



STATISTICAL SUPPLEMENT
FOURTH QUARTER 2011

THE HANOVER INSURANCE GROUP
STATISTICAL SUPPLEMENT

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THE HANOVER INSURANCE GROUP
BASIS OF PRESENTATION

Information contained in this document includes the results of Chaucer from the acquisition date of July 1, 2011 onward.

BUSINESS DESCRIPTIONS

COMMERCIAL LINES

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

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

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

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

PERSONAL LINES

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

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

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

CHAUCER

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

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

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

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

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

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

OTHER PROPERTY AND CASUALTY

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

THE HANOVER INSURANCE GROUP
FINANCIAL HIGHLIGHTS

(In millions, except earnings per share)	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Dec-YTD 2010	Dec-YTD 2011
PREMIUMS							
Gross premiums written	\$ 795.3	\$ 833.3	\$ 894.6	\$ 1,198.3	\$ 1,133.0	\$ 3,358.6	\$ 4,059.2
Net premiums written	717.1	749.9	815.4	1,051.0	977.1	3,048.0	3,593.4
Net premiums earned	748.7	761.7	770.5	1,018.6	1,047.8	2,841.0	3,598.6
EARNINGS							
Segment income (loss) before interest and taxes	\$ 76.2	\$ 49.8	(46.8)	\$ (7.6)	\$ 77.1	\$ 227.7	\$ 72.5
Segment income (loss) after taxes	43.7	26.0	(38.1)	(18.5)	45.2	122.2	14.6
Income (loss) from continuing operations	57.4	27.9	(32.4)	(9.7)	46.1	153.2	31.9
Net income (loss)	58.4	29.3	(31.8)	(9.7)	49.3	154.8	37.1
PER SHARE DATA (DILUTED) (1)							
Segment income (loss) after taxes	\$ 0.95	\$ 0.56	(0.84)	\$ (0.41)	\$ 1.00	\$ 2.64	\$ 0.32
Income (loss) from continuing operations	1.25	0.61	(0.71)	(0.21)	1.02	3.31	0.70
Net income (loss)	1.27	0.64	(0.70)	(0.21)	1.09	3.34	0.81
Weighted average shares outstanding (1)	45.9	46.0	45.4	45.3	45.3	46.3	45.8

BALANCE SHEET

(In millions, except per share data)	December 31 2010	March 31 2011	June 30 2011	September 30 2011	December 31 2011
Total assets	\$ 8,569.9	\$ 8,514.9	\$ 8,981.3	\$ 12,684.5	\$ 12,624.4
Total loss and loss adjustment expense reserves	3,277.7	3,315.4	3,406.4	5,722.0	5,760.3
Total shareholders' equity	2,460.5	2,488.7	2,485.0	2,454.9	2,509.8
U.S. Property and Casualty Companies					
Statutory surplus	\$ 1,747.3	\$ 1,776.6	\$ 1,658.6	\$ 1,538.5	\$ 1,582.8
Premium to surplus ratio	1.75:1	1.73:1	1.86:1	2.02:1	2.00:1
Book value per share	\$ 54.74	\$ 55.06	\$ 54.96	\$ 54.98	\$ 56.24
Book value per share, excluding net unrealized investment gains and losses, net of tax	\$ 51.92	\$ 52.06	\$ 51.12	\$ 51.65	\$ 52.16
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 49.22	\$ 49.62	\$ 49.57	\$ 47.20	\$ 48.84
Shares outstanding	44.9	45.2	45.2	44.6	44.6
Total debt/equity	24.6 %	22.5 %	34.5 %	36.7 %	36.3 %
Total debt/total capital	19.8 %	18.4 %	25.7 %	26.9 %	26.6 %

(1) Weighted average shares outstanding and per diluted share amounts in the second and third quarters of 2011 exclude common stock equivalents, as the impact of these instruments was anti-dilutive.

THE HANOVER INSURANCE GROUP
CONSOLIDATED INCOME STATEMENTS

(In millions)	Three Months ended December 31			Year ended December 31		
	2011	2010	% Change	2011	2010	% Change
REVENUES						
Premiums earned	\$ 1,047.8	\$ 748.7	39.9	\$ 3,598.6	\$ 2,841.0	26.7
Net investment income	69.0	63.0	9.5	258.2	247.2	4.4
Total net realized investment gains	3.2	12.9	(75.2)	28.1	29.7	(5.4)
Fees and other income	15.9	8.7	82.8	46.7	34.3	36.2
Total revenues	1,135.9	833.3	36.3	3,931.6	3,152.2	24.7
LOSSES AND EXPENSES						
Losses and loss adjustment expenses	687.4	471.7	45.7	2,550.8	1,856.3	37.4
Policy acquisition expenses	250.8	178.2	40.7	854.0	669.0	27.7
Interest expense	16.4	11.5	42.6	55.0	44.3	24.2
Other operating expenses	118.1	96.3	22.6	449.5	371.5	21.0
Total losses and expenses	1,072.7	757.7	41.6	3,909.3	2,941.1	32.9
Income from continuing operations before income taxes	63.2	75.6	(16.4)	22.3	211.1	(89.4)
Income tax expense (benefit)	17.1	18.2	(6.0)	(9.6)	57.9	(116.6)
Income from continuing operations	46.1	57.4	(19.7)	31.9	153.2	(79.2)
Discontinued operations	3.2	1.0	N/M	5.2	1.6	N/M
Net income	\$ 49.3	\$ 58.4	(15.6)	\$ 37.1	\$ 154.8	(76.0)

