



FINANCIAL SUPPLEMENT
THIRD QUARTER 2016

THE HANOVER INSURANCE GROUP
FINANCIAL SUPPLEMENT

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THE HANOVER INSURANCE GROUP

BASIS OF PRESENTATION

Prior periods were restated for the effect of the Company's adoption of ASC Update No 2015-03, (Subtopic 835-30) *Interest - Imputation of Interest: Simplify the Presentation of Debt Issuance Costs*, on the Balance Sheet and Income Statement.

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 marine and aviation, property, energy, casualty and other and U.K. motor coverages.

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

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.

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.

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.

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. The Company exited this business effective June 30, 2015.

OTHER

Included in *Other* are 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 a discontinued voluntary pools business.

THE HANOVER INSURANCE GROUP
FINANCIAL HIGHLIGHTS

(In millions, except earnings per share)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Sep-YTD 2015	Sep-YTD 2016
PREMIUMS							
Gross premiums written	\$ 1,379.7	\$ 1,174.3	\$ 1,375.0	\$ 1,402.0	\$ 1,402.2	\$ 4,270.2	\$ 4,179.2
Net premiums written ⁽¹⁾	1,199.6	1,046.1	1,144.3	1,221.6	1,250.9	3,708.1	3,616.8
Net premiums earned	1,150.1	1,137.9	1,151.3	1,145.5	1,160.9	3,566.9	3,457.7
EARNINGS							
Operating income before interest and taxes	\$ 122.6	\$ 123.6	\$ 120.4	\$ 94.7	\$ 129.8	\$ 342.5	\$ 344.9
Operating income after taxes	72.2	80.3	71.5	54.0	78.6	199.7	204.1
Income from continuing operations	77.2	77.8	78.1	1.9	88.3	253.0	168.3
Net income	78.3	77.6	78.2	2.0	88.4	253.9	168.6
PER SHARE DATA (DILUTED)							
Operating income after taxes	\$ 1.61	\$ 1.82	\$ 1.64	\$ 1.24	\$ 1.83	\$ 4.43	\$ 4.71
Income from continuing operations	1.72	1.76	1.79	0.04	2.06	5.62	3.89
Net income	1.74	1.76	1.80	0.05	2.06	5.64	3.89
Weighted average shares outstanding	44.9	44.1	43.5	43.4	43.0	45.0	43.3

BALANCE SHEET

(In millions, except per share data)	September 30 2015	December 31 2015	March 31 2016	June 30 2016	September 30 2016
Total assets	\$ 14,031.2	\$ 13,781.2	\$ 14,027.7	\$ 14,163.6	\$ 14,363.7
Total loss and loss adjustment expense reserves	6,606.3	6,574.4	6,722.3	6,778.0	6,802.3
Total shareholders' equity	2,877.5	2,844.4	2,957.0	3,009.7	3,045.7
Total shareholders' equity, excluding net unrealized appreciation depreciation on investments, net of tax	2,679.6	2,694.5	2,710.6	2,686.2	2,724.3
U.S. Property and Casualty Companies					
Statutory surplus	\$ 2,129.4	\$ 2,192.8	\$ 2,276.7	\$ 2,152.6	\$ 2,218.5
Premium to surplus ratio	1.74:1	1.70:1	1.65:1	1.76:1	1.73:1
Book value per share	\$ 66.55	\$ 66.21	\$ 69.30	\$ 70.58	\$ 72.08
Book value per share, excluding net unrealized appreciation depreciation on investments, net of tax	\$ 61.97	\$ 62.72	\$ 63.52	\$ 62.99	\$ 64.48
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 60.05	\$ 59.58	\$ 62.70	\$ 64.11	\$ 65.74
Shares outstanding	43.2	43.0	42.7	42.7	42.3
Total debt/equity	27.9 %	28.2 %	27.2 %	26.5 %	26.2 %
Total debt/total capital	21.8 %	22.0 %	21.4 %	21.0 %	20.8 %

⁽¹⁾ Net premiums written for Chaucer 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 disposal of the U.K. motor business and has no impact on net premiums earned.

