

The Hanover Insurance Group, Inc.

Fourth Quarter 2015 Results

February 4, 2016

**To be read in conjunction with the press release dated
February 4, 2016 and conference call scheduled for February 5, 2016**

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; confidence in earnings levers; ability to leverage commercial lines account size and agency strategy to hold rates; profitability of AIX business; success of commercial lines mix; loss trends and reserves and confidence to deliver improved results; commercial lines expense ratio improvement; impact of large account business on commercial growth; benefit of scale and efficiencies for underlying improvement; success within the emerging affluent market; ability to gain market share by leveraging agency relationships and strategic investments; 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 and achieve combined ratio outlook; growth opportunities in specialist classes; ability to preserve underwriting margins; implications of the U.K. motor transfer including the impact on future earnings; future expense ratio and loss ratio on go forward business; ability to access business through Lloyd’s, Hanover agency network and other production platforms; strategic direction; ability to continue earnings growth and improvement through 2016; confidence in positioning and strength of energy investment holdings in the current environment; increased income from “higher yielding assets;” strength of balance sheet and capital position; ability to deliver earnings improvement through leadership and employees, capabilities, market position and momentum; and financial results and earnings guidance for the full year 2016, 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 February 4, 2016 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 December 31, 2015.

These uncertainties include the pending change in the company’s Chief Executive Officer, 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 February 4, 2016 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

Fourth Quarter and Full Year 2015 Highlights

We reported full year net income of \$7.40 per diluted share and operating income⁽¹⁾ of \$6.25 per diluted share — the highest levels in our history as a public company.

- Growth in operating income per share of 3% in the fourth quarter and 20% for the year
- Combined ratio of 95.0% in the fourth quarter and 95.7% for the full year, including 2.3 and 3.9 points of catastrophe losses, respectively
- Net premiums written⁽²⁾ of \$1.0 billion in the quarter, and \$4.8 billion for the year; the decrease from the prior year was principally driven by Chaucer's disposal of its U.K. motor business in June 2015; U.S. net premium written grew 2.1% in the quarter and 4.2% during the year
- Continued price increases in Commercial and Personal Lines in the fourth quarter
- Net investment income of \$70.0 million in the fourth quarter and \$279.1 million for the full year, up 1.7% and 3.3% over 2014, respectively
- Book value per share of \$66.21, down 0.5% from September 30, 2015, and up 2.1% from December 31, 2014; excluding the impact of net unrealized investment gains, book value per share up 1.2% from September 30, 2015, and up 8.2% from December 31, 2014
- During 2015, repurchased approximately 1.6 million common shares for approximately \$127.3 million, at an average price of \$77.76 per share
- On December 7, 2015, the Board of Directors increased the quarterly dividend on common shares by 12%, to \$0.46 per share

(1) Non-GAAP measure. See page 2. These measures are used throughout this presentation.

(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.

Strong Consolidated Financial Results

Three Months Ended

Twelve 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

	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	December 31, 2014 2015	
Operating Income after taxes per share	\$1.77	\$1.27	\$1.56	\$1.61	\$1.82	\$5.19	\$6.25
Net Income per share	\$2.00	\$1.22	\$2.68	\$1.74	\$1.76	\$6.28	\$7.40
Book value per share	\$64.85	\$65.92	\$66.28	\$66.55	\$66.21	\$64.85	\$66.21
Shareholders' equity	\$2,844	\$2,900	\$2,909	\$2,878	\$2,844	\$2,844	\$2,844
Debt	\$904	\$841	\$835	\$812	\$813	\$904	\$813
Total capital	\$3,748	\$3,741	\$3,744	\$3,690	\$3,657	\$3,748	\$3,657
Debt/total capital	24.1%	22.5%	22.3%	22.0%	22.2%	24.1%	22.2%
Total assets	\$13,760	\$13,926	\$14,145	\$14,041	\$13,791	\$13,760	\$13,791
Average equity, excluding net unrealized appreciation (depreciation) on investments and derivatives, net of tax	\$2,511	\$2,558	\$2,624	\$2,678	\$2,687	\$2,439	\$2,619
Operating income after tax	\$80	\$57	\$70	\$72	\$80	\$233	\$280
Operating return on equity	12.7%	8.9%	10.7%	10.8%	12.0%	9.5%	10.7%

