KBW Insurance Conference

The Hanover Insurance Group (THG)

September 5, 2012

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," "outlook," "should," "plan," "confident," "guidance," "on track to," "promise," "line of sight," "forecast (F)," "will" and similar expressions are intended to identify forward-looking statements. In particular, this presentation and includes or may include forward-looking statements with respect to the ability to continue to improve our financial performance; underlying loss ratio trends; outlook on the market and economic conditions, especially in respect to surety business; catastrophe losses for the remainder of 2012, and in particular, the third quarter of 2012; 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; competitive position, including with respect to agents; net written premium growth for the second half of the year; new business growth; future prior year reserve development and reserve adequacy; the impact of various agency and exposure management actions on net written premiums and segment income; GAAP and accident year loss ratios; expense ratio and expense improvements from improving scale; adequacy of capital to rating agency expectations; product margins, including with respect to auto lines of business; expected profitability and contribution of Chaucer Holdings plc ("Chaucer") to consolidated earnings, including the ability to realize the benefits of Chaucer's prior pricing and mix management actions; net investment income and the effect of lower yields on future net investment income; product- geographic- and account- based mix changes on future growth and profitability; dividends and share repurchases; and may also include forward looking statements on underwriting conditions, capital levels, ratings, the number of shares outstanding, investment impairments and net investment income.

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 August 1, 2012 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 June 30, 2012.

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

Basis of Presentation: 2010 and later periods were restated for the effect of the company's adoption of the new Deferred Acquisition Cost ("DAC") methodology.

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 pre-tax segment income, excluding catastrophes and segment income 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 the appendix. Segment income after-tax (segment income after tax 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 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 80-82.

A Period of Significant Opportunity For The Hanover

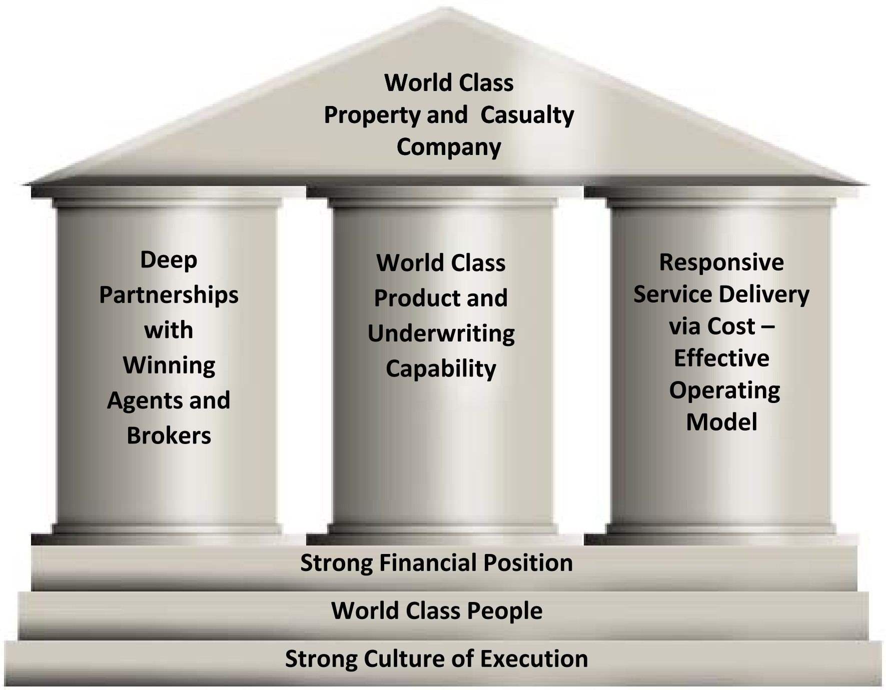
- Over the last eight years, we have completely transformed the company, creating a much stronger organization and a much more distinctive franchise. Starting in 2009, we invested significantly to improve our business mix and geographic spread

- Our product portfolio and distinctive position with the best distributors now positions us to capitalize on market opportunities and grow profitably to deliver strong financial performance through the cycle

- 2012 is the year of transition. We are focusing our efforts to improve financial performance over the next 12 to 24 months, and to move toward top-quartile performance using the following levers:
    - Drive pricing across our book of business
    - Capture benefits of maturing newer businesses and geographies
        - Expense ratio
        - Underwriting improvement
    - Continue mix improvement and targeted re-underwriting of our book
        - Exposure management
        - Portfolio improvement

We remain focused on building A World Class Company

Our
VISION



Our Strategic Focus:

- ✓ A more differentiated product portfolio in more attractive areas of the industry
- ✓ A more distinctive market position in our businesses with strong underwriting acumen and risk management expertise
- ✓ A value proposition that creates a strong, differentiated position with winning agents and brokers
- ✓ Strong, talented team
- ✓ The financial flexibility and strength to capture opportunities

Our Goal: To Deliver Top Quartile Returns Through The Cycle

Our Journey

2004 2005 2006 2007 2008 *Rating Agency Upgrades* 2009 2010 2011 2012

REPAIR AND IMPROVE CORE CAPABILITIES AND POSITION

- **Focus portfolio; sell life; re-underwrite weak P&C business**
- **Returned core products to profitability**
- **Upgraded talent and core systems**
- **Invested in Core Commercial and Small Commercial offerings**
- **Built Personal Lines product offering**

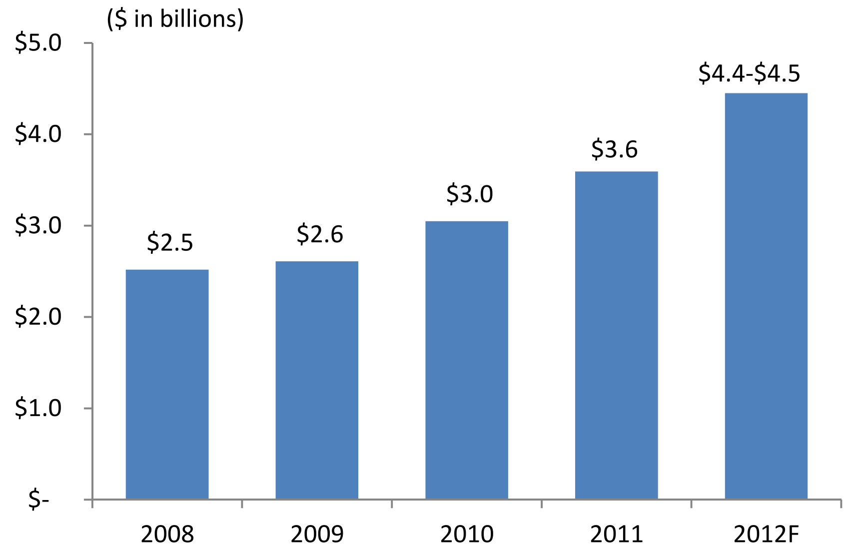
EXPAND CAPABILITIES TO DIVERSIFY BOOK AND CREATE GREATER DISTINCTIVNESS

- **Established national distribution footprint for Commercial**
- **Built a robust U.S. Specialty portfolio**
- **Established E&S capability and expanded Specialty reach in some global lines through Chaucer acquisition**
- **Drove growth in Niches and industry solutions for Commercial businesses**
- **Created more distinctive account approach for Personal Lines**