THE HANOVER INSURANCE GROUP
CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)	December 31 2011	December 31 2010	% Change
ASSETS			
Investments:			
Fixed maturities, at fair value (amortized cost of \$6,008.7 and \$4,598.8)	\$ 6,284.7	\$ 4,797.9	31.0
Equity securities, at fair value (cost of \$239.9 and \$120.7)	246.4	128.6	91.6
Other investments	190.2	39.4	382.7
Total investments	<u>6,721.3</u>	<u>4,965.9</u>	<u>35.3</u>
Cash and cash equivalents	820.4	290.4	182.5
Accrued investment income	71.8	53.8	33.5
Premiums and accounts receivable, net	1,168.1	772.0	51.3
Reinsurance recoverable on paid and unpaid losses, benefits and unearned premiums	2,262.2	1,254.2	80.4
Deferred policy acquisition costs	498.4	345.3	44.3
Deferred income taxes	260.0	177.4	46.6
Goodwill	185.5	179.2	3.5
Other assets	515.5	398.1	29.5
Assets of discontinued operations	121.2	133.6	(9.3)
Total assets	<u>\$ 12,624.4</u>	<u>\$ 8,569.9</u>	<u>47.3</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Loss and loss adjustment expense reserves	\$ 5,760.3	\$ 3,277.7	75.7
Unearned premiums	2,292.1	1,520.3	50.8
Expenses and taxes payable	642.9	541.7	18.7
Reinsurance premiums payable	378.9	34.4	N/M
Debt	911.1	605.9	50.4
Liabilities of discontinued operations	129.3	129.4	(0.1)
Total liabilities	<u>10,114.6</u>	<u>6,109.4</u>	<u>65.6</u>
SHAREHOLDERS' EQUITY			
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	1,784.8	1,796.5	(0.7)
Accumulated other comprehensive income	210.4	136.7	53.9
Retained earnings	1,237.1	1,246.8	(0.8)
Treasury stock at cost (15.9 and 15.6 million shares)	(723.1)	(720.1)	0.4
Total shareholders' equity	<u>2,509.8</u>	<u>2,460.5</u>	<u>2.0</u>
Total liabilities and shareholders' equity	<u>\$ 12,624.4</u>	<u>\$ 8,569.9</u>	<u>47.3</u>

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING AND SEGMENT INCOME INFORMATION AND RATIOS

CONSOLIDATED

Three Months ended December 31

	2011					2010			
	Commercial Lines	Personal Lines	Chaucer	Other P&C	Total P&C	Commercial Lines	Personal Lines	Other P&C	Total P&C
(In millions, except percentage data)									
Gross premiums written	\$ 475.3	\$ 380.0	\$ 277.7	\$ -	\$ 1,133.0	\$ 422.0	\$ 373.3	\$ -	\$ 795.3
Net premiums written	\$ 415.7	\$ 354.9	\$ 206.5	\$ -	\$ 977.1	\$ 369.1	\$ 348.0	\$ -	\$ 717.1
Net premiums earned	\$ 422.3	\$ 364.0	\$ 261.5	\$ -	\$ 1,047.8	\$ 384.7	\$ 364.0	\$ -	\$ 748.7
Losses and LAE:									
Current accident year, excluding catastrophe losses	249.3	254.0	159.2	-	662.5	225.8	252.7	0.1	478.6
Prior year (favorable) unfavorable reserve development	(7.5)	(4.5)	(18.9)	0.2	(30.7)	(11.3)	(12.2)	(0.2)	(23.7)
Catastrophe losses	4.0	15.7	35.9	-	55.6	9.1	7.7	-	16.8
Total losses and LAE	245.8	265.2	176.2	0.2	687.4	223.6	248.2	(0.1)	471.7
Policy acquisition and other underwriting expenses	165.8	102.0	86.1	0.2	354.1	159.2	105.5	-	264.7
GAAP underwriting profit (loss)	10.7	(3.2)	(0.8)	(0.4)	6.3	1.9	10.3	0.1	12.3
Net investment income	34.9	23.6	8.3	2.2	69.0	33.3	26.3	3.4	63.0
Other income	5.1	3.5	6.8	2.0	17.4	5.0	3.2	1.7	9.9
Other operating expenses	(4.3)	(3.6)	(1.9)	(5.8)	(15.6)	(3.8)	(0.8)	(4.4)	(9.0)
Segment income (loss) before income taxes	<u>\$ 46.4</u>	<u>\$ 20.3</u>	<u>\$ 12.4</u>	<u>\$ (2.0)</u>	<u>\$ 77.1</u>	<u>\$ 36.4</u>	<u>\$ 39.0</u>	<u>\$ 0.8</u>	<u>\$ 76.2</u>
Loss and LAE ratio:									
Current accident year, excluding catastrophe losses	59.1 %	69.7 %	60.9 %	N/M	63.2 %	58.7 %	69.5 %	N/M	64.0 %
Prior year (favorable) unfavorable reserve development	(1.8)%	(1.2)%	(7.2)%	N/M	(2.9)%	(2.9)%	(3.4)%	N/M	(3.2)%
Catastrophe losses	0.9 %	4.3 %	13.7 %	N/M	5.3 %	2.4 %	2.1 %	N/M	2.2 %
Total loss and LAE ratio	58.2 %	72.8 %	67.4 %	N/M	65.6 %	58.2 %	68.2 %	N/M	63.0 %
Expense ratio	39.1 %	27.2 %	32.9 %	N/M	33.4 %	41.1 %	28.2 %	N/M	34.8 %
Combined ratio	<u>97.3 %</u>	<u>100.0 %</u>	<u>100.3 %</u>	<u>N/M</u>	<u>99.0 %</u>	<u>99.3 %</u>	<u>96.4 %</u>	<u>N/M</u>	<u>97.8 %</u>
Change in policies in force	7.1 %	(2.3)%				24.7 %	(3.6)%		
Retention	85.9 %	80.8 %				81.5 %	78.7 %		