Improved Underwriting Performance

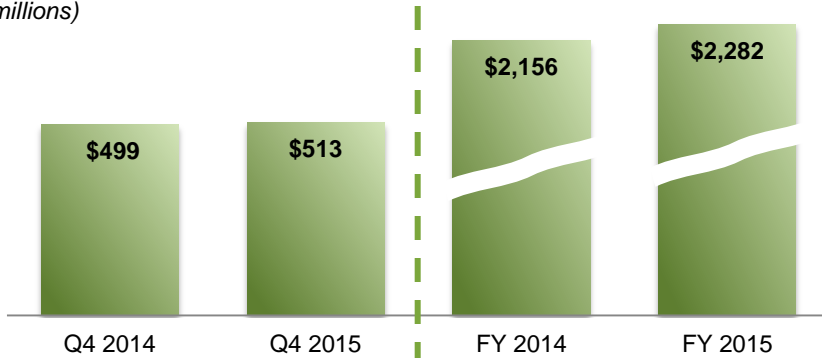
(\$ in millions)	Three Months Ended December 31		Twelve Months Ended December 31	
	2014	2015	2014	2015
Premiums:				
Net Written	\$1,116.8	\$1,046.1	\$4,810.1	\$4,754.2 ⁽²⁾
<i>Change</i>	6.2%	(6.3)%	5.7%	(1.2)%
Net Earned	\$1,188.6	\$1,137.9	\$4,710.3	\$4,704.8
<i>Change</i>	4.2%	(4.3)%	5.8%	(0.1)%
Loss and LAE ratio:				
Current accident year, ex-cat	59.1%	58.7%	59.6%	59.4%
Prior year favorable reserve development	(2.4%)	(1.6%)	(2.1%)	(2.0%)
Catastrophe losses	1.8%	2.3%	4.7%	3.9%
Loss and LAE ratio	<u>58.5%</u>	<u>59.4%</u>	<u>62.2%</u>	<u>61.3%</u>
Expense ratio	<u>35.8%</u>	<u>35.6%</u>	<u>34.7%</u>	<u>34.4%</u>
Combined ratio	<u>94.3%</u>	<u>95.0%</u>	<u>96.9%</u>	<u>95.7%</u>
Combined ratio, ex-cat ⁽³⁾	92.5%	92.7%	92.2%	91.8%
Accident year combined ratio, ex-cat ⁽³⁾	94.9%	94.3%	94.3%	93.8%
Underwriting income	\$64.1	\$53.3	\$133.2	\$188.9
Catastrophe losses	21.3	26.7	223.0	181.3
Ex-cat, underwriting income	<u>\$85.4</u>	<u>\$80.0</u>	<u>\$356.2</u>	<u>\$370.2</u>

(3) Combined ratio, excluding catastrophes, is a non-GAAP measure. This measure and measures excluding prior-year reserve development ("accident-year" ratios) are used throughout this document. The combined ratio (which includes catastrophe losses and prior-year loss reserve development) is the closest GAAP measure. See the disclosure on the use of non-GAAP measures under the heading "Forward-Looking Statements and Non-GAAP Financial Measures."

Commercial Lines Financial Highlights

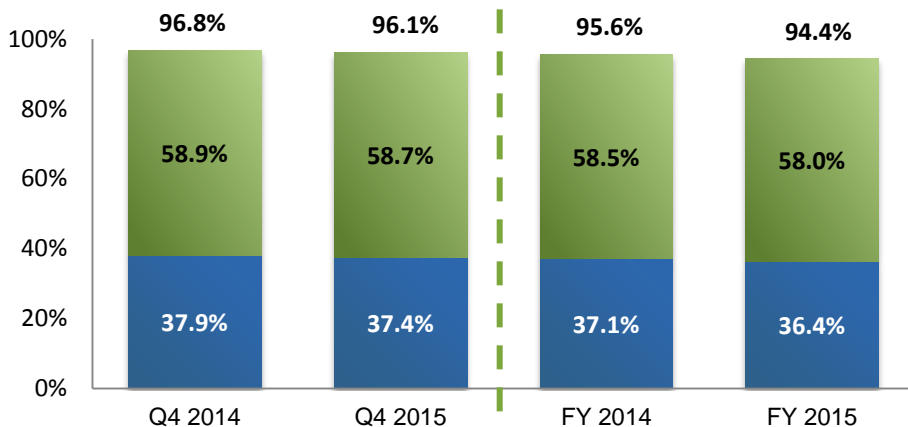
Net Premiums Written

(\$ in millions)