THE HANOVER INSURANCE GROUP
CONSOLIDATED INCOME STATEMENTS

(In millions)	Three Months ended September 30			Nine Months ended September 30		
	2016	2015	% Change	2016	2015	% Change
REVENUES						
Premiums earned	\$ 1,160.9	\$ 1,150.1	0.9	\$ 3,457.7	\$ 3,566.9	(3.1)
Net investment income	67.8	68.3	(0.7)	205.2	209.1	(1.9)
Net realized investment gains	4.2	8.0	(47.5)	5.0	30.0	(83.3)
Fees and other income	8.3	7.1	16.9	22.9	23.3	(1.7)
Total revenues	<u>1,241.2</u>	<u>1,233.5</u>	<u>0.6</u>	<u>3,690.8</u>	<u>3,829.3</u>	<u>(3.6)</u>
LOSSES AND EXPENSES						
Losses and loss adjustment expenses	692.0	690.7	0.2	2,121.3	2,208.7	(4.0)
Amortization of deferred acquisition costs	257.9	259.0	(0.4)	771.4	781.6	(1.3)
Interest expense	12.5	14.8	(15.5)	42.8	45.9	(6.8)
Gain on disposal of U.K. motor business	(0.1)	-	N/M	(1.3)	(37.7)	N/M
Net loss from repayment of debt	-	5.6	N/M	86.1	24.1	N/M
Other operating expenses	154.8	153.0	1.2	445.4	466.7	(4.6)
Total losses and expenses	<u>1,117.1</u>	<u>1,123.1</u>	<u>(0.5)</u>	<u>3,465.7</u>	<u>3,489.3</u>	<u>(0.7)</u>
Income from continuing operations before income taxes	124.1	110.4	12.4	225.1	340.0	(33.8)
Income tax expense	35.8	33.2	7.8	56.8	87.0	(34.7)
Income from continuing operations	88.3	77.2	14.4	168.3	253.0	(33.5)
Discontinued operations	0.1	1.1	N/M	0.3	0.9	N/M
Net income	<u>\$ 88.4</u>	<u>\$ 78.3</u>	<u>12.9</u>	<u>\$ 168.6</u>	<u>\$ 253.9</u>	<u>(33.6)</u>

THE HANOVER INSURANCE GROUP
CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)	September 30 2016	December 31 2015	% Change
ASSETS			
Investments:			
Fixed maturities, at fair value (amortized cost of \$7,100.4 and \$6,934.0)	\$ 7,400.2	\$ 6,983.4	6.0
Equity securities, at fair value (cost of \$533.6 and \$528.5)	612.5	576.6	6.2
Other investments	483.4	393.4	22.9
Total investments	<u>8,496.1</u>	<u>7,953.4</u>	6.8
Cash and cash equivalents	315.9	338.8	(6.8)
Accrued investment income	62.5	62.9	(0.6)
Premiums and accounts receivable, net	1,534.9	1,391.7	10.3
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,655.1	2,635.0	0.8
Deferred acquisition costs	537.4	508.8	5.6
Deferred income taxes	16.2	137.9	(88.3)
Goodwill	185.1	186.0	(0.5)
Other assets	476.5	483.7	(1.5)
Assets of discontinued operations	84.0	83.0	1.2
Total assets	<u>\$ 14,363.7</u>	<u>\$ 13,781.2</u>	4.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Loss and loss adjustment expense reserves	\$ 6,802.3	\$ 6,574.4	3.5
Unearned premiums	2,684.8	2,540.8	5.7
Expenses and taxes payable	662.3	724.9	(8.6)
Reinsurance premiums payable	283.7	205.2	38.3
Debt	797.9	803.1	(0.6)
Liabilities of discontinued operations	87.0	88.4	(1.6)
Total liabilities	<u>11,318.0</u>	<u>10,936.8</u>	3.5
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	1,838.9	1,833.5	0.3
Accumulated other comprehensive income	227.0	53.9	321.2
Retained earnings	1,910.4	1,803.5	5.9
Treasury stock at cost (18.2 and 17.5 million shares)	(931.2)	(847.1)	9.9
Total shareholders' equity	<u>3,045.7</u>	<u>2,844.4</u>	7.1
Total liabilities and shareholders' equity	<u>\$ 14,363.7</u>	<u>\$ 13,781.2</u>	4.2