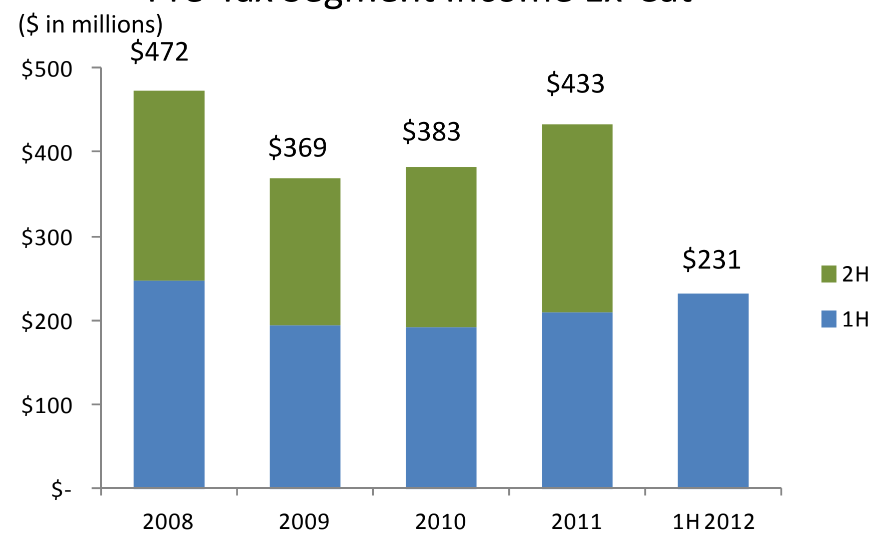
2012 is the year of transition. We are focusing our efforts to improve financial performance over the next 12-24 months, and to move toward top-quartile performance

Solid Financial Progress Toward Our Goals

Net Written Premium Growth



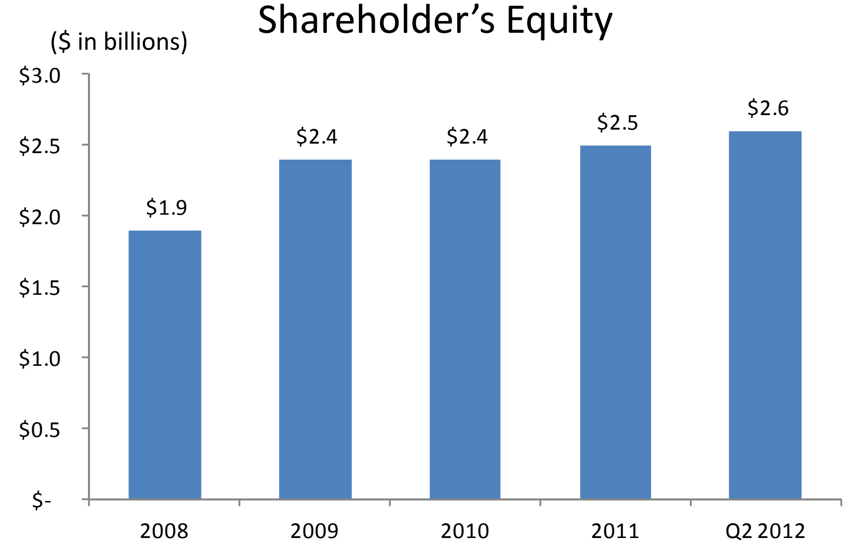
Earnings Power
Pre-Tax Segment Income Ex-Cat



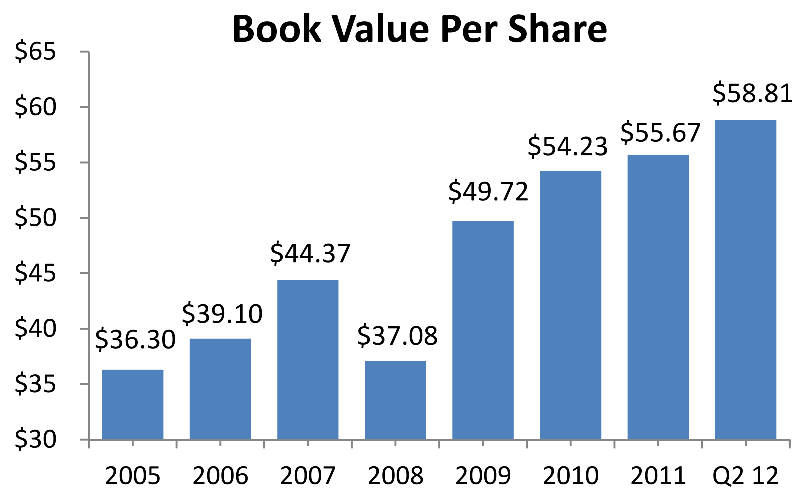
Positive Ratings

	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 2008 – Upgrade 2010– Upgraded ERM rating April 2011 – Stable Outlook

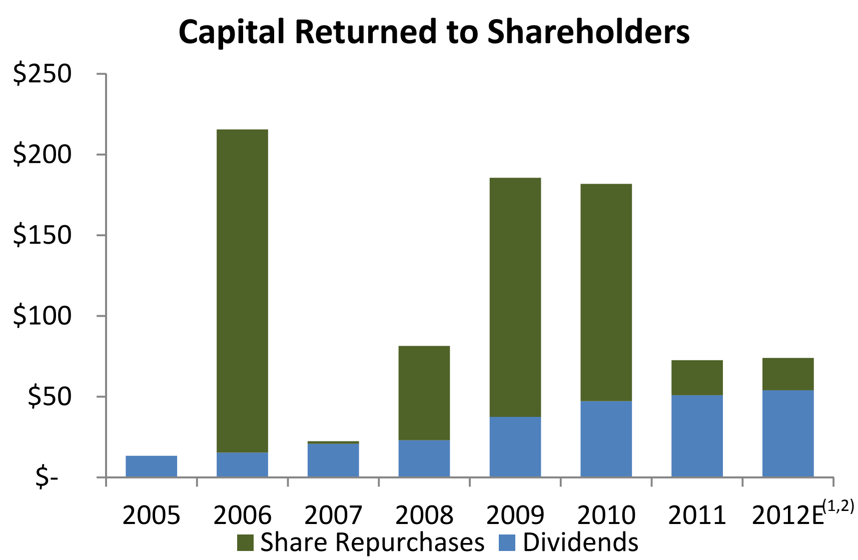
Shareholder's Equity

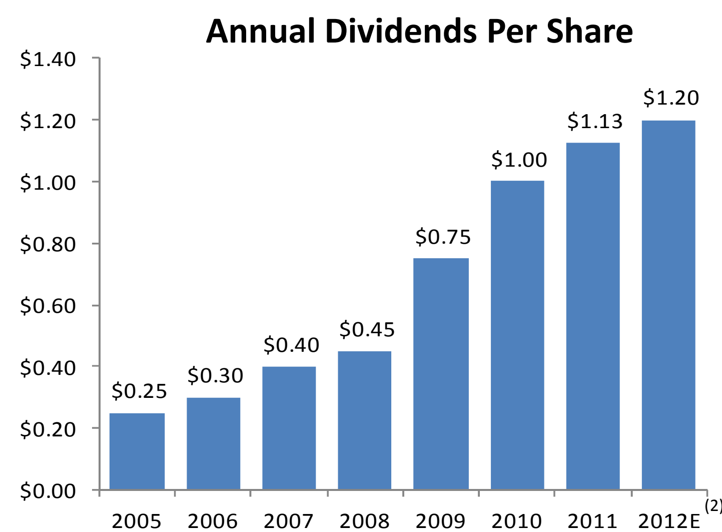


Our performance drives book value growth and shareholder value creation



- Demonstrated ability to return capital to shareholders through dividends and share repurchases
  - Annual dividend increased each year since 2005
  - Flexible and opportunistic approach towards share repurchases
  - Returned $245 million through dividends and $585 million in repurchases since 2005, which represents 51% of our January 2005 market capitalization





(1) Repurchases through August 31, 2012
(2) Annualized.