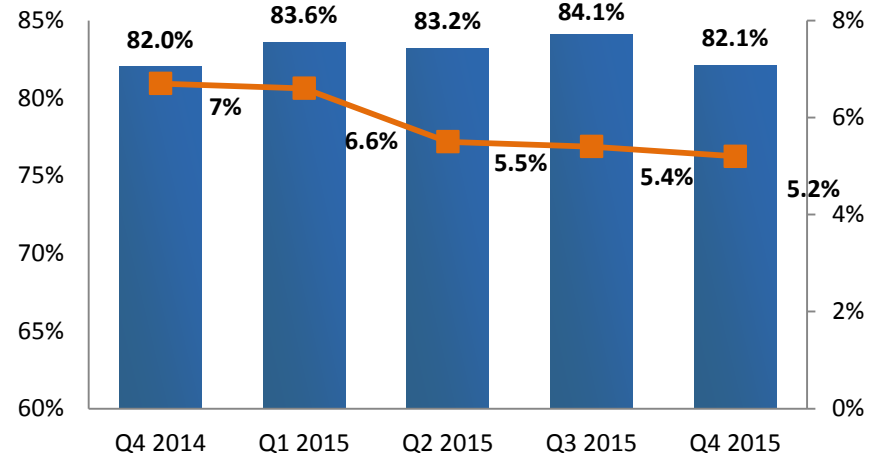
- Net premiums written grew 2.9% compared to prior-year quarter and 5.8% for the full year, led by disciplined pricing, retention and new business momentum.
- Core Commercial maintained strong pricing levels at 5.2% for the quarter, while retention was strong at 82.1%.
- New business flow remained on an upward trajectory as we continued to leverage partner relationships and specialized capabilities to capitalize on the current market environment.
- Accident year combined ratio, excluding catastrophes, improved 0.7 points compared to prior-year quarter and 1.2 points for the full year, primarily driven by expense ratio improvement of nearly one point.

Accident Year Combined Ratio, Ex-Cat⁽³⁾



■ Expense Ratio ■ Loss Ratio

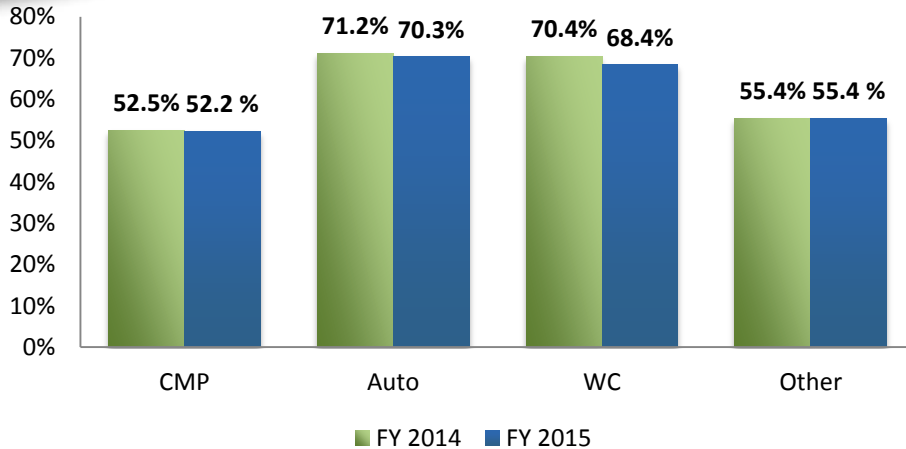
Retention



■ Retention — Core Commercial Pricing

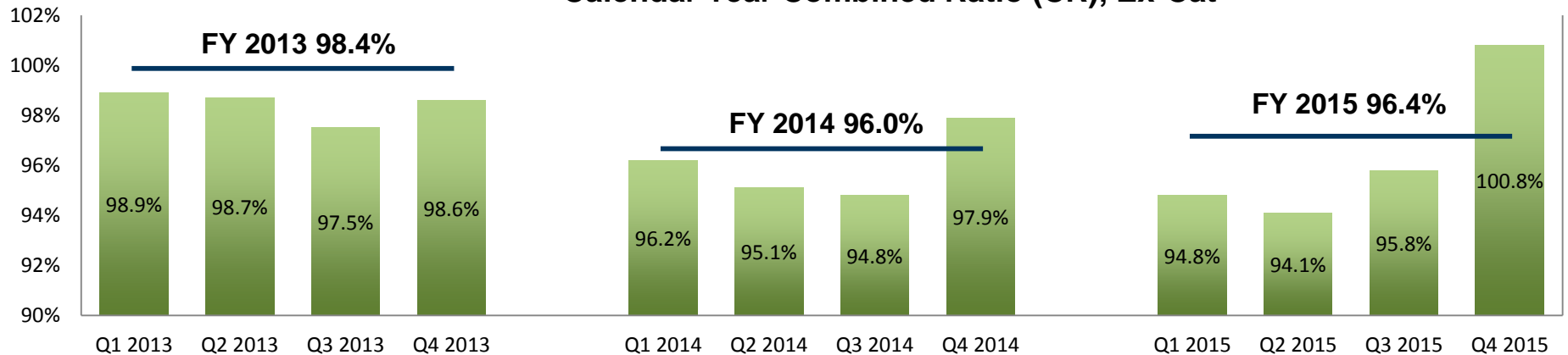
Commercial Lines Profitability Continues to Improve

Accident Year Loss Ratio, Ex-Cat⁽⁴⁾



- Accident year loss ratio in 2015 improved in most lines, driven by continued efforts in both rate and business mix management.
- Combined ratio, excluding catastrophes, increased 0.4 points compared to 2014, driven by unfavorable loss development in AIX (our program business), commercial auto and CMP, partially offset by worker's compensation.