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

CONSOLIDATED

Three Months ended September 30

	2016					2015				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 730.0	\$ 428.7	\$ 243.5	\$ -	\$ 1,402.2	\$ 701.2	\$ 403.0	\$ 275.5	\$ -	\$ 1,379.7
Net premiums written	\$ 647.3	\$ 407.5	\$ 196.1	\$ -	\$ 1,250.9	\$ 617.6	\$ 383.3	\$ 198.7	\$ -	\$ 1,199.6
Net premiums earned	\$ 587.2	\$ 371.5	\$ 202.2	\$ -	\$ 1,160.9	\$ 560.4	\$ 358.6	\$ 231.1	\$ -	\$ 1,150.1
Losses and LAE:										
Current accident year, excluding catastrophe losses	336.0	226.7	110.4	0.1	673.2	324.6	219.4	123.3	-	667.3
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	19.3	(1.1)	(26.6)	0.3	(8.1)	11.8	(2.5)	(32.1)	0.4	(22.4)
Current accident year catastrophe losses	16.4	10.8	0.4	-	27.6	10.1	18.9	29.2	-	58.2
Prior accident year unfavorable (favorable) catastrophe loss development	1.3	1.5	(3.5)	-	(0.7)	3.7	1.2	(17.3)	-	(12.4)
Total losses and LAE	373.0	237.9	80.7	0.4	692.0	350.2	237.0	103.1	0.4	690.7
Amortization of deferred acquisition costs and other underwriting expenses	210.6	110.3	83.7	0.4	405.0	201.9	103.7	98.4	0.5	404.5
GAAP underwriting profit (loss)	3.6	23.3	37.8	(0.8)	63.9	8.3	17.9	29.6	(0.9)	54.9
Net investment income	39.0	17.1	10.3	1.4	67.8	38.7	18.0	10.5	1.1	68.3
Other income	2.2	2.9	2.5	0.7	8.3	2.1	3.1	1.1	0.8	7.1
Other operating expenses	(2.3)	(1.6)	(2.2)	(4.1)	(10.2)	(2.0)	(1.8)	-	(3.9)	(7.7)
Operating income (loss) before income taxes	\$ 42.5	\$ 41.7	\$ 48.4	\$ (2.8)	\$ 129.8	\$ 47.1	\$ 37.2	\$ 41.2	\$ (2.9)	\$ 122.6
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	57.2 %	61.1 %	54.6 %	N/M	58.0 %	57.9 %	61.2 %	53.4 %	N/M	58.0 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	3.3 %	(0.3)%	(13.2)%	N/M	(0.7)%	2.1 %	(0.7)%	(13.9)%	N/M	(1.9)%
Current accident year catastrophe losses	2.8 %	2.9 %	0.2 %	N/M	2.4 %	1.8 %	5.3 %	12.6 %	N/M	5.1 %
Prior accident year unfavorable (favorable) catastrophe loss development	0.2 %	0.4 %	(1.7)%	N/M	(0.1)%	0.7 %	0.3 %	(7.5)%	N/M	(1.1)%
Total loss and LAE ratio	63.5 %	64.1 %	39.9 %	N/M	59.6 %	62.5 %	66.1 %	44.6 %	N/M	60.1 %
Expense ratio	35.7 %	29.0 %	41.4 %	N/M	34.6 %	35.8 %	28.1 %	42.6 %	N/M	34.8 %
Combined ratio	99.2 %	93.1 %	81.3 %	N/M	94.2 %	98.3 %	94.2 %	87.2 %	N/M	94.9 %