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING AND SEGMENT INCOME INFORMATION AND RATIOS

CONSOLIDATED

Year ended December 31

	2011					2010			
	Commercial Lines	Personal Lines	Chaucer	Other P&C	Total P&C	Commercial Lines	Personal Lines	Other P&C	Total P&C
(In millions, except percentage data)									
Gross premiums written	\$ 1,938.0	\$ 1,561.3	\$ 559.6	\$ 0.3	\$ 4,059.2	\$ 1,798.5	\$ 1,559.8	\$ 0.3	\$ 3,358.6
Net premiums written	\$ 1,703.1	\$ 1,461.2	\$ 428.8	\$ 0.3	\$ 3,593.4	\$ 1,584.8	\$ 1,462.9	\$ 0.3	\$ 3,048.0
Net premiums earned	\$ 1,641.7	\$ 1,450.5	\$ 506.3	\$ 0.1	\$ 3,598.6	\$ 1,373.4	\$ 1,467.3	\$ 0.3	\$ 2,841.0
Losses and LAE:									
Current accident year, excluding catastrophe losses	1,004.8	988.2	299.2	0.3	2,292.5	810.6	996.2	0.3	1,807.1
Prior year (favorable) unfavorable reserve development	(34.7)	(33.0)	(35.5)	(0.1)	(103.3)	(61.5)	(48.8)	(0.8)	(111.1)
Catastrophe losses	148.4	163.7	49.5	-	361.6	61.6	98.7	-	160.3
Total losses and LAE	1,118.5	1,118.9	313.2	0.2	2,550.8	810.7	1,046.1	(0.5)	1,856.3
Policy acquisition and other underwriting expenses	644.5	404.6	181.8	0.2	1,231.1	583.3	419.6	-	1,002.9
GAAP underwriting profit (loss)	(121.3)	(73.0)	11.3	(0.3)	(183.3)	(20.6)	1.6	0.8	(18.2)
Net investment income	136.5	92.1	16.9	12.7	258.2	129.9	102.9	14.4	247.2
Other income	20.7	13.3	10.9	7.0	51.9	19.0	13.6	6.3	38.9
Other operating expenses	(17.9)	(9.7)	(6.8)	(19.9)	(54.3)	(17.1)	(5.1)	(18.0)	(40.2)
Segment income (loss) before income taxes	\$ 18.0	\$ 22.7	\$ 32.3	\$ (0.5)	\$ 72.5	\$ 111.2	\$ 113.0	\$ 3.5	\$ 227.7
Loss and LAE ratio:									
Current accident year, excluding catastrophe losses	61.3 %	68.1 %	59.1 %	N/M	63.7 %	59.1 %	67.9 %	N/M	63.6 %
Prior year (favorable) unfavorable reserve development	(2.1)%	(2.3)%	(7.0)%	N/M	(2.9)%	(4.5)%	(3.3)%	N/M	(3.9)%
Catastrophe losses	9.0 %	11.3 %	9.8 %	N/M	10.0 %	4.5 %	6.7 %	N/M	5.6 %
Total loss and LAE ratio	68.2 %	77.1 %	61.9 %	N/M	70.8 %	59.1 %	71.3 %	N/M	65.3 %
Expense ratio	38.9 %	27.1 %	35.9 %	N/M	33.8 %	42.2 %	27.8 %	N/M	34.8 %
Combined ratio	107.1 %	104.2 %	97.8 %	N/M	104.6 %	101.3 %	99.1 %	N/M	100.1 %
Change in policies in force	7.1 %	(2.3)%				24.7 %	(3.6)%		
Retention	84.1 %	80.8 %				80.3 %	78.7 %		

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING INFORMATION AND RELATED RATIOS

CONSOLIDATED

(In millions, except percentage data)	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Dec-YTD 2010	Dec-YTD 2011
Gross premiums written	\$ 795.3	\$ 833.3	\$ 894.6	\$ 1,198.3	\$ 1,133.0	\$ 3,358.6	\$ 4,059.2
Net premiums written	\$ 717.1	\$ 749.9	\$ 815.4	\$ 1,051.0	\$ 977.1	\$ 3,048.0	\$ 3,593.4
Net premiums earned	\$ 748.7	\$ 761.7	\$ 770.5	1,018.6	\$ 1,047.8	\$ 2,841.0	\$ 3,598.6
Losses and LAE:							
Current accident year, excluding catastrophe losses	478.6	489.8	476.1	664.1	662.5	1,807.1	2,292.5
Prior year (favorable) unfavorable reserve development	(23.7)	(28.5)	(15.3)	(28.8)	(30.7)	(111.1)	(103.3)
Catastrophe losses	16.8	49.7	156.7	99.6	55.6	160.3	361.6
Total losses and LAE	471.7	511.0	617.5	734.9	687.4	1,856.3	2,550.8
Policy acquisition and other underwriting expenses	264.7	260.2	259.6	357.2	354.1	1,002.9	1,231.1
GAAP underwriting profit (loss)	\$ 12.3	\$ (9.5)	\$ (106.6)	\$ (73.5)	\$ 6.3	\$ (18.2)	\$ (183.3)
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	64.0 %	64.2 %	61.8 %	65.2 %	63.2 %	63.6 %	63.7 %
Prior year (favorable) unfavorable reserve development	(3.2)%	(3.7)%	(2.0)%	(2.8)%	(2.9)%	(3.9)%	(2.9)%
Catastrophe losses	2.2 %	6.5 %	20.3 %	9.8 %	5.3 %	5.6 %	10.0 %
Total loss and LAE ratio	63.0 %	67.0 %	80.1 %	72.2 %	65.6 %	65.3 %	70.8 %
Expense ratio	34.8 %	33.7 %	33.2 %	34.6 %	33.4 %	34.8 %	33.8 %
Combined ratio	97.8 %	100.7 %	113.3 %	106.8 %	99.0 %	100.1 %	104.6 %
Combined ratio, excluding catastrophe losses	95.6 %	94.2 %	93.0 %	97.0 %	93.7 %	94.5 %	94.6 %
Current accident year combined ratio, excluding catastrophe losses	98.8 %	97.9 %	95.0 %	99.8 %	96.6 %	98.4 %	97.5 %