Calendar Year Combined Ratio (CR), Ex-Cat

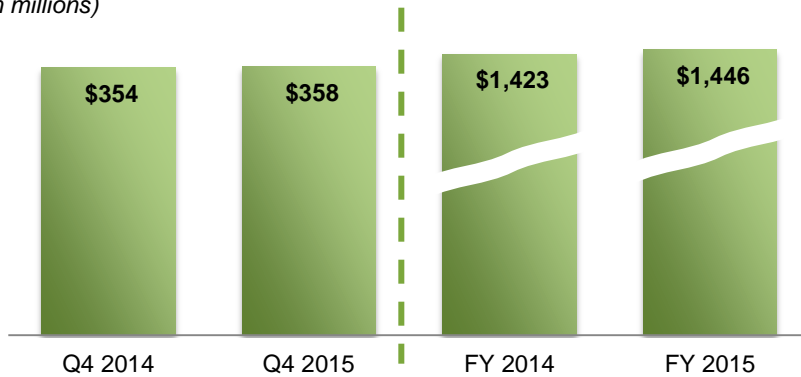


(4) Loss ratio, excluding catastrophes, is a non-GAAP measure. This measure and measures excluding prior-year reserve development ("accident-year" ratios) are used throughout this document. The loss ratio (which includes catastrophe losses and prior-year loss reserve development) is the closest GAAP measure. See the disclosure on the use of non-GAAP measures under the heading "Forward-Looking Statements and Non-GAAP Financial Measures."

Personal Lines Financial Highlights

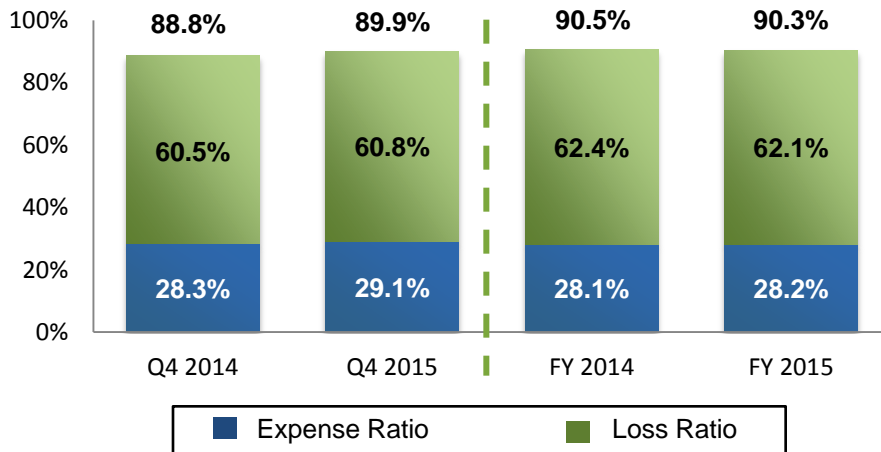
Net Premiums Written

(\$ in millions)



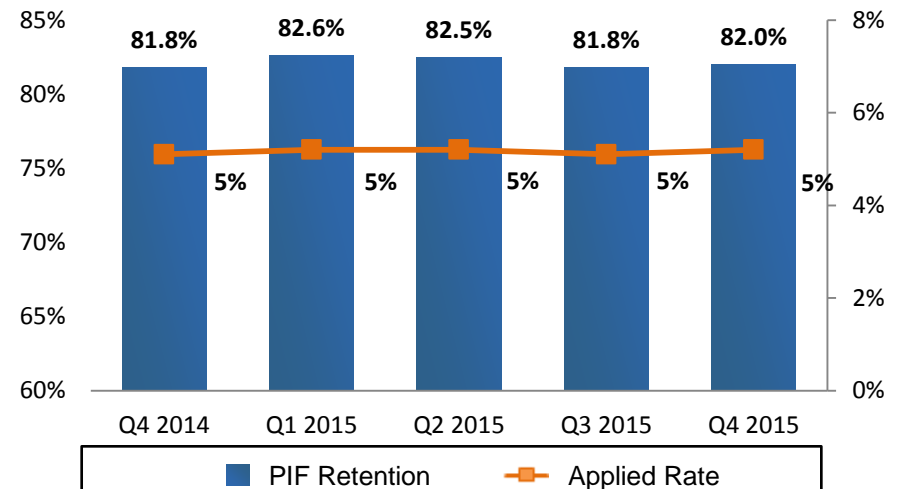
- Net premiums written grew 1.1% compared to the prior-year quarter and 1.6% for the full year, marking the first year of positive premium growth since launching exposure management initiatives in 2012.
- Rates held at 5%, while retention continued to strengthen at 82%. Maintained steadfast focus on high-quality account business, through agency penetration with the Hanover Platinum Experience product.
- Accident year combined ratio, excluding catastrophes, increased 1.1 points compared to the prior-year quarter; however, improved slightly in the full year. The increase in the quarter was due to ongoing investments in operating enhancements to improve agency and customer-facing service capabilities.