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

CONSOLIDATED

Nine Months ended September 30

	2016					2015				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 2,073.0	\$ 1,202.1	\$ 904.1	\$ -	\$ 4,179.2	\$ 2,000.1	\$ 1,153.9	\$ 1,116.2	\$ -	\$ 4,270.2
Net premiums written ⁽¹⁾	\$ 1,831.5	\$ 1,139.8	\$ 645.5	\$ -	\$ 3,616.8	\$ 1,768.6	\$ 1,088.0	\$ 851.5	\$ -	\$ 3,708.1
Net premiums earned	\$ 1,733.3	\$ 1,094.8	\$ 629.6	\$ -	\$ 3,457.7	\$ 1,663.6	\$ 1,068.2	\$ 835.1	\$ -	\$ 3,566.9
Losses and LAE:										
Current accident year, excluding catastrophe losses	969.7	663.6	381.9	0.1	2,015.3	960.5	668.2	501.5	0.1	2,130.3
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	61.5	(0.9)	(64.6)	0.9	(3.1)	18.7	(6.6)	(89.3)	1.0	(76.2)
Current accident year catastrophe losses	62.2	31.0	36.6	-	129.8	73.3	58.2	39.4	-	170.9
Prior accident year unfavorable (favorable) catastrophe loss development	0.3	4.3	(25.3)	-	(20.7)	(2.4)	8.3	(22.2)	-	(16.3)
Total losses and LAE	1,093.7	698.0	328.6	1.0	2,121.3	1,050.1	728.1	429.4	1.1	2,208.7
Amortization of deferred acquisition costs and other underwriting expenses	627.2	315.6	247.2	1.1	1,191.1	602.6	305.8	313.0	1.2	1,222.6
GAAP underwriting profit (loss)	12.4	81.2	53.8	(2.1)	145.3	10.9	34.3	92.7	(2.3)	135.6
Net investment income	117.5	51.6	32.3	3.8	205.2	116.7	54.2	34.8	3.4	209.1
Other income	6.4	8.4	6.0	2.1	22.9	6.4	9.0	5.6	2.3	23.3
Other operating expenses	(7.1)	(5.0)	(4.5)	(11.9)	(28.5)	(7.5)	(5.9)	(0.7)	(11.4)	(25.5)
Operating income (loss) before income taxes	\$ 129.2	\$ 136.2	\$ 87.6	\$ (8.1)	\$ 344.9	\$ 126.5	\$ 91.6	\$ 132.4	\$ (8.0)	\$ 342.5
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	56.0 %	60.6 %	60.7 %	N/M	58.3 %	57.7 %	62.6 %	60.0 %	N/M	59.7 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	3.5 %	(0.1)%	(10.3)%	N/M	(0.1)%	1.1 %	(0.6)%	(10.7)%	N/M	(2.1)%
Current accident year catastrophe losses	3.6 %	2.8 %	5.8 %	N/M	3.8 %	4.4 %	5.4 %	4.7 %	N/M	4.8 %
Prior accident year unfavorable (favorable) catastrophe loss development	-	0.4 %	(4.0)%	N/M	(0.6)%	(0.1)%	0.8 %	(2.6)%	N/M	(0.5)%
Total loss and LAE ratio	63.1 %	63.7 %	52.2 %	N/M	61.4 %	63.1 %	68.2 %	51.4 %	N/M	61.9 %
Expense ratio	36.0 %	28.2 %	39.3 %	N/M	34.1 %	36.1 %	27.9 %	37.5 %	N/M	34.0 %
Combined ratio	99.1 %	91.9 %	91.5 %	N/M	95.5 %	99.2 %	96.1 %	88.9 %	N/M	95.9 %

(1) Net premiums written for Chaucer 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 disposal of the U.K. motor business and has no impact on net premiums earned.