Strong Balance Sheet and Strong and Flexible Capital Position

Capital

- Capital above target levels for all rating agencies
- Financial leverage of 26% within industry and rating agency thresholds
- Significant holding company liquidity:
  - $185 million in cash and invested assets as of June 30, 2012
  - No debt maturities until 2020
  - Available credit facility of $200 million
- Participation at Lloyd's provides additional capital flexibility and efficiency

Investment portfolio

- High quality, well diversified and laddered investment portfolio
- 85% of the $7.7 billion portfolio is invested in fixed income; 7% in cash and equivalents
- 94% of fixed income securities are investment grade; Weighted average quality A+ -- duration of 4.0 years
- Strong persistency of yield; Q2'12 fixed income yield at 4.3%

Prudent reinsurance structure

- "Core U.S. program " $700M xs $200M– Renewed at January 1, 2012
- Increased total reinsurance tower from $1B to $1.1B
- Increased Northeast layer from $300M to $400M – Effective July 1, 2012
- Chaucer property cat treaty provides coverage up to $102 million and $119 million less retentions of approximately $17 million and $25 million for international and U.S. business, respectively
- Reinsurance panel is well diversified and high credit quality

Reserves

- Insignificant exposure to industry legacy issues (i.e. asbestos and environmental)
- Reserve duration shorter than industry average
- Disciplined reserving practices:
  - Full internal actuarial analysis each quarter
  - Quarterly reporting of results to the Audit Committee
  - Annual reserve review by independent, third party actuarial firm
  - Chaucer's reserves are reported to Lloyd's quarterly and reviewed annually

Outlook Strong:
Quality Of Business Significantly Improved

The Hanover
Positioned for
Improved
Financial
Performance

I. A better mix of business
- -Geography
- -Line of business

II. Businesses with more distinctive, competitive position

III. The Hanover's value proposition leads to preferred shelf space

We have substantially improved our geographic diversification

$ in millions

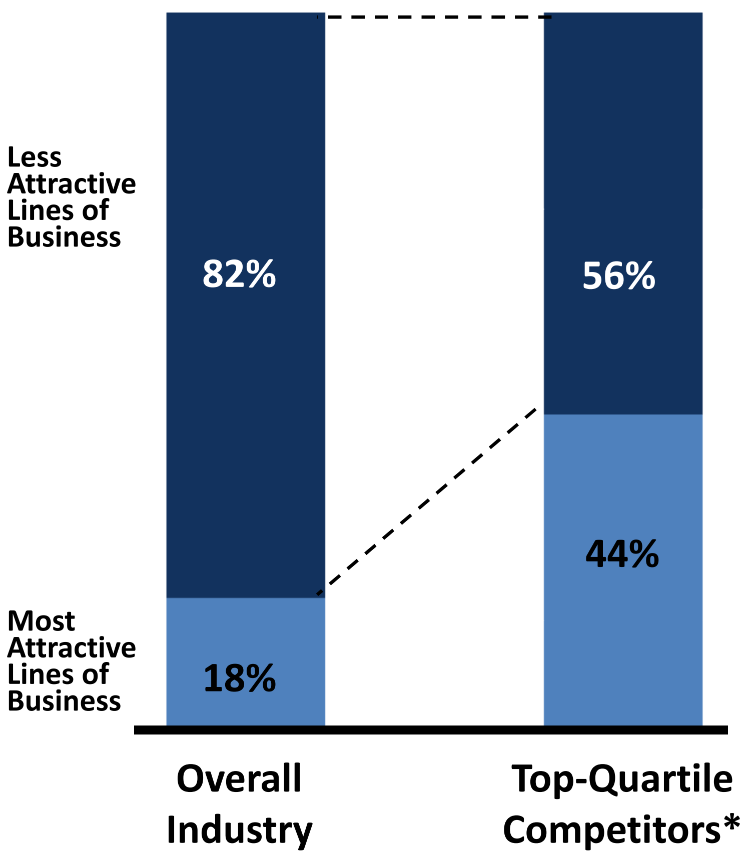
2008			2011		
State	DWP ($)	% of Total DWP	State	DWP ($)	% of Total DWP
Michigan	$ 813	29%	Michigan	$ 826	19%
Massachusetts	335	12%	Massachusetts	332	8%
New York	288	10%	New York	310	7%
New Jersey	180	6%	California	212	5%
Florida	123	4%	New Jersey	194	4%
Louisiana	102	4%	Illinois	139	3%
Connecticut	74	3%	Florida	115	3%
Illinois	72	3%	Connecticut	113	3%
Virginia	64	2%	Texas	108	2%
Georgia	58	2%	Maine	100	2%
All Other Domestic	737	26%	All Other Domestic	1,037	24%
Chaucer	-	-	Chaucer*	915	21%
Total DWP	$ 2,846		Total DWP*	$ 4,401	

- Decreased concentration in the top 4 states from 57% in 2008 to 39% in 2011 through exposure management actions, growth and acquisitions
- Made considerable progress growing in states targeted for growth, such as Commercial Lines expansion in the West Coast
- Exited Florida homeowners and substantially reduced Louisiana homeowners
- Chaucer has a strong diversifying effect on our mix and earnings

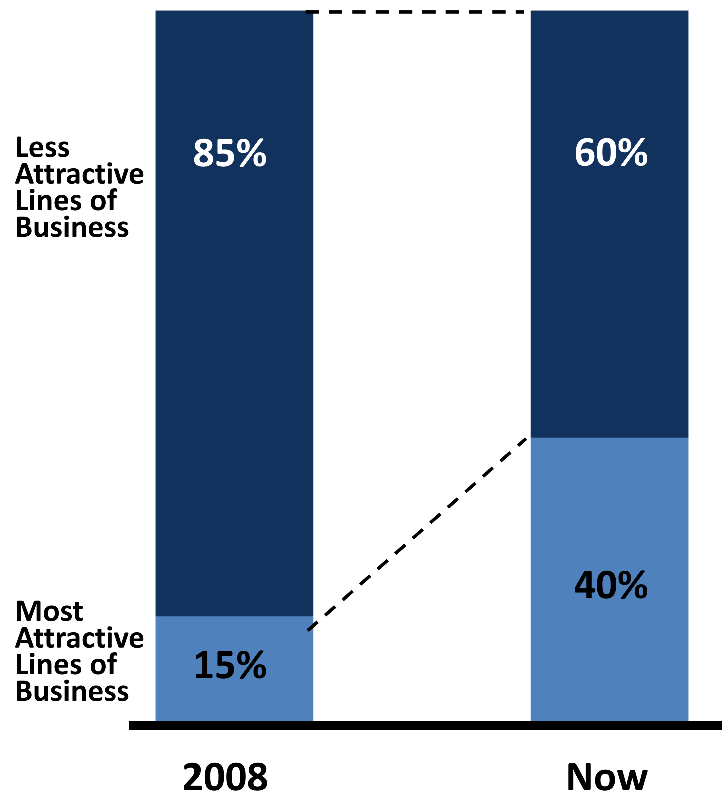
*Chaucer premium is net written premium.

Our portfolio has been completely repositioned – more like top-quartile companies

Top Quartile Better Mix Than Industry



The Hanover Mix Change

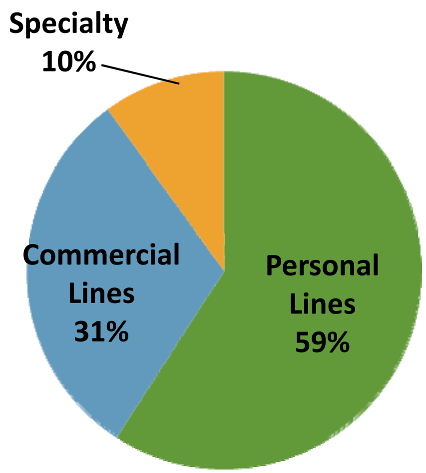


* Composite of relevant publicly-held insurance companies that have achieved top-quartile over last cycle (Berkley, Travelers, Chubb).