Accident Year Combined Ratio, Ex-Cat⁽³⁾



Retention

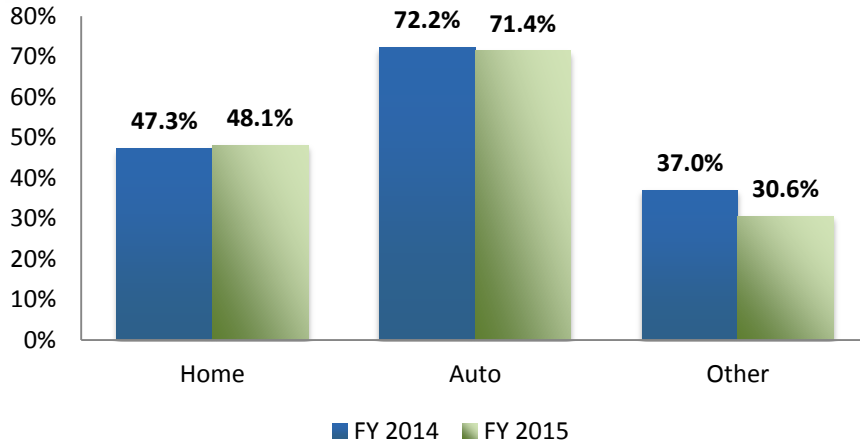
Applied Rate



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

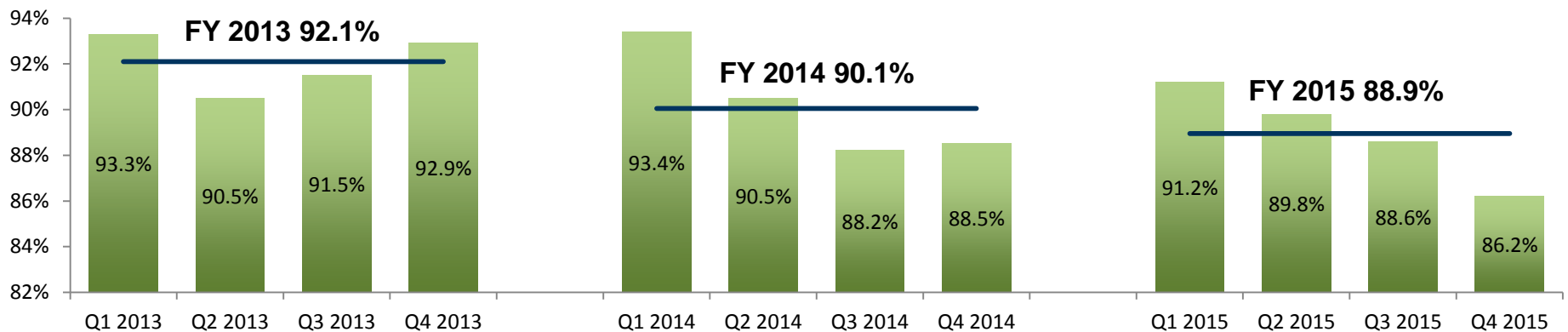
Personal Lines Profitability Continues to Improve

Accident Year Loss Ratio, Ex-Cat⁽⁴⁾



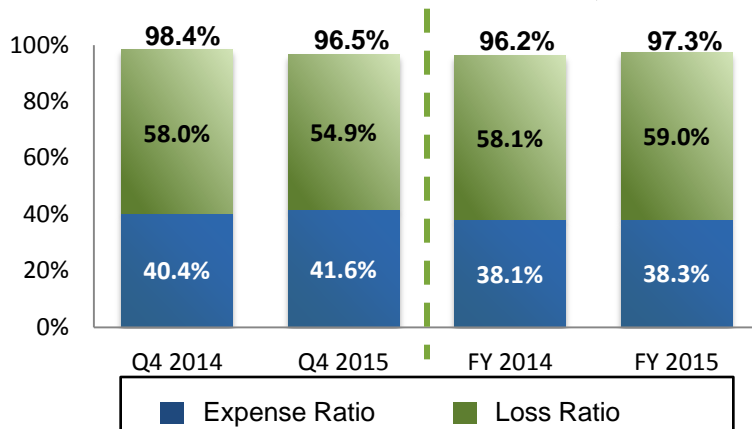
- Accident year loss ratio in 2015 was slightly elevated in homeowners, driven by greater than usual severity of large losses, primarily due to fires. Auto showed a near one point improvement, driven by pricing and mix initiatives.
- Combined ratio, excluding catastrophes, improved 1.2 points compared to the prior year, driven by favorable development in homeowner's line.