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING AND SEGMENT INCOME INFORMATION AND RATIOS

COMMERCIAL LINES

Three Months ended December 31

	2011					2010				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
<i>(In millions, except percentage data)</i>										
Net premiums written	\$ 134.8	\$ 58.2	\$ 41.0	\$ 181.7	\$ 415.7	\$ 119.8	\$ 53.8	\$ 34.3	\$ 161.2	\$ 369.1
Net premiums earned	\$ 141.2	\$ 61.8	\$ 42.9	\$ 176.4	\$ 422.3	\$ 133.1	\$ 60.9	\$ 39.4	\$ 151.3	\$ 384.7
Losses and LAE:										
Current accident year, excluding catastrophe losses	72.3	40.3	31.4	105.3	249.3	75.8	36.2	32.2	81.6	225.8
Prior year (favorable) unfavorable reserve development	(6.0)	1.6	(5.2)	2.1	(7.5)	(5.8)	1.0	(4.8)	(1.7)	(11.3)
Catastrophe losses	5.1	(0.7)	-	(0.4)	4.0	7.9	-	-	1.2	9.1
Total losses and LAE	71.4	41.2	26.2	107.0	245.8	77.9	37.2	27.4	81.1	223.6
Policy acquisition and other underwriting expenses					165.8					159.2
GAAP underwriting profit (loss)					10.7					1.9
Net investment income					34.9					33.3
Other income					5.1					5.0
Other operating expenses					(4.3)					(3.8)
Segment income (loss) before income taxes					<u>\$ 46.4</u>					<u>\$ 36.4</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	51.2 %	65.1 %	73.2 %	59.7 %	59.1 %	57.1 %	59.4 %	81.7 %	53.9 %	58.7 %
Prior year (favorable) unfavorable reserve development	(4.2)%	2.6 %	(12.1)%	1.2 %	(1.8)%	(4.4)%	1.6 %	(12.2)%	(1.1)%	(2.9)%
Catastrophe losses	3.6 %	(1.1)%	N/M	(0.2)%	0.9 %	5.9 %	N/M	N/M	0.8 %	2.4 %
Total loss and LAE ratio	50.6 %	66.6 %	61.1 %	60.7 %	58.2 %	58.6 %	61.0 %	69.5 %	53.6 %	58.2 %
Expense ratio					39.1 %					41.1 %
Combined ratio					<u>97.3 %</u>					<u>99.3 %</u>
Change in policies in force	5.3 %	2.9 %	10.5 %	9.2 %	7.1 %	16.6 %	29.8 %	60.4 %	22.7 %	24.7%
Retention	86.9 %	83.0 %	84.9 %	N/M	85.9 %	83.2 %	78.6 %	78.8 %	N/M	81.5%

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING AND SEGMENT INCOME INFORMATION AND RATIOS

COMMERCIAL LINES

Year ended December 31

	2011					2010				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 569.5	\$ 248.9	\$ 174.5	\$ 710.2	\$ 1,703.1	\$ 559.8	\$ 246.1	\$ 161.3	\$ 617.6	\$ 1,584.8
Net premiums earned	\$ 557.5	\$ 245.5	\$ 171.6	\$ 667.1	\$ 1,641.7	\$ 462.9	\$ 220.0	\$ 136.7	\$ 553.8	\$ 1,373.4
Losses and LAE:										
Current accident year, excluding catastrophe losses	331.9	153.5	131.0	388.4	1,004.8	270.6	132.8	110.4	296.8	810.6
Prior year (favorable) unfavorable reserve development	(23.4)	3.9	(18.0)	2.8	(34.7)	(29.2)	(3.4)	(27.5)	(1.4)	(61.5)
Catastrophe losses	107.7	2.4	-	38.3	148.4	45.1	0.6	-	15.9	61.6
Total losses and LAE	416.2	159.8	113.0	429.5	1,118.5	286.5	130.0	82.9	311.3	810.7
Policy acquisition and other underwriting expenses					644.5					583.3
GAAP underwriting profit (loss)					(121.3)					(20.6)
Net investment income					136.5					129.9
Other income					20.7					19.0
Other operating expenses					(17.9)					(17.1)
Segment income (loss) before income taxes					<u>\$ 18.0</u>					<u>\$ 111.2</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	59.5 %	62.5 %	76.4 %	58.3 %	61.3 %	58.5 %	60.2 %	80.7 %	53.6 %	59.1 %
Prior year (favorable) unfavorable reserve development	(4.2)%	1.6 %	(10.5)%	0.4 %	(2.1)%	(6.3)%	(1.5)%	(20.1)%	(0.3)%	(4.5)%
Catastrophe losses	19.3 %	1.0 %	N/M	5.7 %	9.0 %	9.7 %	0.3 %	N/M	2.9 %	4.5 %
Total loss and LAE ratio	74.6 %	65.1 %	65.9 %	64.4 %	68.2 %	61.9 %	59.0 %	60.6 %	56.2 %	59.1 %
Expense ratio					38.9 %					42.2 %
Combined ratio					<u>107.1 %</u>					<u>101.3 %</u>
Change in policies in force	5.3 %	2.9 %	10.5 %	9.2 %	7.1 %	16.6 %	29.8 %	60.4 %	22.7 %	24.7%
Retention	85.8 %	81.7 %	81.1 %	N/M	84.1 %	81.7 %	78.4 %	76.7 %	N/M	80.3%

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING INFORMATION AND RELATED RATIOS

COMMERCIAL LINES

(In millions, except percentage data)	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Dec-YTD 2010	Dec-YTD 2011
Gross premiums written	\$ 422.0	\$ 466.8	\$ 494.6	\$ 501.3	\$ 475.3	\$ 1,798.5	\$ 1,938.0
Net premiums written	\$ 369.1	\$ 408.5	\$ 440.5	\$ 438.4	\$ 415.7	\$ 1,584.8	\$ 1,703.1
Net premiums earned	\$ 384.7	\$ 400.8	\$ 408.5	\$ 410.1	\$ 422.3	\$ 1,373.4	\$ 1,641.7
Losses and LAE:							
Current accident year, excluding catastrophe losses	225.8	244.1	240.7	270.7	249.3	810.6	1,004.8
Prior year (favorable) unfavorable reserve development	(11.3)	(14.3)	(9.3)	(3.6)	(7.5)	(61.5)	(34.7)
Catastrophe losses	9.1	27.5	77.1	39.8	4.0	61.6	148.4
Total losses and LAE	223.6	257.3	308.5	306.9	245.8	810.7	1,118.5
Policy acquisition and other underwriting expenses	159.2	159.3	159.5	159.9	165.8	583.3	644.5
GAAP underwriting profit (loss)	\$ 1.9	\$ (15.8)	\$ (59.5)	\$ (56.7)	\$ 10.7	\$ (20.6)	\$ (121.3)
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	58.7 %	60.9 %	58.9 %	66.1 %	59.1 %	59.1 %	61.3 %
Prior year (favorable) unfavorable reserve development	(2.9)%	(3.6)%	(2.3)%	(0.9)%	(1.8)%	(4.5)%	(2.1)%
Catastrophe losses	2.4 %	6.9 %	18.9 %	9.7 %	0.9 %	4.5 %	9.0 %
Total loss and LAE ratio	58.2 %	64.2 %	75.5 %	74.9 %	58.2 %	59.1 %	68.2 %
Expense ratio	41.1 %	39.5 %	38.8 %	38.7 %	39.1 %	42.2 %	38.9 %
Combined ratio	99.3 %	103.7 %	114.3 %	113.6 %	97.3 %	101.3 %	107.1 %
Combined ratio, excluding catastrophe losses	96.9 %	96.8 %	95.4 %	103.9 %	96.4 %	96.8 %	98.1 %
Current accident year combined ratio, excluding catastrophe losses	99.8 %	100.4 %	97.7 %	104.8 %	98.2 %	101.3 %	100.2 %

