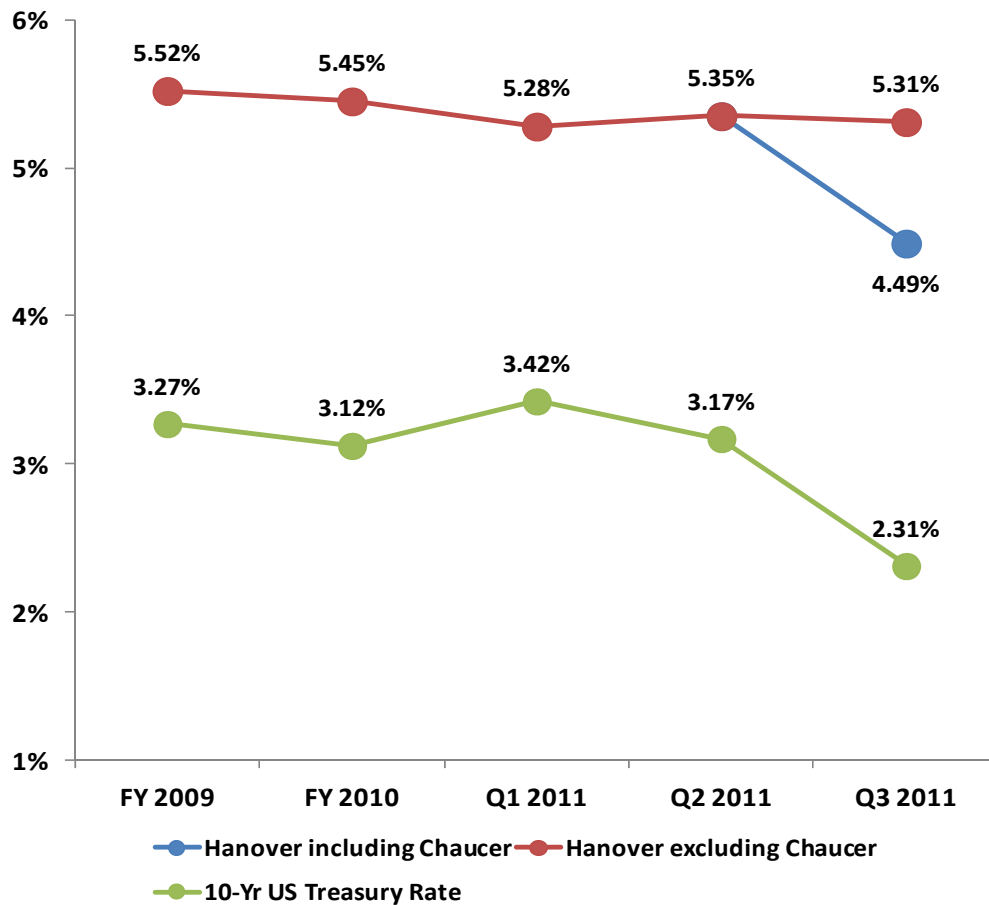


Total Holdings: \$7.6 billion

	June 30, 2011	September 30, 2011
Average Rating of Fixed Maturities	A+	A+
% of Fixed Maturities that are Investment Grade	93%	95%
Average Rating of Corporates	BBB+	A-
% of Corporates that are Investment Grade	86%	90%
Currency	100% USD	82% USD; 15% GBP; 3% Other
% in Corporates	43%	43%

Fixed Income Yields

Historical Earned Yields



- Hanover has a consistent history of strong yield
- Decline in Q3 2011 yield reflects addition of Chaucer's investment portfolio:

	Yield	Duration
Hanover	5.31%	4.4
Chaucer	2.00%	2.2
Consolidated	4.49%	3.9

- Hanover's standalone earned yield decreased 4 basis points from Q2 2011

Exposure to European Issuers

\$ in millions

Sovereign Debt

	Market Value	Book Value	% of Total Portfolio (\$7.6B)	Average Quality Rating
United Kingdom	\$126	\$126	1.7%	Aaa
Germany	16	16	0.2%	Aaa
France	8	8	0.1%	Aaa
Denmark	1	1	0.0%	Aaa
Total	\$151	\$151	2.0%	