Today, we have a more balanced and diversified book of business

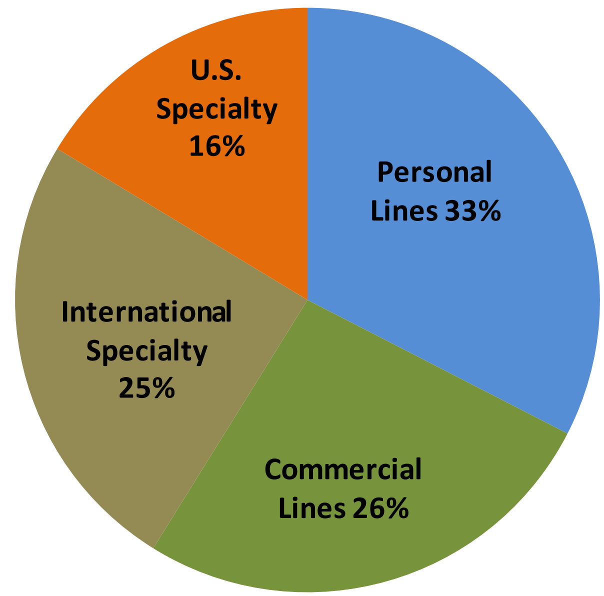
Business Mix

2008



$2.5 Billion
Net Written Premium

2012F

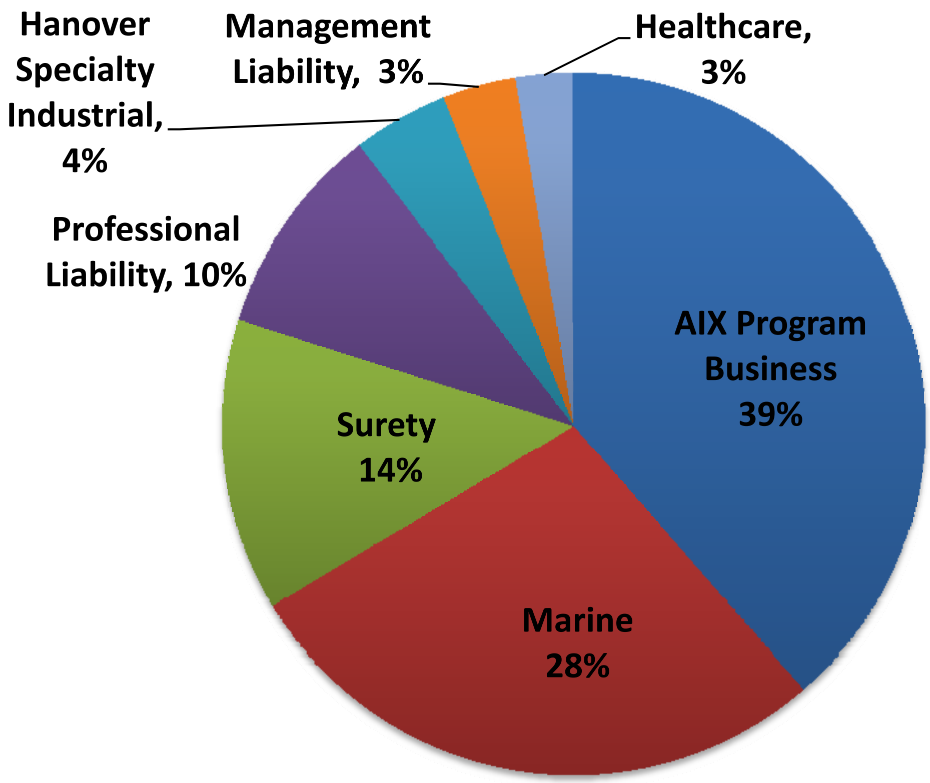


$4.4-4.5 Billion
Net Written Premium

More importantly, we have created a distinctive position in most of our businesses

Specialty has been a key to growth and will be key to Commercial Lines overall success

$ in millions, DWP



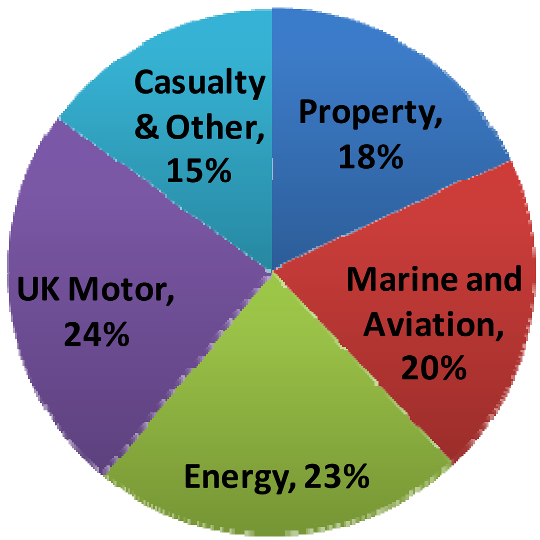
Total DWP $681M in 2011

Key Attributes

- Focus towards more attractive segments
- Relevant to most sophisticated agents and brokers
- Heavy casualty orientation diversifies property book in Commercial and Personal Lines
- Growth has been considerable, but measured and driven by team and business acquisitions
- Including Niches, our specialized offering in the U.S. is approaching $900 million in direct written premium

Chaucer provides distinctiveness, diversification, scale and spread of risk

Net Written Premiums by Division**



* Based on IFRS (prior to acquisition in July 2011) and US GAAP (post acquisition)
** 2011 Pro Forma Net Written Premiums

- A capital efficient underwriting portfolio
  - Balances global marine, aviation, energy, and property with UK motor and nuclear
  - Total underwriting interests of $1.1 billion for 2012
  - Capital requirements of $502 million
- A healthy average combined ratio
  - A reported 2004-11 cross-cycle average of 94.7%*
- Together, these produce a healthy return on capital
  - A reported 2004-11 cross-cycle average ROE of 12.9%*

Over the last 12 months as a part of The Hanover, Chaucer delivered pre-tax segment earnings of $88 million

Our Vision Leads To Preferred Shelf Space Driving Momentum With The Best Retail Agents

THE HANOVER PROMISE

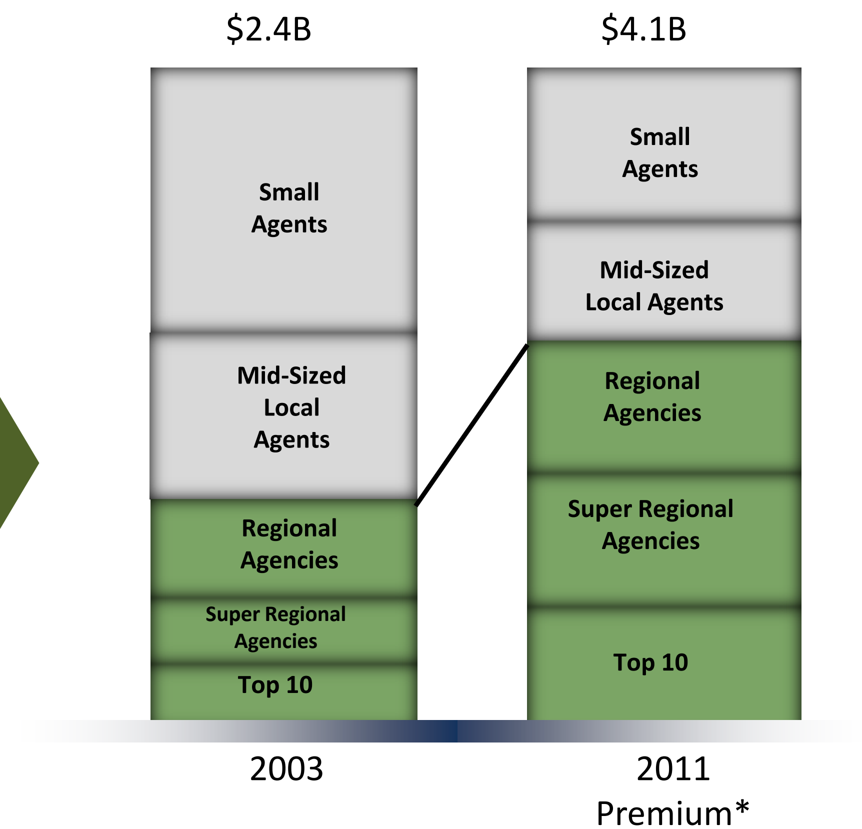
The Best Partner Because:

I. Intense Focus on Product Innovation (Industry Solutions)

II. True Commitment to Partnership (Franchise Value)

III. Unparalleled Local Responsiveness and Expertise

Agent Segments Penetration

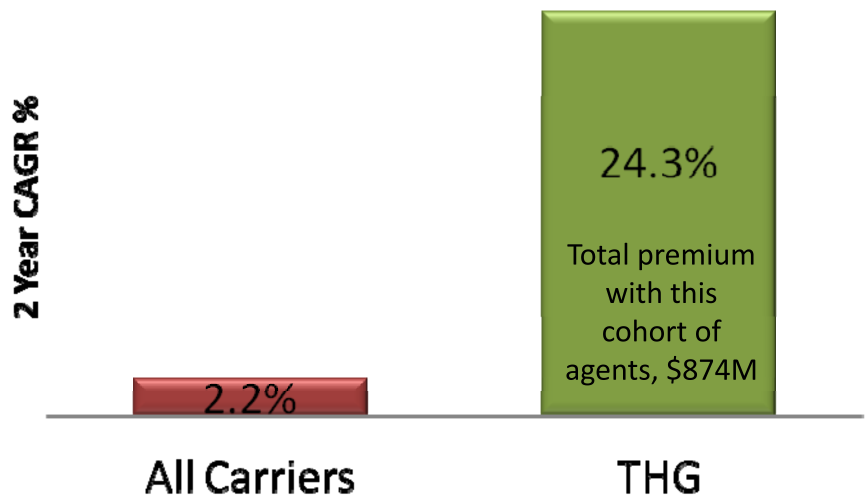


Value Proposition → **Share Shift With Best Agents**

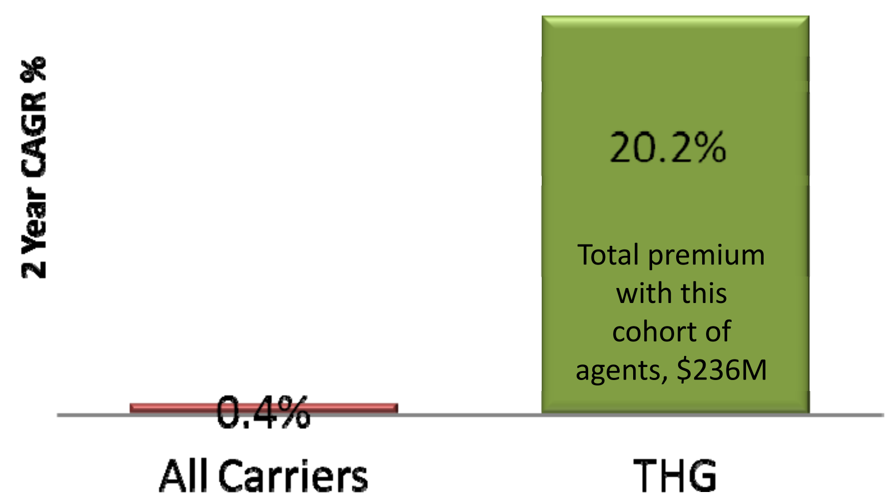
* Net written premium; 2011 with Chaucer annualized

Best Agents In the Country Responding

Top 100 U.S. Agents
2009 – 2011



Growth with IIABA/Reagan Best Practice Agents
2009 – 2011

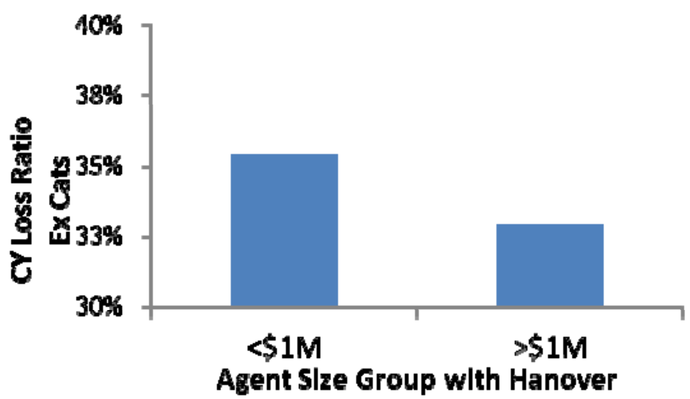


Driving Share Increase With Best Agents

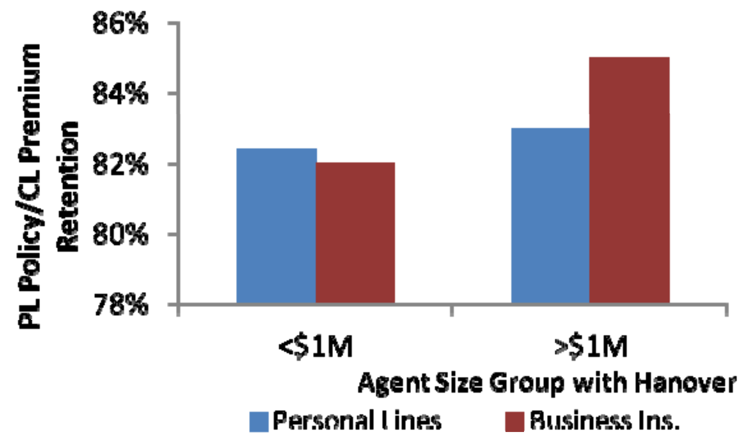
Stronger Relationships = Better Results

As our relationships grow deeper and stronger, evidence shows that our partner agents produce better results in the following areas

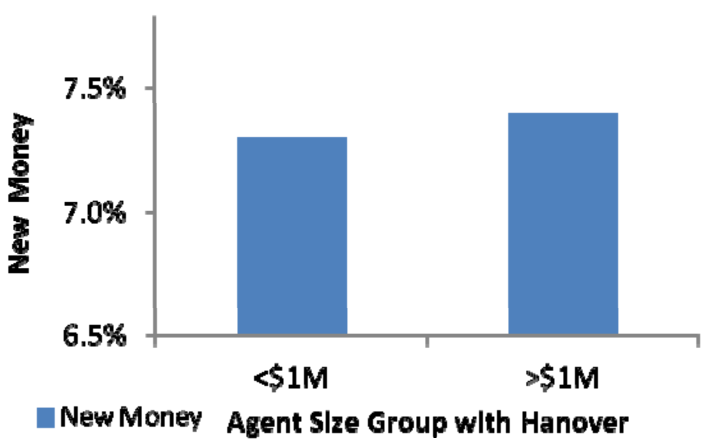
Profitability



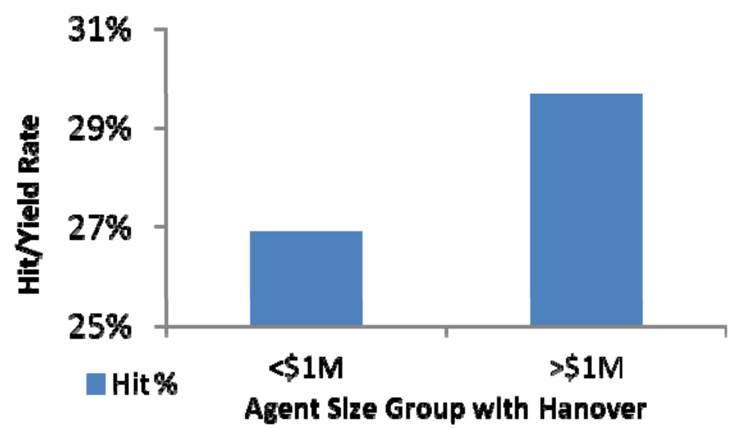
Retention



Middle Market Price



Small Commercial Hit Rate



Source: 3-year ex-cat calendar year LR (2010-present) case incurred on partner agents, 2012 YTD core commercial pricing results for partner agents

Six Months 2012 Financial Highlights

- Net income of $70.5 million, or $1.55 per share; segment income after tax[1] of $56.0 million, or $1.23 per share
- Combined ratio of 100.6%; ex-catastrophe combined ratio of 95.1%[1]
- Pre-tax catastrophe losses of $115 million, or about 6 points of the combined ratio
- Favorable development from most businesses offset by pressure in surety and auto lines
- Net premiums written of $2.2 billion, 41.5% higher than the first half of 2011, driven by addition of Chaucer premiums and growth in domestic core commercial and specialty businesses
- Continuing improvement in Commercial Lines pricing trends; strong retention
- Repurchased approximately 259,000 of common shares for $10 million
- Book value per share of $58.81 at June 30, 2012, up 8.0% from June 30, 2011