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING AND SEGMENT INCOME INFORMATION AND RATIOS

PERSONAL LINES

Three Months ended December 31

(In millions, except percentage data)	2011				2010			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 216.1	\$ 128.0	\$ 10.8	\$ 354.9	\$ 217.7	\$ 120.2	\$ 10.1	\$ 348.0
Net premiums earned	\$ 226.0	\$ 126.7	\$ 11.3	\$ 364.0	\$ 233.0	\$ 120.4	\$ 10.6	\$ 364.0
Losses and LAE:								
Current accident year, excluding catastrophe losses	179.1	71.0	3.9	254.0	181.5	65.6	5.6	252.7
Prior year (favorable) unfavorable reserve development	(4.8)	0.5	(0.2)	(4.5)	(10.0)	(1.2)	(1.0)	(12.2)
Catastrophe losses	2.7	12.8	0.2	15.7	0.3	7.2	0.2	7.7
Total losses and LAE	177.0	84.3	3.9	265.2	171.8	71.6	4.8	248.2
Policy acquisition and other underwriting expenses				102.0				105.5
GAAP underwriting profit (loss)				(3.2)				10.3
Net investment income				23.6				26.3
Other income				3.5				3.2
Other operating expenses				(3.6)				(0.8)
Segment income (loss) before income taxes				<u>\$ 20.3</u>				<u>\$ 39.0</u>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	79.2 %	56.0 %	34.5 %	69.7 %	77.9 %	54.4 %	52.8 %	69.5 %
Prior year (favorable) unfavorable reserve development	(2.1)%	0.4 %	(1.8)%	(1.2)%	(4.3)%	(1.0)%	(9.4)%	(3.4)%
Catastrophe losses	1.2 %	10.1 %	1.8 %	4.3 %	0.1 %	6.0 %	1.9 %	2.1 %
Total loss and LAE ratio	78.3 %	66.5 %	34.5 %	72.8 %	73.7 %	59.4 %	45.3 %	68.2 %
Expense ratio				27.2 %				28.2 %
Combined ratio				<u>100.0 %</u>				<u>96.4 %</u>
Change in policies in force	(3.8)%	(0.4)%	(6.1)%	(2.3)%	(6.7)%	0.2 %	(6.8)%	(3.6)%
Retention	79.0 %	82.3 %	N/M	80.8 %	76.3 %	80.8 %	N/M	78.7%

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING AND SEGMENT INCOME INFORMATION AND RATIOS

PERSONAL LINES

Year ended December 31

	2011				2010			
	Auto	Home	Other	Total	Auto	Home	Other	Total
(In millions, except percentage data)								
Net premiums written	\$ 910.5	\$ 507.2	\$ 43.5	\$ 1,461.2	\$ 935.1	\$ 485.5	\$ 42.3	\$ 1,462.9
Net premiums earned	\$ 912.8	\$ 494.7	\$ 43.0	\$ 1,450.5	\$ 946.3	\$ 478.9	\$ 42.1	\$ 1,467.3
Losses and LAE:								
Current accident year, excluding catastrophe losses	683.3	288.2	16.7	988.2	717.8	259.6	18.8	996.2
Prior year (favorable) unfavorable reserve development	(33.6)	(0.9)	1.5	(33.0)	(45.0)	(1.4)	(2.4)	(48.8)
Catastrophe losses	11.7	148.6	3.4	163.7	9.2	88.1	1.4	98.7
Total losses and LAE	661.4	435.9	21.6	1,118.9	682.0	346.3	17.8	1,046.1
Policy acquisition and other underwriting expenses				404.6				419.6
GAAP underwriting profit (loss)				(73.0)				1.6
Net investment income				92.1				102.9
Other income				13.3				13.6
Other operating expenses				(9.7)				(5.1)
Segment income (loss) before income taxes				<u>\$ 22.7</u>				<u>\$ 113.0</u>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	74.9 %	58.3 %	38.8 %	68.1 %	75.9 %	54.2 %	44.7 %	67.9 %
Prior year (favorable) unfavorable reserve development	(3.7)%	(0.2)%	3.5 %	(2.3)%	(4.8)%	(0.3)%	(5.7)%	(3.3)%
Catastrophe losses	1.3 %	30.0 %	7.9 %	11.3 %	1.0 %	18.4 %	3.3 %	6.7 %
Total loss and LAE ratio	72.5 %	88.1 %	50.2 %	77.1 %	72.1 %	72.3 %	42.3 %	71.3 %
Expense ratio				27.1 %				27.8 %
Combined ratio				<u>104.2 %</u>				<u>99.1 %</u>
Change in policies in force	(3.8)%	(0.4)%	(6.1)%	(2.3)%	(6.7)%	0.2 %	(6.8)%	(3.6)%
Retention	79.0 %	82.3 %	N/M	80.8 %	76.3 %	80.8 %	N/M	78.7 %

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING INFORMATION AND RELATED RATIOS