Supranational and Foreign Agency

	Market Value	Book Value	% of Total Portfolio (\$7.6B)	Average Quality Rating
Supra-national	\$45	\$45	0.6%	Aaa
Germany	24	24	0.3%	Aaa
United Kingdom	17	17	0.2%	Aaa
Netherlands	17	17	0.2%	Aaa
France	6	6	0.1%	Aaa
Norway	8	8	0.1%	Aaa
Sweden	1	1	0.0%	A1
Total	\$118	\$118	1.5%	

European Bank Exposure

	Market Value	Book Value	% of Total Portfolio (\$7.6B)	Average Quality Rating
United Kingdom				
Term Deposits (UK)	\$301	\$306	4.0%	Aa1
Debt	50	51	0.7%	Aa3
Netherlands	33	33	0.4%	Aa1
Ireland	19	19	0.3%	A2
France	16	18	0.2%	Aa2
Sweden	12	12	0.2%	Aa2
Switzerland	14	15	0.2%	Aa2
Spain				
Term Deposits (Spain)	33	33	0.4%	
Debt	4	4	0.1%	Aa2
Italy	4	5	0.1%	A1
Luxembourg	2	2	0.0%	Baa2
Total	\$488	\$498	6.4%	

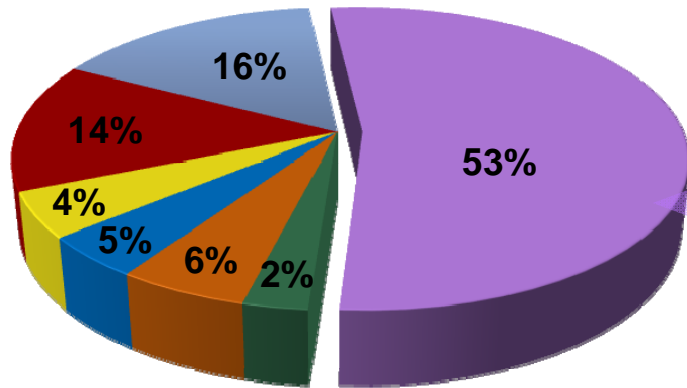
European Non-Bank Exposure

	Market Value	Book Value	% of Total Portfolio (\$7.6B)	Average Quality Rating
United Kingdom	\$154	\$150	2.0%	A3
Netherlands	73	72	1.0%	Baa1
France	54	53	0.7%	Aa3
Luxembourg	42	43	0.6%	Baa1
Spain	18	18	0.2%	Baa1
Sweden	8	7	0.1%	A3
Germany	6	6	0.1%	Aa3
Norway	3	3	0.0%	Aa2
Italy	1	1	0.0%	Baa3
Denmark	1	1	0.0%	Baa3
Total	\$360	\$354	4.7%	

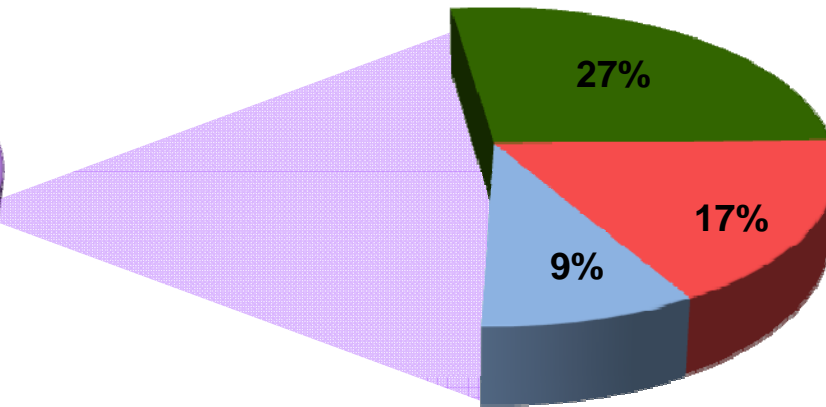
Fixed Income Sector Breakdown

as of 9/30/2011

Fixed Income \$6.2 Billion



Corporates \$3.3 Billion



■ Corporates
 ■ Municipals (Tax-exempt)
 ■ CMBS
 ■ Foreign Gov't
■ U.S. Govt/Agencies
 ■ Municipals (Taxable)
 ■ MBS/ABS