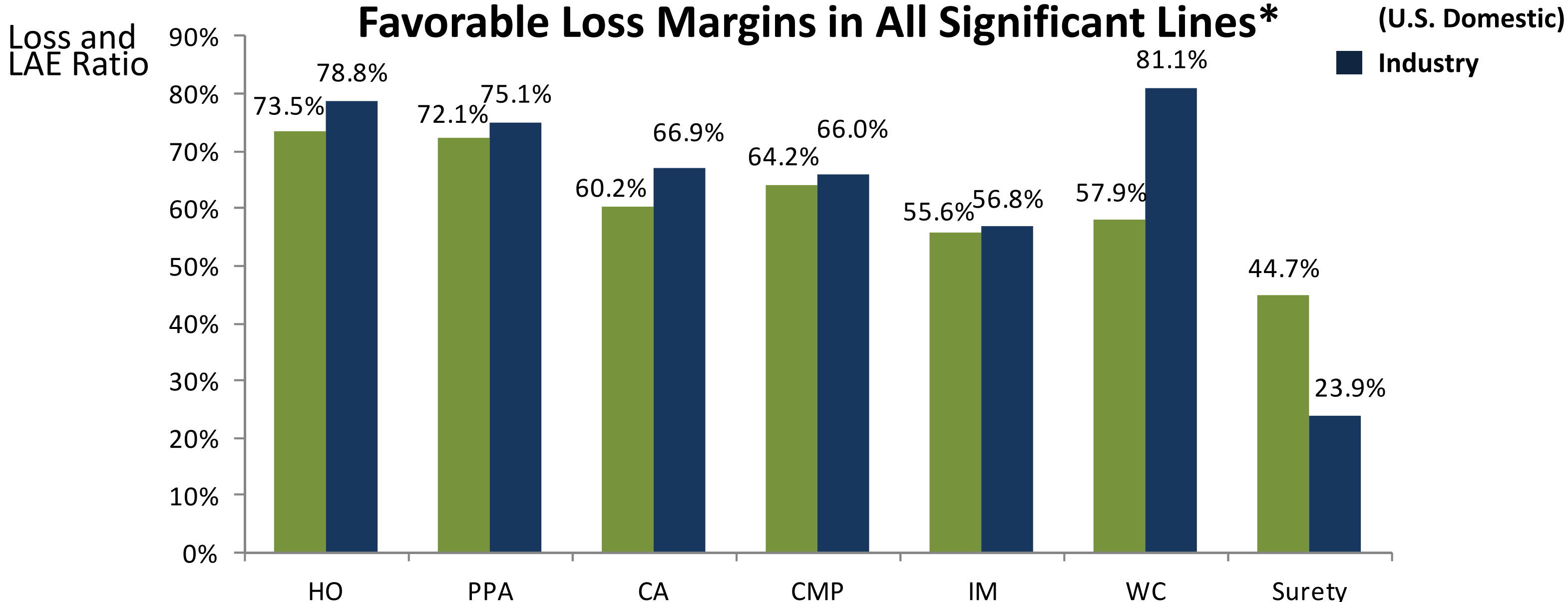
[1] Non-GAAP measure. See slide 2 and Appendix at the end of this presentation.

We are driving improved performance by pulling the following levers:

- Drive pricing across our book of business
- Continue exposure management efforts
- Drive benefit of scale in newer businesses and geographies and enhance operating efficiencies
- Continued mix improvement and refinement of underperforming segments while growing more attractive segments

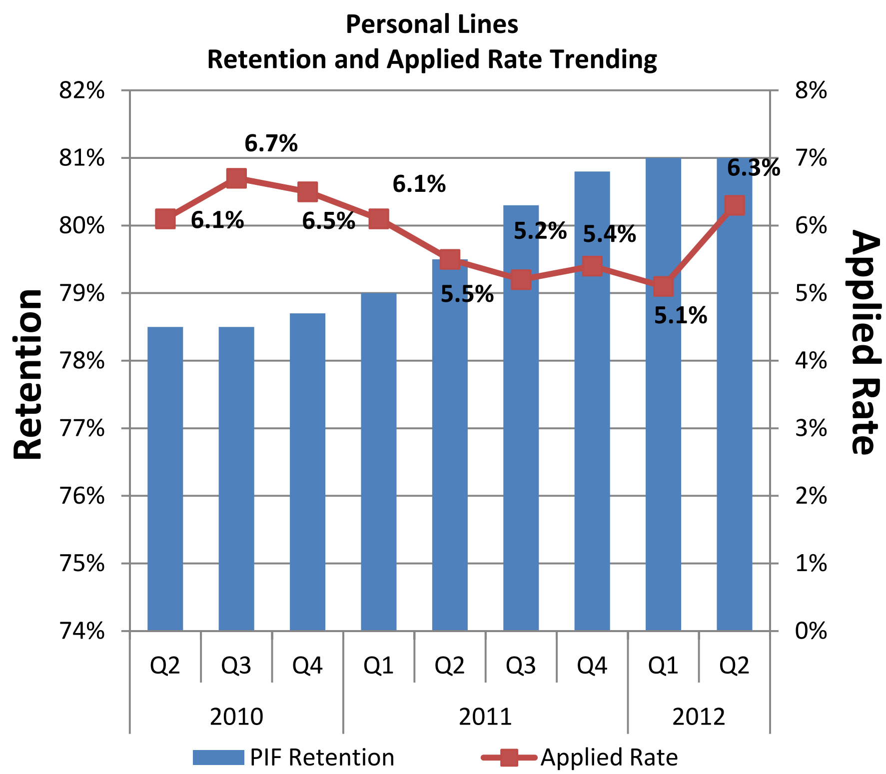
Our Underwriting and Pricing Capabilities Have Always Been Very Strong

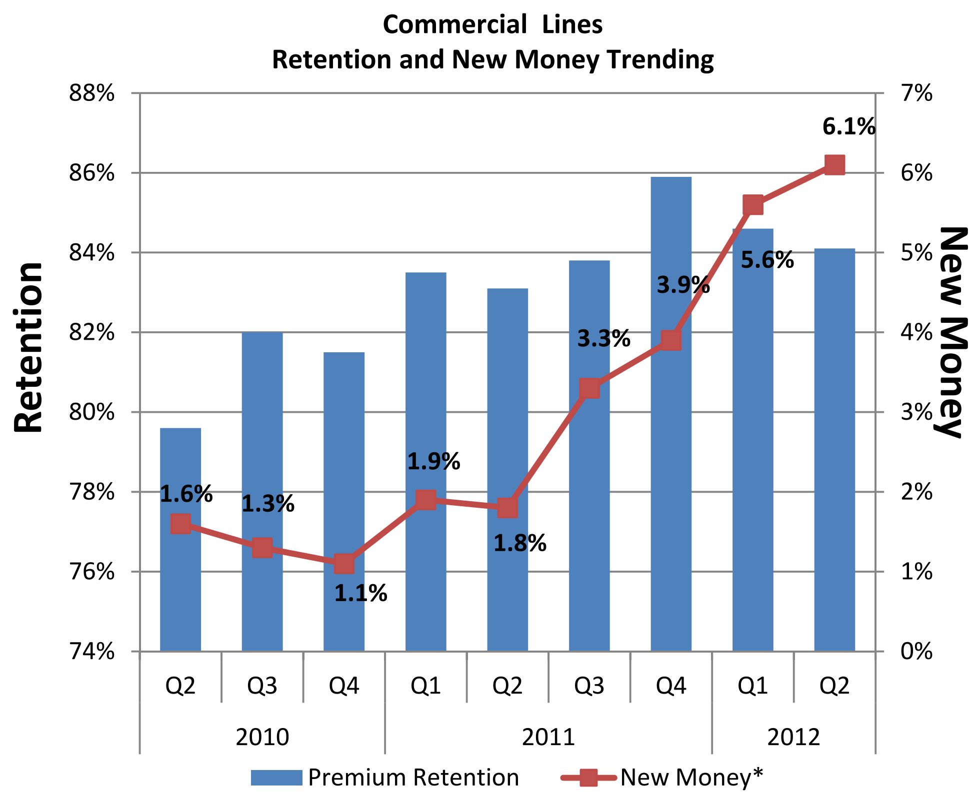
Favorable Loss Margins in All Significant Lines*