PERSONAL LINES

(In millions, except percentage data)	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Dec-YTD 2010	Dec-YTD 2011
Gross premiums written	\$ 373.3	\$ 366.5	\$ 399.7	\$ 415.1	\$ 380.0	\$ 1,559.8	\$ 1,561.3
Net premiums written	\$ 348.0	\$ 341.4	\$ 374.6	\$ 390.3	\$ 354.9	\$ 1,462.9	\$ 1,461.2
Net premiums earned	\$ 364.0	\$ 360.9	\$ 361.9	\$ 363.7	\$ 364.0	\$ 1,467.3	\$ 1,450.5
Losses and LAE:							
Current accident year, excluding catastrophe losses	252.7	245.6	235.3	253.3	254.0	996.2	988.2
Prior year (favorable) unfavorable reserve development	(12.2)	(14.1)	(5.9)	(8.5)	(4.5)	(48.8)	(33.0)
Catastrophe losses	7.7	22.2	79.6	46.2	15.7	98.7	163.7
Total losses and LAE	248.2	253.7	309.0	291.0	265.2	1,046.1	1,118.9
Policy acquisition and other underwriting expenses	105.5	101.0	100.0	101.6	102.0	419.6	404.6
GAAP underwriting profit (loss)	\$ 10.3	\$ 6.2	\$ (47.1)	\$ (28.9)	\$ (3.2)	\$ 1.6	\$ (73.0)
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	69.5 %	68.0 %	65.0 %	69.6 %	69.7 %	67.9 %	68.1 %
Prior year (favorable) unfavorable reserve development	(3.4)%	(3.9)%	(1.6)%	(2.3)%	(1.2)%	(3.3)%	(2.3)%
Catastrophe losses	2.1 %	6.2 %	22.0 %	12.7 %	4.3 %	6.7 %	11.3 %
Total loss and LAE ratio	68.2 %	70.3 %	85.4 %	80.0 %	72.8 %	71.3 %	77.1 %
Expense ratio	28.2 %	27.2 %	26.8 %	27.1 %	27.2 %	27.8 %	27.1 %
Combined ratio	96.4 %	97.5 %	112.2 %	107.1 %	100.0 %	99.1 %	104.2 %
Combined ratio, excluding catastrophe losses	94.3 %	91.3 %	90.2 %	94.4 %	95.7 %	92.4 %	92.9 %
Current accident year combined ratio, excluding catastrophe losses	97.7 %	95.2 %	91.8 %	96.7 %	96.9 %	95.7 %	95.2 %

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING AND SEGMENT INCOME INFORMATION AND RATIOS

CHAUCER

Three Months ended December 31

	2011					
(In millions, except percentage data)	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 42.2	\$ 70.6	\$ 53.9	\$ 68.1	\$ 42.9	\$ 277.7
Net premiums written	\$ 33.2	\$ 51.2	\$ 37.0	\$ 58.8	\$ 26.3	\$ 206.5
Net premiums earned	\$ 69.3	\$ 58.9	\$ 41.5	\$ 64.6	\$ 27.2	\$ 261.5
Losses and LAE:						
Current accident year, excluding catastrophe losses						159.2
Prior year (favorable) unfavorable reserve development						(18.9)
Catastrophe losses						35.9
Total losses and LAE						176.2
Policy acquisition and other underwriting expenses						86.1
GAAP underwriting profit (loss)						(0.8)
Net investment income						8.3
Other income						6.8
Other operating expenses						(1.9)
Segment income (loss) before income taxes						\$ 12.4
Loss and LAE ratio:						
Current accident year, excluding catastrophe losses						60.9 %
Prior year (favorable) unfavorable reserve development						(7.2)%
Catastrophe losses						13.7 %
Total loss and LAE ratio						67.4 %
Expense ratio						32.9 %
Combined ratio						100.3 %

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING AND SEGMENT INCOME INFORMATION AND RATIOS

CHAUCER

Six Months ended December 31

	2011					
(In millions, except percentage data)	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 94.8	\$ 140.0	\$ 97.2	\$ 139.8	\$ 87.8	\$ 559.6
Net premiums written	\$ 72.8	\$ 107.4	\$ 66.7	\$ 121.8	\$ 60.1	\$ 428.8
Net premiums earned	\$ 121.7	\$ 119.0	\$ 82.6	\$ 124.4	\$ 58.6	\$ 506.3
Losses and LAE:						
Current accident year, excluding catastrophe losses						299.2
Prior year (favorable) unfavorable reserve development						(35.5)
Catastrophe losses						49.5
Total losses and LAE						313.2
Policy acquisition and other underwriting expenses						181.8
GAAP underwriting profit (loss)						11.3
Net investment income						16.9
Other income						10.9
Other operating expenses						(6.8)
Segment income (loss) before income taxes						<u>\$ 32.3</u>
Loss and LAE ratio:						
Current accident year, excluding catastrophe losses						59.1 %
Prior year (favorable) unfavorable reserve development						(7.0)%
Catastrophe losses						9.8 %
Total loss and LAE ratio						61.9 %
Expense ratio						35.9 %
Combined ratio						<u>97.8 %</u>

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING INFORMATION AND RELATED RATIOS

CHAUCER

(In millions, except percentage data)	Q3 2011	Q4 2011	Dec-YTD 2011
Gross premiums written	\$ 281.9	\$ 277.7	\$ 559.6
Net premiums written	\$ 222.3	\$ 206.5	\$ 428.8
Net premiums earned	\$ 244.8	\$ 261.5	\$ 506.3
Losses and LAE:			
Current accident year, excluding catastrophe losses	140.0	159.2	299.2
Prior year (favorable) unfavorable reserve development	(16.6)	(18.9)	(35.5)
Catastrophe losses	13.6	35.9	49.5
Total losses and LAE	137.0	176.2	313.2
Policy acquisition and other underwriting expenses	95.7	86.1	181.8
GAAP underwriting profit (loss)	\$ 12.1	\$ (0.8)	\$ 11.3
Loss and LAE ratio:			
Current accident year, excluding catastrophe losses	57.2 %	60.9 %	59.1 %
Prior year (favorable) unfavorable reserve development	(6.8)%	(7.2)%	(7.0)%
Catastrophe losses	5.6 %	13.7 %	9.8 %
Total loss and LAE ratio	56.0 %	67.4 %	61.9 %
Expense ratio	39.1 %	32.9 %	35.9 %
Combined ratio	95.1 %	100.3 %	97.8 %
Combined ratio, excluding catastrophe losses	89.5 %	86.6 %	88.0 %
Current accident year combined ratio, excluding catastrophe losses	96.3 %	93.8 %	95.0 %