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING INFORMATION AND RELATED RATIOS

CONSOLIDATED

(In millions, except percentage data)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Sep-YTD 2015	Sep-YTD 2016
Gross premiums written	\$ 1,379.7	\$ 1,174.3	\$ 1,375.0	\$ 1,402.0	\$ 1,402.2	\$ 4,270.2	\$ 4,179.2
Net premiums written ⁽¹⁾	\$ 1,199.6	\$ 1,046.1	\$ 1,144.3	\$ 1,221.6	\$ 1,250.9	\$ 3,708.1	\$ 3,616.8
Net premiums earned	\$ 1,150.1	\$ 1,137.9	\$ 1,151.3	\$ 1,145.5	\$ 1,160.9	\$ 3,566.9	\$ 3,457.7
Losses and LAE:							
Current accident year, excluding catastrophe losses	667.3	666.8	678.4	663.7	673.2	2,130.3	2,015.3
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(22.4)	(18.1)	(10.0)	15.0	(8.1)	(76.2)	(3.1)
Current accident year catastrophe losses	58.2	32.2	39.9	62.3	27.6	170.9	129.8
Prior accident year favorable catastrophe loss development	(12.4)	(5.5)	(8.7)	(11.3)	(0.7)	(16.3)	(20.7)
Total losses and LAE	690.7	675.4	699.6	729.7	692.0	2,208.7	2,121.3
Amortization of deferred acquisition costs and other underwriting expenses	404.5	409.2	397.6	388.5	405.0	1,222.6	1,191.1
GAAP underwriting profit	\$ 54.9	\$ 53.3	\$ 54.1	\$ 27.3	\$ 63.9	\$ 135.6	\$ 145.3
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	58.0 %	58.7 %	59.0 %	57.9 %	58.0 %	59.7 %	58.3 %
Prior accident year reserve unfavorable (favorable) development, excluding catastrophe losses	(1.9)%	(1.6)%	(0.9)%	1.3 %	(0.7)%	(2.1)%	(0.1)%
Current accident year catastrophe losses	5.1 %	2.8 %	3.5 %	5.5 %	2.4 %	4.8 %	3.8 %
Prior accident year favorable catastrophe loss development	(1.1)%	(0.5)%	(0.8)%	(1.0)%	(0.1)%	(0.5)%	(0.6)%
Total loss and LAE ratio	60.1 %	59.4 %	60.8 %	63.7 %	59.6 %	61.9 %	61.4 %
Expense ratio	34.8 %	35.6 %	34.2 %	33.6 %	34.6 %	34.0 %	34.1 %
Combined ratio	94.9 %	95.0 %	95.0 %	97.3 %	94.2 %	95.9 %	95.5 %
Combined ratio, excluding catastrophe losses	90.9 %	92.7 %	92.3 %	92.8 %	91.9 %	91.6 %	92.3 %
Current accident year combined ratio, excluding catastrophe losses	92.8 %	94.3 %	93.2 %	91.5 %	92.6 %	93.7 %	92.4 %

(1) Net premiums written for Chaucer 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 disposal of the U.K. motor business and has no impact on net premiums earned.