Calendar Year Combined Ratio (CR), Ex-Cat



Chaucer Financial Highlights

Accident Year Combined Ratio, Ex-Cat⁽³⁾



- Strong underwriting performance and benign catastrophe environment contributed to an overall combined ratio of 82.0%.
- Accident year combined ratio, excluding catastrophes, improved approximately 2 points for the quarter with improvement in the loss ratio and a higher expense ratio, primarily driven by the exit of the U.K. motor business.
- For the full year, the accident year combined ratio, excluding catastrophes, increased slightly as compared to the full year 2014. Excluding U.K. motor, current accident year loss ratio was higher by 4 points, due to large losses primarily in the energy line.

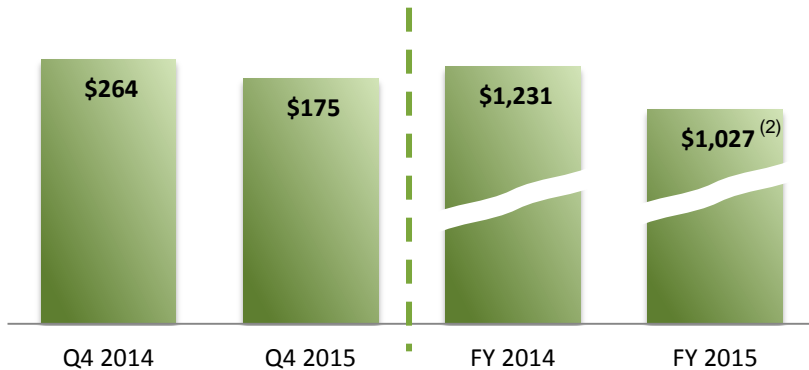
Pro Forma 2015 Net Premiums Written, excluding U.K. motor

(\$ in millions)	Q4 2014	Q4 2015	FY 2014	FY 2015
Net premiums written	\$195.5	\$175.2	\$933.7	\$897.6
CAY Loss and LAE Ratio	50.2%	54.9%	51.8%	56.2%
PY (favorable) unfav. reserve development	(9.3)%	(14.3)%	(10.2)%	(12.6)%
Catastrophe loss ratio	<u>0.8%</u>	<u>(0.2)%</u>	<u>3.1%</u>	<u>1.8%</u>
Loss ratio	41.7%	40.4%	44.7%	45.4%
Expense Ratio	<u>43.5%</u>	<u>41.6%</u>	<u>41.7%</u>	<u>39.8%</u>
Combined Ratio	85.2%	82.0%	86.4%	85.2%

Chaucer is singularly focused on specialist lines

Net Premiums Written

(\$ in millions)

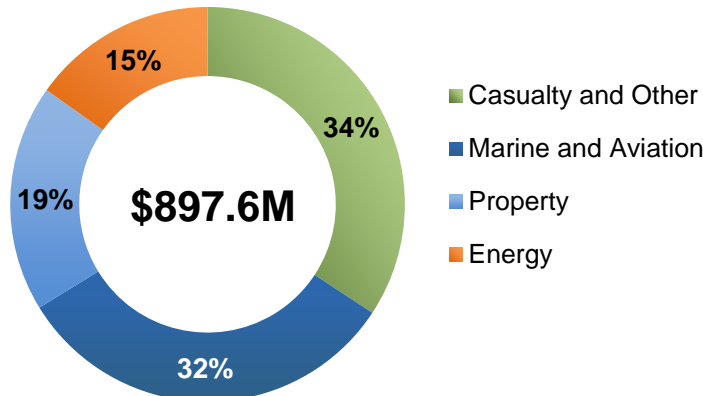


- Net premiums written declined 34% compared to the prior-year quarter and 17% for the full year, primarily reflecting the discontinuation of the U.K. motor business at the end of the second quarter, and the effect of foreign exchange movements. Excluding these impacts, net premiums written decreased approximately 9% for the quarter and 2% for the year.