* Five-year average loss and LAE ratios (2007– 2011)
Source: Industry Data - SNL Financial

Weather and loss trends in certain businesses have driven strong pricing momentum:





- Strong retention provides confidence we have room for accelerated rate increases going forward
- Partner agency support
- Planned rate increases in double digits in Homeowners in certain states for the rest of 2012

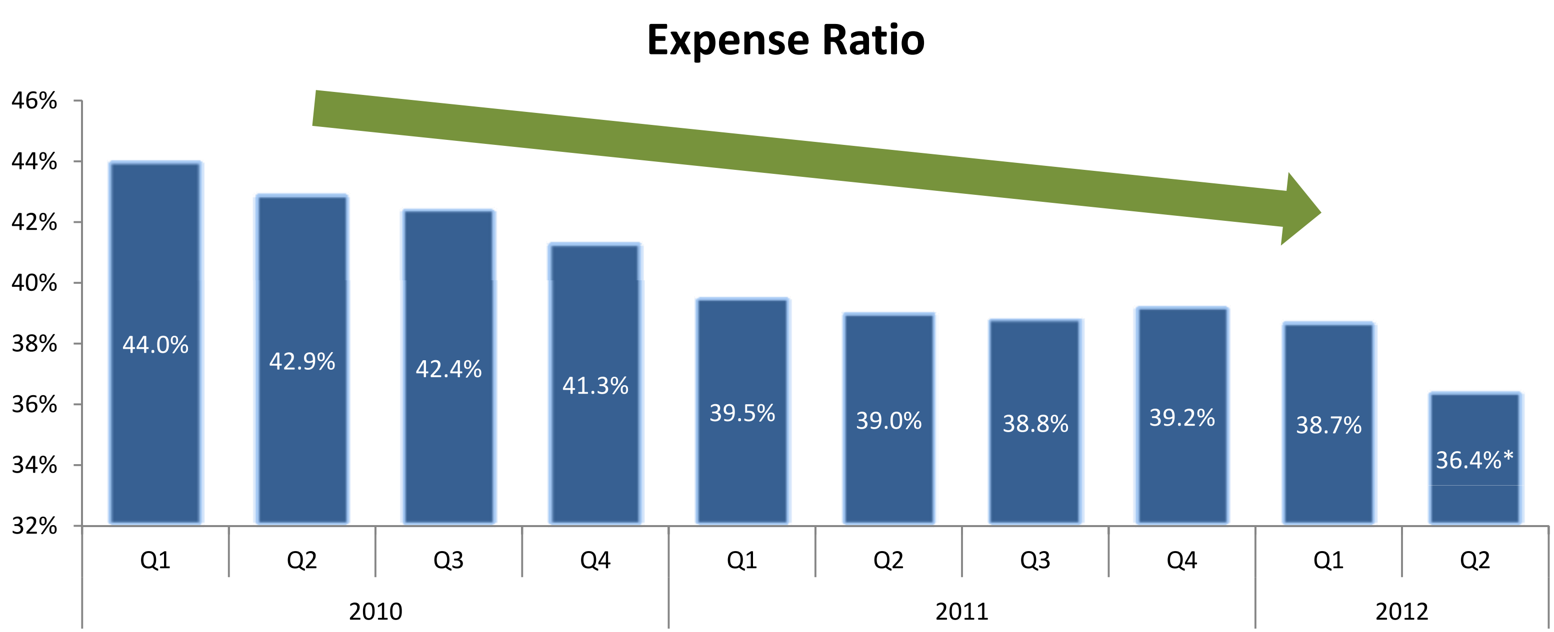
*Includes rate and exposure

Exposure Management Actions

- We made dramatic improvements in our aggregation management over the last several years: exited Rhode Island and Florida homeowners, reduced Louisiana and Cape Cod property exposures, among others
- Diligent and ongoing rate actions
  - Achieved property pricing increases on retained book of 10-15% in Personal Lines and 5-8% in Commercial Lines
- Instituted more aggressive underwriting actions targeting age of roofs and deductibles
- Identified and implemented further exposure improvement strategies – exposure thinning:
  - Executed a renewal rights transaction in Personal Lines, reducing micro-concentration
- As a result, we are taking action with identified non-strategic agents in certain states in the Northeast. These actions will significantly reduce exposure.

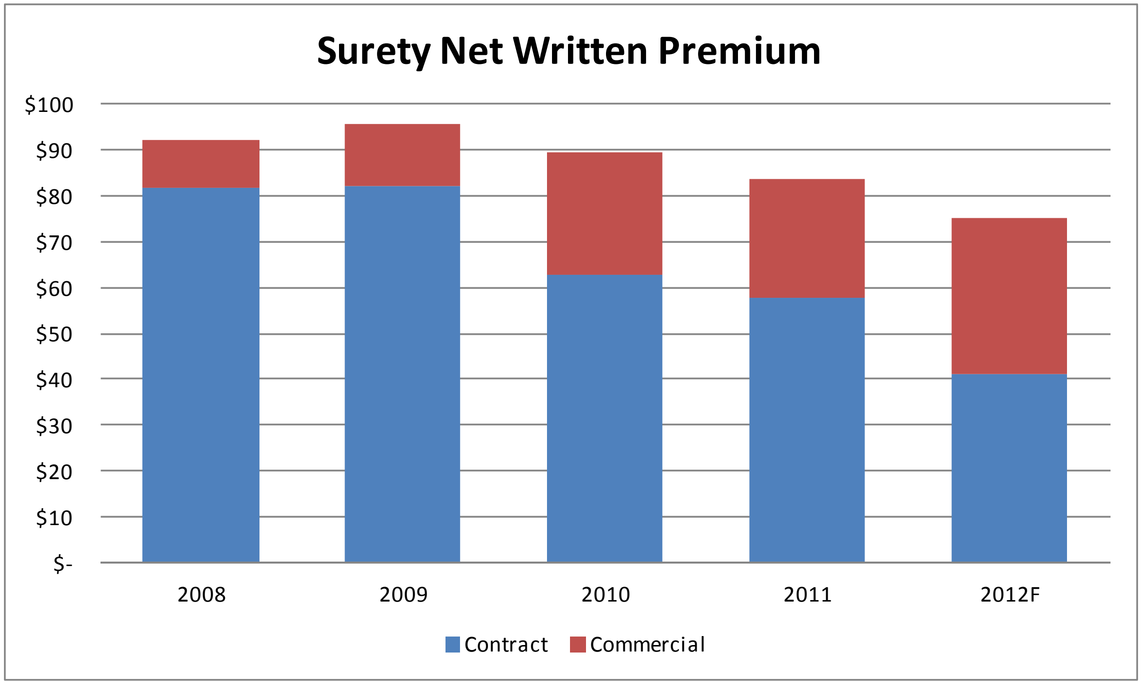
Improved Scale and Enhanced Operating Efficiencies Drive Lower Expense Ratio in CL

- Renewal rights and western expansion completion drove 2 to 3-point improvement
- Maturing Specialty business investment provide additional leverage
- Maturing of new operating model for Small Commercial and Middle Market
- Visibility into continued improvement in expense ratio driven by earned premium leverage, lower investment requirements and operating efficiencies