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

COMMERCIAL LINES

Three Months ended September 30

	2016					2015				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
<i>(In millions, except percentage data)</i>										
Net premiums written	\$ 229.3	\$ 81.7	\$ 73.6	\$ 262.7	\$ 647.3	\$ 218.3	\$ 81.7	\$ 66.0	\$ 251.6	\$ 617.6
Net premiums earned	\$ 195.6	\$ 76.4	\$ 69.9	\$ 245.3	\$ 587.2	\$ 185.0	\$ 76.1	\$ 64.9	\$ 234.4	\$ 560.4
Losses and LAE:										
Current accident year, excluding catastrophe losses	98.3	54.4	48.0	135.3	336.0	96.9	52.6	44.3	130.8	324.6
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	9.1	1.9	(3.8)	12.1	19.3	7.4	1.7	(4.8)	7.5	11.8
Current accident year catastrophe losses	11.5	1.7	-	3.2	16.4	4.5	(0.3)	-	5.9	10.1
Prior accident year unfavorable (favorable) catastrophe loss development	1.5	-	-	(0.2)	1.3	1.6	-	-	2.1	3.7
Total losses and LAE	120.4	58.0	44.2	150.4	373.0	110.4	54.0	39.5	146.3	350.2
Amortization of deferred acquisition costs and other underwriting expenses					210.6					201.9
GAAP underwriting profit					3.6					8.3
Net investment income					39.0					38.7
Other income					2.2					2.1
Other operating expenses					(2.3)					(2.0)
Operating income before income taxes					<u>\$ 42.5</u>					<u>\$ 47.1</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	50.2 %	71.2 %	68.7 %	55.2 %	57.2 %	52.3 %	69.2 %	68.2 %	55.8 %	57.9 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	4.7 %	2.5 %	(5.4)%	4.9 %	3.3 %	4.0 %	2.2 %	(7.4)%	3.2 %	2.1 %
Current accident year catastrophe losses	5.8 %	2.2 %	-	1.3 %	2.8 %	2.4 %	(0.4)%	-	2.5 %	1.8 %
Prior accident year unfavorable (favorable) catastrophe loss development	0.8 %	-	-	(0.1)%	0.2 %	0.9 %	-	-	0.9 %	0.7 %
Total loss and LAE ratio	61.5 %	75.9 %	63.3 %	61.3 %	63.5 %	59.6 %	71.0 %	60.8 %	62.4 %	62.5 %
Expense ratio					35.7 %					35.8 %
Combined ratio					<u>99.2 %</u>					<u>98.3 %</u>
Change in policies in force	5.1 %	(3.2)%	3.0 %	4.9 %	3.7 %	6.4 %	(3.7)%	(8.3)%	4.8 %	2.4%
Retention	88.2%	84.8%	85.6%	N/M	87.0%	87.2 %	81.4 %	75.8 %	N/M	84.1%

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

COMMERCIAL LINES

Nine Months ended September 30

	2016					2015				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 618.9	\$ 238.9	\$ 222.4	\$ 751.3	\$ 1,831.5	\$ 586.8	\$ 237.6	\$ 207.5	\$ 736.7	\$ 1,768.6
Net premiums earned	\$ 575.2	\$ 228.9	\$ 204.4	\$ 724.8	\$ 1,733.3	\$ 543.6	\$ 228.4	\$ 196.8	\$ 694.8	\$ 1,663.6
Losses and LAE:										
Current accident year, excluding catastrophe losses	282.3	160.9	138.7	387.8	969.7	284.0	161.3	134.8	380.4	960.5
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	30.5	9.1	(14.7)	36.6	61.5	7.6	6.5	(11.5)	16.1	18.7
Current accident year catastrophe losses	42.9	2.6	-	16.7	62.2	47.4	0.6	-	25.3	73.3
Prior accident year unfavorable (favorable) catastrophe loss development	(0.4)	-	-	0.7	0.3	(5.0)	(0.1)	-	2.7	(2.4)
Total losses and LAE	355.3	172.6	124.0	441.8	1,093.7	334.0	168.3	123.3	424.5	1,050.1
Amortization of deferred acquisition costs and other underwriting expenses					627.2					602.6
GAAP underwriting profit					12.4					10.9
Net investment income					117.5					116.7
Other income					6.4					6.4
Other operating expenses					(7.1)					(7.5)
Operating income before income taxes					<u>\$ 129.2</u>					<u>\$ 126.5</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	49.1 %	70.3 %	67.9 %	53.6 %	56.0 %	52.3 %	70.7 %	68.4 %	54.8 %	57.7 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	5.3 %	4.0 %	(7.2)%	5.0 %	3.5 %	1.4 %	2.8 %	(5.8)%	2.3 %	1.1 %
Current accident year catastrophe losses	7.5 %	1.1 %	-	2.3 %	3.6 %	8.7 %	0.2 %	-	3.6 %	4.4 %
Prior accident year unfavorable (favorable) catastrophe loss development	(0.1)%	-	-	0.1 %	-	(0.9)%	-	-	0.4 %	(0.1)%
Total loss and LAE ratio	61.8 %	75.4 %	60.7 %	61.0 %	63.1 %	61.5 %	73.7 %	62.6 %	61.1 %	63.1 %
Expense ratio					36.0 %					36.1 %
Combined ratio					<u>99.1 %</u>					<u>99.2 %</u>
Change in policies in force	5.1 %	(3.2)%	3.0 %	4.9 %	3.7 %	6.4 %	(3.7)%	(8.3)%	4.8 %	2.4%
Retention	86.8 %	81.5 %	80.3 %	N/M	84.5 %	86.4 %	81.2 %	77.3 %	N/M	83.7%