- We are well positioned for the current challenging environment at Lloyd's:

- Diversified business portfolio
- Exit from the U.K. motor business helped shift the portfolio away from commodity to exclusively specialist lines
- Lloyd's market leader in selected specialty segments, with strong and distinctive underwriting capabilities
- Continue to be focused on preserving underwriting margins

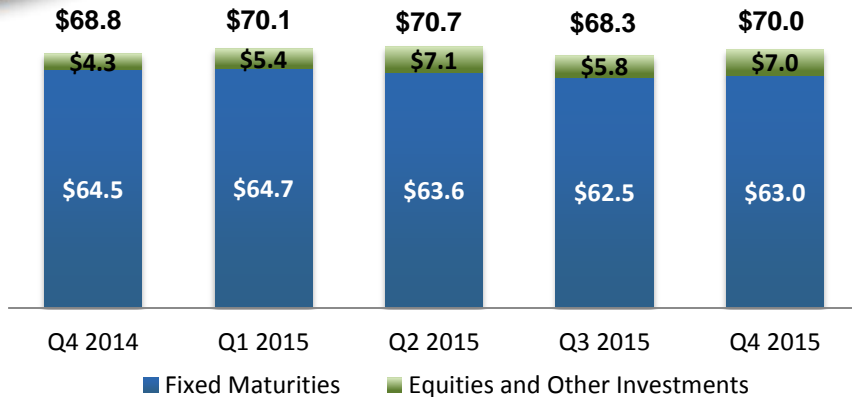
Pro Forma 2015 Net Premiums Written, excluding U.K. motor



Net Investment Income Trends

Net Investment Income*

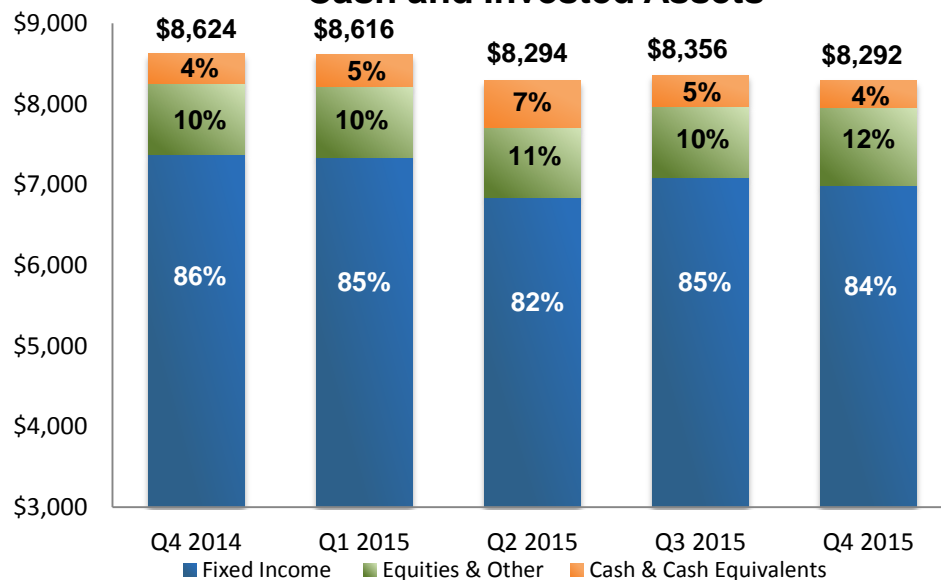
(\$ in millions)



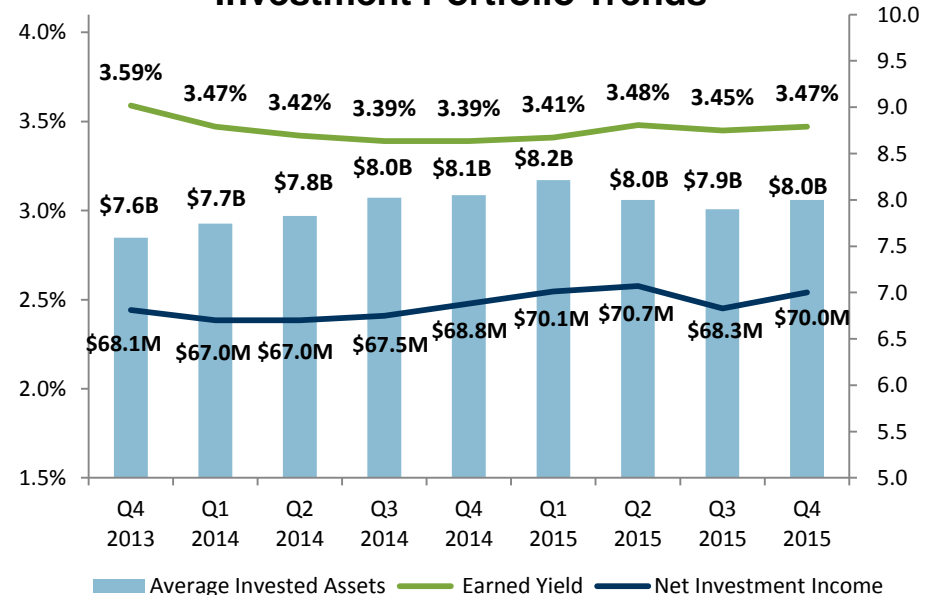
- Net investment income in the fourth quarter was \$70.0 million, an increase of \$1.2 million, or 1.7% compared to the prior-year quarter.
- For the full year, net investment income grew 3.3%, despite transferring \$385 million of the portfolio as a part of the U.K. motor disposition in the second quarter 2015.
- Lower fixed income new money yields continued to impact returns, which was offset by reinvesting higher operating cash flows into the portfolio.