■ Industrials
 ■ Financials
 ■ Utilities

Fixed Income Characteristics:

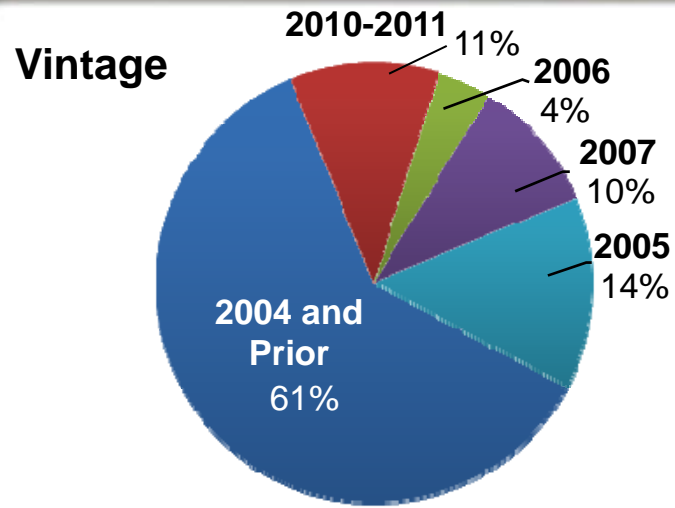
- 95% of fixed income securities are investment grade
- Weighted average quality A+
- Duration: 3.9 years

Corporate Holding Characteristics:

- 90% Investment Grade
- Weighted average quality A-
- Duration 4.2 years

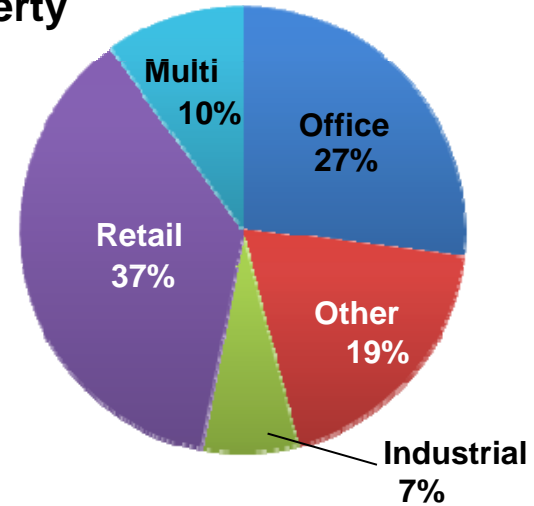
CMBS Portfolio: \$346.1 million

as of 9/30/2011

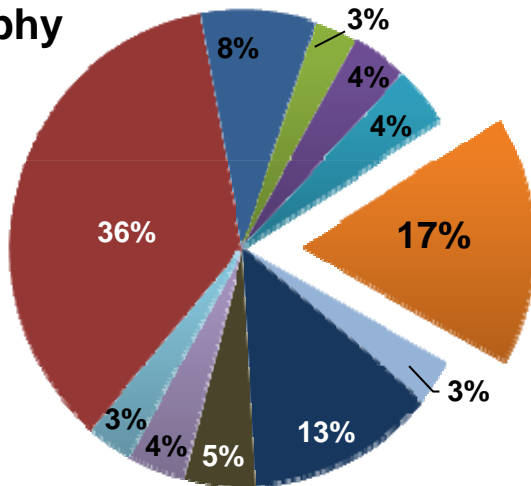


Weighted average LTV: 73%

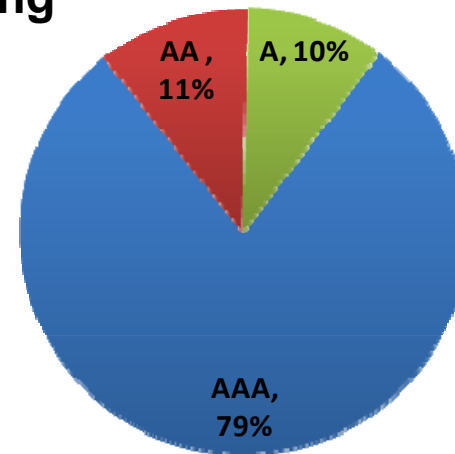
Property Type



Geography



Rating



Municipal Bond Portfolio

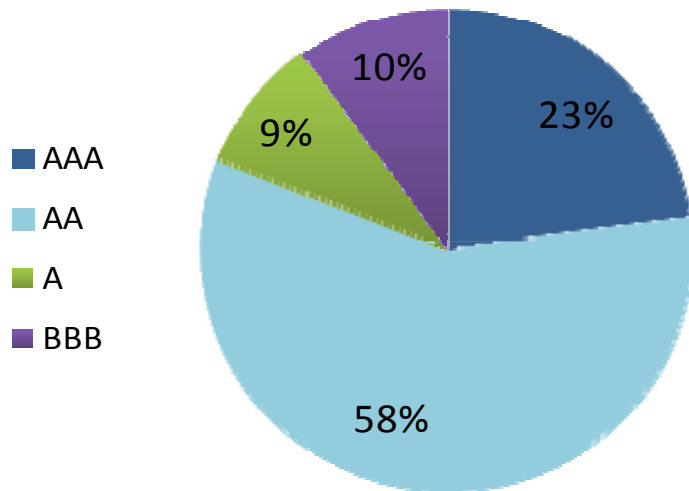
as of 9/30/2011

\$1,032.9 million, or 14% of total investment portfolio and 42% of total shareholders equity

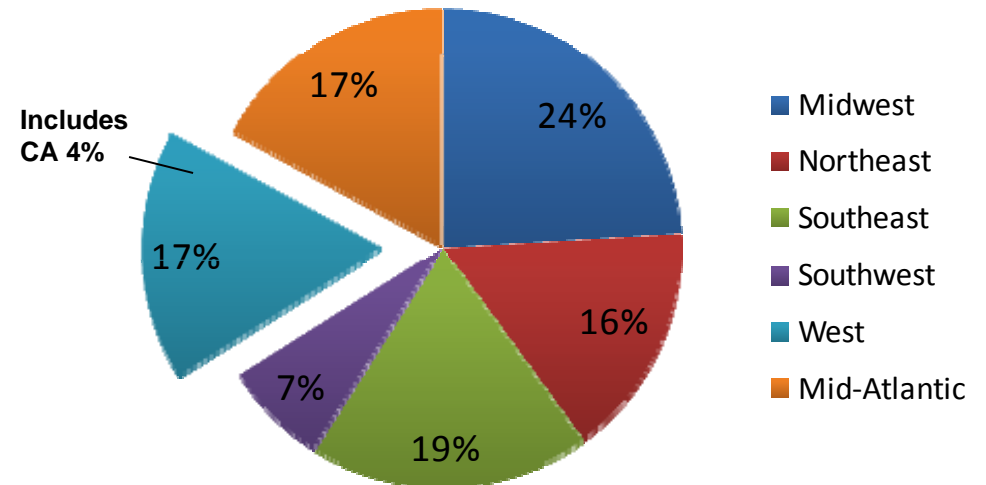
Privately Insured – 22% (A+)
 Government/Agency Insured – 6% (AA+)
 Uninsured – 72% (AA)
 Weighted Average Rating - AA

Revenue Bonds – 61%
 GO Bonds – 39%
 Taxable – 83%
 Tax-exempt – 17%

Rating



Region



No individual state accounts for more than 5.7% of the total portfolio

Balance Sheet Strength

\$ in millions, except per share data

	September 30 2010	December 31 2010	September 30 2011
Book value per share	\$55.25	\$54.74	\$54.98
Shareholders' equity	\$2,479	\$2,461	\$2,455
Debt	\$640	\$606	\$902
Total capital	\$3,119	\$3,067	\$3,357
Debt/total capital	20.5%	19.8%	26.9%
THG holding company cash and investments	\$350	\$448	\$239

Third Quarter Capital Management Activity

- Share repurchases of \$20.0 million
- Debt repurchases of \$29.5 million

Questions