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING INFORMATION AND RELATED RATIOS

COMMERCIAL LINES

(In millions, except percentage data)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Sep-YTD 2015	Sep-YTD 2016
Gross premiums written	\$ 701.2	\$ 592.4	\$ 680.1	\$ 662.9	\$ 730.0	\$ 2,000.1	\$ 2,073.0
Net premiums written	\$ 617.6	\$ 513.3	\$ 604.3	\$ 579.9	\$ 647.3	\$ 1,768.6	\$ 1,831.5
Net premiums earned	\$ 560.4	\$ 563.4	\$ 571.4	\$ 574.7	\$ 587.2	\$ 1,663.6	\$ 1,733.3
Losses and LAE:							
Current accident year, excluding catastrophe losses	324.6	330.7	320.8	312.9	336.0	960.5	969.7
Prior accident year unfavorable reserve development, excluding catastrophe losses	11.8	26.5	20.1	22.1	19.3	18.7	61.5
Current accident year catastrophe losses	10.1	13.4	19.2	26.6	16.4	73.3	62.2
Prior accident year unfavorable (favorable) catastrophe loss development	3.7	4.4	(0.3)	(0.7)	1.3	(2.4)	0.3
Total losses and LAE	350.2	375.0	359.8	360.9	373.0	1,050.1	1,093.7
Amortization of deferred acquisition costs and other underwriting expenses	201.9	212.0	207.9	208.7	210.6	602.6	627.2
GAAP underwriting profit (loss)	\$ 8.3	\$ (23.6)	\$ 3.7	\$ 5.1	\$ 3.6	\$ 10.9	\$ 12.4
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	57.9 %	58.7 %	56.2 %	54.5 %	57.2 %	57.7 %	56.0 %
Prior accident year unfavorable reserve development, excluding catastrophe losses	2.1 %	4.7 %	3.5 %	3.8 %	3.3 %	1.1 %	3.5 %
Current accident year catastrophe losses	1.8 %	2.4 %	3.4 %	4.6 %	2.8 %	4.4 %	3.6 %
Prior accident year unfavorable (favorable) catastrophe loss development	0.7 %	0.8 %	(0.1)%	(0.1)%	0.2 %	(0.1)%	-
Total loss and LAE ratio	62.5 %	66.6 %	63.0 %	62.8 %	63.5 %	63.1 %	63.1 %
Expense ratio	35.8 %	37.4 %	36.2 %	36.1 %	35.7 %	36.1 %	36.0 %
Combined ratio	98.3 %	104.0 %	99.2 %	98.9 %	99.2 %	99.2 %	99.1 %
Combined ratio, excluding catastrophe losses	95.8 %	100.8 %	95.9 %	94.4 %	96.2 %	94.9 %	95.5 %
Current accident year combined ratio, excluding catastrophe losses	93.7 %	96.1 %	92.4 %	90.6 %	92.9 %	93.8 %	92.0 %