Cash and Invested Assets

(\$ in millions)



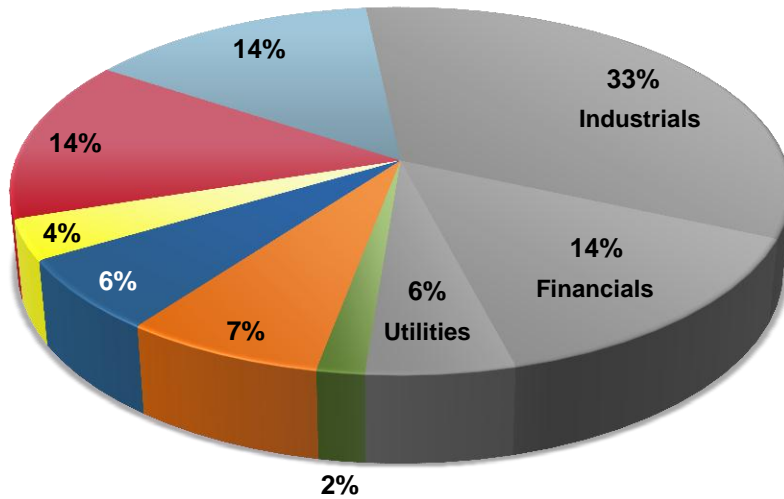
Investment Portfolio Trends



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

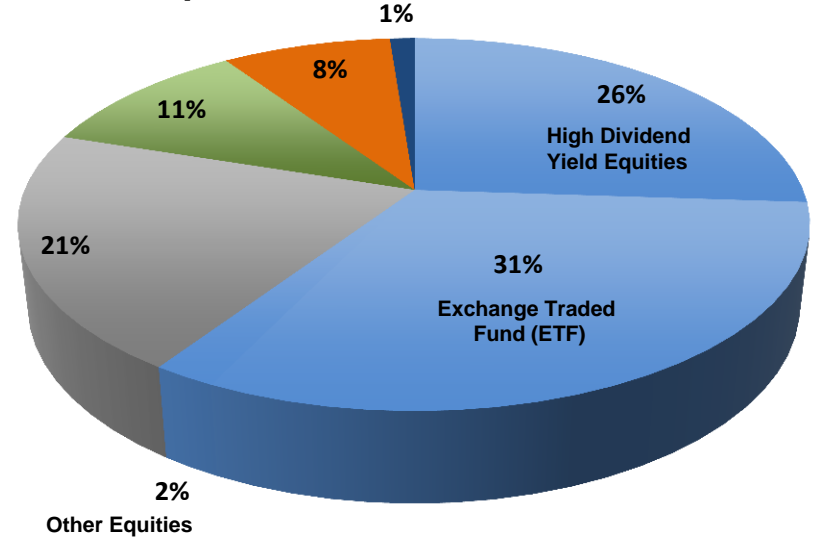
Portfolio Holdings Breakdown as of December 31, 2015

Fixed Income \$7.0 Billion



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

Equities & Other \$970.0 Million



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

Fixed Income Characteristics:

- 94% of fixed income securities are investment grade
- Weighted average quality A+
- Duration: 4.3 years

Energy holdings are well positioned against the current environment

Energy Fixed Maturities by Sub-Sector As of December 31, 2015

Sub-Sectors	Book Value (\$MM)	Fair Value (\$MM)	% of Energy	% of Investment Assets
Midstream	\$157.6	\$148.2	33.9%	1.8%
Independent	159.5	134.1	30.7%	1.6%
Integrated	70.4	71.1	16.3%	0.9%
Oil Field Services	46.0	41.6	9.5%	0.5%
Refining	28.1	27.7	6.4%	0.4%
Foreign Agencies	10.9	11.1	2.5%	0.1%
Natural Gas	3.0	2.9	0.7%	-
Total Energy	\$475.5	\$436.7	100.0%	5.3%

- Weighted average rating Baa1
- Number of issuers 96
- Number of bonds 195

- Energy represents 5.5% of THG's total invested assets, and 16% of total shareholder equity:
 - Fixed Income energy portfolio, which represents 5.3% of the total portfolio, is high quality and well diversified.
 - Other energy investments (ETF and Equity Securities) represented only 0.2% of the total portfolio
- Most of energy holdings are well positioned against current environment based on significant scale, strong balance sheets and financial flexibility to manage through the cycle.
- In the fourth quarter 2015, we recognized \$13.7 million in impairments related to energy holdings

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