*Impacted by timing of certain performance-based expenses

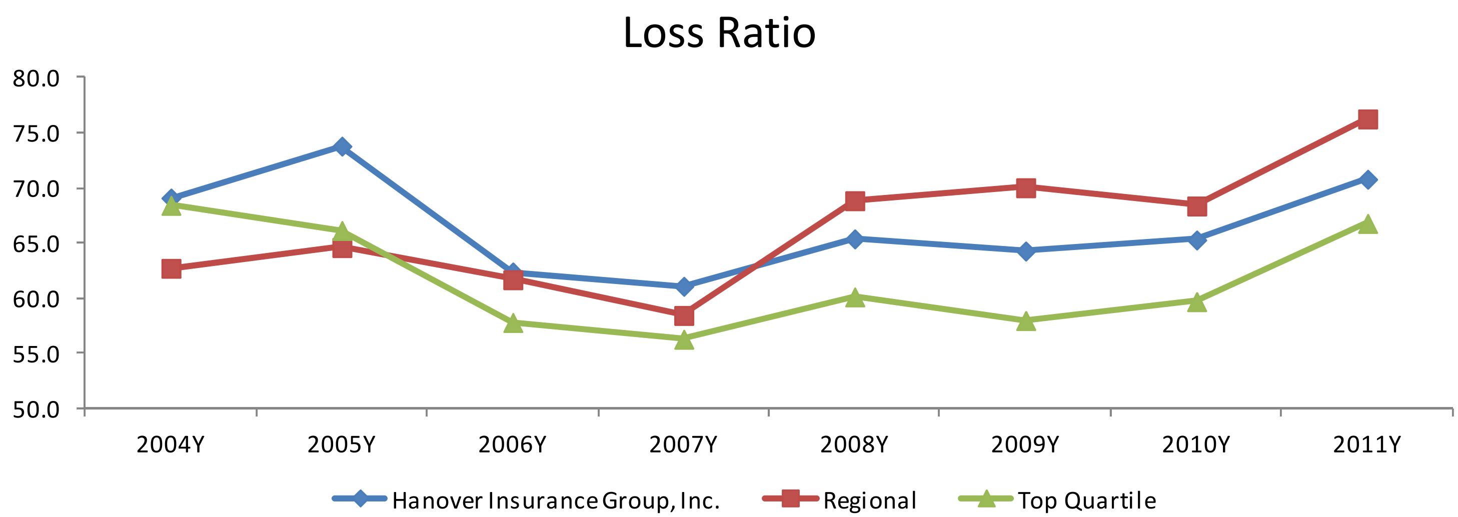
Addressing challenges through targeted re-underwriting of certain businesses and growth of more attractive segments

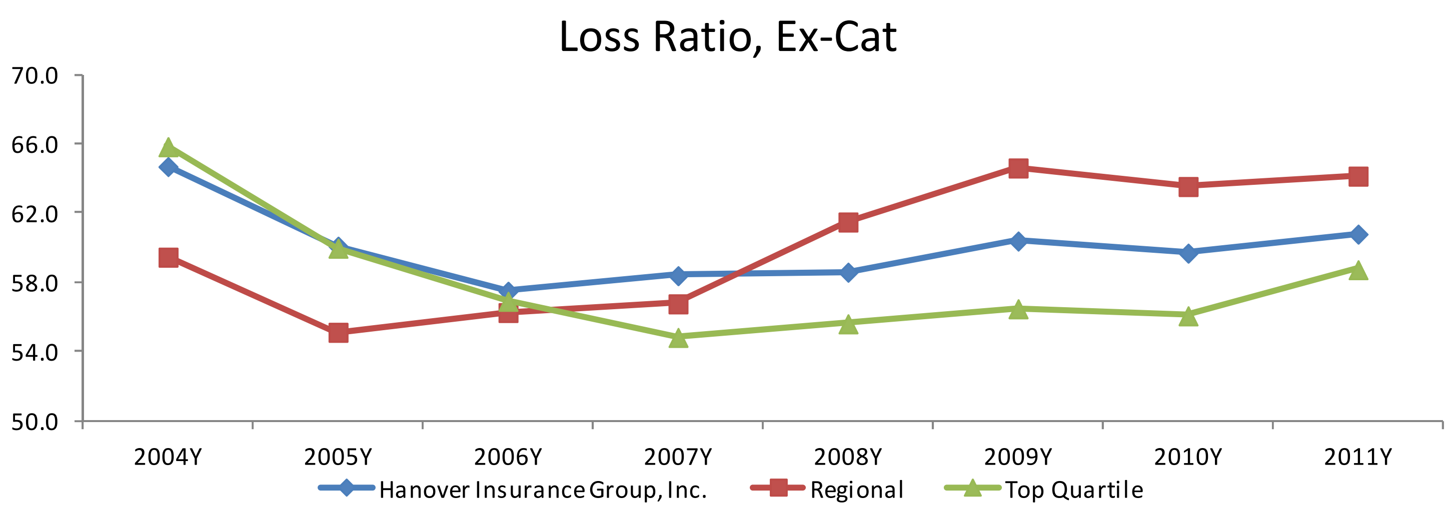


Statutory CR:	75%	86%	106%	132%

- Shifting mix of business to more profitable commercial surety
- Tightened underwriting processes and new leadership team in contract surety
- Closely monitored contract surety runoff book of business
- Recent favorable indicators in contract surety loss patterns

Outperforming Regionals, Targeting Top Quartile





Regional companies include: Cincinnati Financial, State Auto, Selective, Tower, United Fire and Erie.
Top Quartile companies include: Travelers, Chubb and WR Berkley.

Significant Opportunity To Improve Performance Over Next 18 – 24 Months

- Assembled products and capabilities to take advantage of best opportunities
- Business mix is continuing to improve
- Aggressively adjusting to a higher expectation of weather impact
- Capital and risk management strategies focus resources
- Managing investment portfolio

  to deliver in a low return environment

Mix shift to Specialty and higher margin businesses

More distinctive U.S. Commercial Lines and maturing operating model and geographies

Pricing improvement and target re-underwriting

Greater investment leverage

Earnings resiliency with the addition of Chaucer and continued exposure management

- Despite headwinds of weather trends and low investment rates, our mix improvement and pricing expectations should deliver improved returns

We are building our business to deliver top quartile performance

Investment Thesis

- Attributes not fully recognized by the market:
  - Well-diversified product and geographic mix
  - Strong distribution plan; best in the country
  - Strengthened Specialty offering and strategy
  - Diversification and earnings resiliency enhanced by the acquisition of Chaucer
  - High quality, high yielding investment portfolio
  - Strong balance sheet
  - Increasing visibility into improved profitability and ROE
- Low valuation compared to peers and historical levels

Questions

Appendix

Reconciliation of "Property and Casualty Pre-Tax Segment Income Excluding Catastrophes" to "Income From Continuing Operations." [1]

($ In Millions)	YTD 6/30/12	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Pre-Tax Contribution (excluding catastrophes)*	231.4	$ 433.4	$ 382.5	$ 369.0	$ 471.9
Catastrophes Losses and LAE	(114.7)	(361.6)	(160.3)	(98.9)	(169.7)
Property and Casualty Segment Income (Loss)	116.7	71.8	222.2	270.1	302.2
Interest Expense	(32.1)	(55.0)	(44.3)	(35.1)	(39.9)
Segment income (loss) before income taxes	84.6	16.8	177.9	235.0	262.3
Income tax (expense) benefit on segment income (loss)	(28.6)	(2.6)	(59.3)	(77.5)	(86.3)
Segment income (loss) after income taxes	56.0	14.2	118.6	157.5	176.0
Net realized investment gains (losses)	(0.3)	28.1	29.7	1.4	(97.8)
Gain (loss) from retirement of debt	-	(2.3)	(2.0)	34.5	-
Costs related to acquired businesses	(2.4)	(16.4)	-	-	-
Net foreign exchange gains (loss)	-	6.7	-		
Gain (loss) on derivative instruments	-	(11.3)	-	-	-
Other non-segment items	-	-	-	-	(0.1)
Restructuring costs	-	-	-	-	-
Income tax settlement	-	-	-	-	6.4
Change in prior years tax reserves	-	-	-	-	-
Income tax (expense) benefit on non-segment income (loss)	7.2	12.5	3.3	(5.6)	-
Income (loss) from continuing operations	$ 60.5	$ 31.5	$ 149.6	$ 187.8	$ 84.5

Combined Ratio Reconciliation

	YTD 6/30/12	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Loss and LAE Ratio	66.8%	70.8%	65.3%	64.4%	64.8%
Expense Ratio	33.8%	33.8%	35.0%	33.8%	33.2%
Combined ratio	100.6%	104.6%	100.3%	98.2%	98.0%
Catastrophes losses	5.5%	10.0%	5.6%	3.9%	6.8%
Combined ratio excluding catastrophes	95.1%	94.6%	94.7%	94.3%	91.2%

*2009 and earlier periods not restated for the impact of the DAC methodology change

(1) Periods prior to July 1, 2011 do not include Chaucer.