THE HANOVER INSURANCE GROUP
NET INVESTMENT INCOME AND YIELDS

(In millions, except yields)	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	YTD 2010	YTD 2011
Net Investment Income							(1)
Fixed maturities	\$ 61.5	\$ 60.6	\$ 60.3	\$ 66.1	\$ 67.3	\$ 248.6	\$ 254.3
Equity securities	2.2	1.3	1.4	1.5	2.6	4.5	6.8
Other investments	1.3	0.5	1.0	2.3	1.0	1.0	4.8
Investment expenses	(2.0)	(2.0)	(1.7)	(2.1)	(1.9)	(6.9)	(7.7)
Total	\$ 63.0	\$ 60.4	\$ 61.0	\$ 67.8	\$ 69.0	\$ 247.2	\$ 258.2
Pre-tax Yields							
Fixed maturities	5.37%	5.28%	5.35%	4.49%	4.48%	5.46%	4.84%
Total	5.13%	4.97%	5.09%	3.96%	3.92%	5.16%	4.39%

Pre-tax yields are calculated as annualized investment income divided by the average of investment balances at the end of each month during the period. Investment balances, for purposes of the pre-tax yield calculation, exclude unrealized capital gains and losses.

(1) Includes \$16.9 million of income from assets acquired with Chaucer, with pre-tax yields on fixed maturities and total investments of 2.10% and 1.58%, respectively.

THE HANOVER INSURANCE GROUP
INVESTMENT PORTFOLIO
December 31, 2011

(in millions)

Investment Type	Weighted Average Quality	Amortized Cost or Cost	Fair Value	% of Total	Net Unrealized Gain (Loss)	Change in Net Unrealized During Q4 2011	Change in Net Unrealized YTD
Fixed Maturities:							
U.S. Treasury and government agencies	AAA	\$ 261.7	\$ 269.3	3.6%	\$ 7.6	\$ 0.6	\$ 5.8
Foreign government	AAA	239.1	239.0	3.2%	(0.1)	(0.4)	(0.1)
Municipals:							
Taxable	AA	792.5	850.9	11.3%	58.4	0.1	59.4
Tax exempt	AA-	172.0	177.1	2.3%	5.1	0.5	2.1
Corporate:							
NAIC 1	A+	1,667.9	1,735.1	23.0%	67.2	2.0	11.1
NAIC 2	BBB	1,224.6	1,304.0	17.3%	79.4	2.5	9.2
NAIC 3 and below	B+	325.7	336.5	4.5%	10.8	12.2	(7.3)
Total corporate	BBB+	<u>3,218.2</u>	<u>3,375.6</u>	<u>44.8%</u>	<u>157.4</u>	<u>16.7</u>	<u>13.0</u>
Asset backed:							
Residential mortgage backed	AA+	816.1	848.6	11.2%	32.5	(6.5)	2.6
Commercial mortgage backed	AA+	367.6	379.1	5.0%	11.5	3.5	(5.8)
Asset backed	AA	141.5	145.1	1.9%	3.6	-	(0.1)
Total fixed maturities	A+	<u>6,008.7</u>	<u>6,284.7</u>	<u>83.3%</u>	<u>276.0</u>	<u>14.5</u>	<u>76.9</u>
Equity securities		239.9	246.4	3.3%	6.5	9.4	(1.4)
Total fixed maturities and equity securities		<u>6,248.6</u>	<u>6,531.1</u>	<u>86.6%</u>	<u>282.5</u>	<u>23.9</u>	<u>75.5</u>
Cash and cash equivalents		820.4	820.4	10.9%	-	-	-
Other investments		187.3	190.2	2.5%	2.9	1.9	0.2
Total		<u>\$ 7,256.3</u>	<u>\$ 7,541.7</u>	<u>100.0%</u>	<u>\$ 285.4</u>	<u>\$ 25.8</u>	<u>\$ 75.7</u>

THE HANOVER INSURANCE GROUP
CREDIT QUALITY AND DURATION OF FIXED MATURITIES
December 31, 2011

CREDIT QUALITY OF FIXED MATURITIES

(In millions)

NAIC Designation	Rating Agency Equivalent Designation	Amortized Cost	Fair Value	% of Total Fair Value
1	Aaa/Aa/A	\$ 4,325.1	\$ 4,510.7	71.8%
2	Baa	1,338.7	1,419.7	22.6%
3	Ba	151.2	160.0	2.5%
4	B	134.5	136.4	2.2%
5	Caa and lower	47.1	44.7	0.7%
6	In or near default	12.1	13.2	0.2%
Total fixed maturities		<u>\$ 6,008.7</u>	<u>\$ 6,284.7</u>	<u>100.0%</u>

DURATION OF FIXED MATURITIES

(In millions)

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 years	\$ 2,015.3	\$ 2,045.2	32.5%
2-4 years	1,399.1	1,457.3	23.2%
4-6 years	1,211.3	1,302.8	20.7%
6-8 years	844.1	903.5	14.4%
8-10 years	391.2	418.0	6.7%
10+ years	147.7	157.9	2.5%
Total fixed maturities	<u>\$ 6,008.7</u>	<u>\$ 6,284.7</u>	<u>100.0%</u>
Weighted Average Duration	<u>3.86</u>		

THE HANOVER INSURANCE GROUP
TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS
December 31, 2011

(In millions, except percentage data)

Issuer	Amortized Cost	Fair Value	As a Percent of Invested Assets	S&P Ratings
Royal Bank of Scotland: (1)				
Term deposits (2)	\$ 163.2	\$ 156.2	2.07%	A
Notes	6.9	6.4	0.08%	A
Lloyds TSB Bank: (3)				
Term deposits (2)	83.6	83.7	1.11%	A
Notes	6.1	5.6	0.07%	A
GE Capital	38.7	39.7	0.53%	AA+
Santander US:				
Term deposits (4)	33.4	33.4	0.44%	A
Notes	4.3	4.2	0.06%	AA-
Rabobank	29.1	29.3	0.39%	AA
Wells Fargo	26.8	28.2	0.37%	A+
Total Capital	25.2	26.1	0.35%	AA-
Australia & New Zealand Bank	25.2	25.7	0.34%	AA-
HSBC Bank	25.1	24.8	0.33%	A+
American Express	21.6	23.0	0.31%	BBB+
Top 10 Corporate and Municipal Fixed	\$ 489.2	\$ 486.3	6.45%	

(1) UK government owns 83% of bank equity

(2) Weighted average duration is approximately 1.5

(3) UK government owns 40% of bank equity

(4) Mature in April 2012

THE HANOVER INSURANCE GROUP
RECONCILIATION OF SEGMENT INCOME TO NET INCOME

	Three Months ended December 31				Year ended December 31			
	2011		2010		2011		2010	
	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)
(In millions, except per share data)								
SEGMENT INCOME								
Commercial Lines	\$ 46.4		\$ 36.4		\$ 18.0		\$ 111.2	
Personal Lines	20.3		39.0		22.7		113.0	
Chaucer	12.4		-		32.3		-	
Other Property and Casualty	(2.0)		0.8		(0.5)		3.5	
Total	<u>77.1</u>		<u>76.2</u>		<u>72.5</u>		<u>227.7</u>	
Interest expense on debt	<u>(16.4)</u>		<u>(11.5)</u>		<u>(55.0)</u>		<u>(44.3)</u>	
Segment income before income taxes	60.7	\$ 1.34	64.7	\$ 1.41	17.5	\$ 0.38	183.4	\$ 3.96
Income tax expense on segment income	<u>(15.5)</u>	<u>(0.34)</u>	<u>(21.0)</u>	<u>(0.46)</u>	<u>(2.9)</u>	<u>(0.06)</u>	<u>(61.2)</u>	<u>(1.32)</u>
Segment income after income taxes	45.2	1.00	43.7	0.95	14.6	0.32	122.2	2.64
Net realized investment gains	3.2	0.07	12.9	0.28	28.1	0.61	29.7	0.64
Loss from retirement of debt	-	-	(2.0)	(0.04)	(2.3)	(0.05)	(2.0)	(0.04)
Costs related to acquired businesses	(0.7)	(0.01)	-	-	(16.4)	(0.35)	-	-
Net foreign exchange gains	-	-	-	-	6.7	0.15	-	-
Loss on derivative instruments	-	-	-	-	(11.3)	(0.25)	-	-
Income tax (expense) benefit on non-segment income	<u>(1.6)</u>	<u>(0.04)</u>	<u>2.8</u>	<u>0.06</u>	<u>12.5</u>	<u>0.27</u>	<u>3.3</u>	<u>0.07</u>
Income from continuing operations	46.1	1.02	57.4	1.25	31.9	0.70	153.2	3.31
Discontinued operations, net of taxes	<u>3.2</u>	<u>0.07</u>	<u>1.0</u>	<u>0.02</u>	<u>5.2</u>	<u>0.11</u>	<u>1.6</u>	<u>0.03</u>
NET INCOME	<u>\$ 49.3</u>	<u>\$ 1.09</u>	<u>\$ 58.4</u>	<u>\$ 1.27</u>	<u>\$ 37.1</u>	<u>\$ 0.81</u>	<u>\$ 154.8</u>	<u>\$ 3.34</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. These metrics include segment income before interest expense and taxes, total segment income after taxes, total segment 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 segment income and loss ratios excluding catastrophe losses and reserve development. After-tax segment income EPS (sometimes referred to as "after-tax segment income per share") is a non-GAAP measure. It is defined as net income (loss) excluding the after-tax impact of net realized investment gains (losses), as well as results from discontinued operations for a period divided by the average number of diluted shares of common stock.

Segment income before interest expense and taxes is net income, excluding interest expense on debt, income taxes and net realized investment gains and losses, because fluctuations in these gains and losses are determined by interest rates, financial markets and the timing of sales. Segment 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. Segment income before interest expense and taxes is the sum of the segment income from: Commercial Lines, Personal Lines, Chaucer, and Other Property and Casualty. The Hanover believes that measures of segment income before interest expense and taxes provide investors with a valuable measure of the performance of the Company's ongoing businesses because they highlight net income attributable to the core operations of the business.

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

The Hanover also provides measures of segment 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 segment 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.

Segment income before and after interest expense and taxes and measures of segment 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 segment income before interest expense and taxes and income from continuing operations per share to segment income after taxes per share for the three months and year ended December 31, 2011 and 2010 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

645 West Grand River
Howell, MI 48843

Chaucer Holdings PLC

Plantation Place
30 Fenchurch Street
London
EC3M 3AD

MARKET AND DIVIDEND INFORMATION

The following information shows trading activity for the Company for the periods indicated:

Quarter Ended	2011		
	Price Range		Dividends Per Share
	High	Low	
March 31	\$48.82	\$45.08	\$0.275
June 30	\$46.15	\$36.18	\$0.275
September 30	\$37.97	\$31.22	\$0.275
December 31	\$39.23	\$33.26	\$0.300

Quarter Ended	2010		
	Price Range		Dividends Per Share
	High	Low	
March 31	\$44.63	\$40.51	\$0.25
June 30	\$45.72	\$42.33	\$0.25
September 30	\$47.00	\$43.16	\$0.25
December 31	\$47.73	\$45.25	\$0.25

INDUSTRY RATINGS AS OF FEBRUARY 8, 2012

Financial Strength Ratings	A.M.	Standard	Moody's	Fitch
	Best	& Poor's		
Property and Casualty Insurance Companies:				
The Hanover Insurance Company	A	A-	A3	A-
Citizens Insurance Company of America	A	A-	-	A-

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

TRANSFER AGENT

Computershare Limited
PO Box 43076
Providence, RI 02940-3076
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

Oksana Lukasheva
Assistant Vice President
Investor Relations
(508) 855-2063
olukasheva@hanover.com

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)