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

PERSONAL LINES

Three Months ended September 30

	2016				2015			
	Auto	Home	Other	Total	Auto	Home	Other	Total
<i>(In millions, except percentage data)</i>								
Net premiums written	\$ 249.6	\$ 147.5	\$ 10.4	\$ 407.5	\$ 232.3	\$ 140.7	\$ 10.3	\$ 383.3
Net premiums earned	\$ 231.7	\$ 130.5	\$ 9.3	\$ 371.5	\$ 223.0	\$ 126.2	\$ 9.4	\$ 358.6
Losses and LAE:								
Current accident year, excluding catastrophe losses	164.0	60.5	2.2	226.7	155.3	61.1	3.0	219.4
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(1.3)	-	0.2	(1.1)	(1.5)	-	(1.0)	(2.5)
Current accident year catastrophe losses	3.7	7.0	0.1	10.8	2.2	16.2	0.5	18.9
Prior accident year unfavorable catastrophe loss development	-	1.5	-	1.5	-	1.2	-	1.2
Total losses and LAE	166.4	69.0	2.5	237.9	156.0	78.5	2.5	237.0
Amortization of deferred acquisition costs and other underwriting expenses				110.3				103.7
GAAP underwriting profit				23.3				17.9
Net investment income				17.1				18.0
Other income				2.9				3.1
Other operating expenses				(1.6)				(1.8)
Operating income before income taxes				\$ 41.7				\$ 37.2
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	70.8 %	46.4 %	23.6 %	61.1 %	69.6 %	48.4 %	31.9 %	61.2 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.6)%	-	2.2 %	(0.3)%	(0.7)%	-	(10.6)%	(0.7)%
Current accident year catastrophe losses	1.6 %	5.4 %	1.1 %	2.9 %	1.0 %	12.8 %	5.3 %	5.3 %
Prior accident year unfavorable catastrophe loss development	-	1.1 %	-	0.4 %	-	1.0 %	-	0.3 %
Total loss and LAE ratio	71.8 %	52.9 %	26.9 %	64.1 %	69.9 %	62.2 %	26.6 %	66.1 %
Expense ratio				29.0 %				28.1 %
Combined ratio				93.1 %				94.2 %
Change in policies in force	(0.6)%	0.3 %	(11.7)%	(0.6)%	(2.5)%	(1.8)%	(12.3)%	(2.6)%
Retention	84.1 %	81.9 %	N/M	83.1 %	82.7 %	80.8 %	N/M	81.8 %

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

PERSONAL LINES

Nine Months ended September 30

	2016				2015			
	Auto	Home	Other	Total	Auto	Home	Other	Total
(In millions, except percentage data)								
Net premiums written	\$ 717.2	\$ 394.0	\$ 28.6	\$ 1,139.8	\$ 681.5	\$ 377.8	\$ 28.7	\$ 1,088.0
Net premiums earned	\$ 679.9	\$ 386.4	\$ 28.5	\$ 1,094.8	\$ 661.8	\$ 377.3	\$ 29.1	\$ 1,068.2
Losses and LAE:								
Current accident year, excluding catastrophe losses	481.2	172.2	10.2	663.6	469.0	189.0	10.2	668.2
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(3.4)	0.8	1.7	(0.9)	(4.3)	(1.4)	(0.9)	(6.6)
Current accident year catastrophe losses	5.3	25.4	0.3	31.0	3.3	54.0	0.9	58.2
Prior accident year unfavorable (favorable) catastrophe loss development	(0.1)	4.3	0.1	4.3	-	8.3	-	8.3
Total losses and LAE	483.0	202.7	12.3	698.0	468.0	249.9	10.2	728.1
Amortization of deferred acquisition costs and other underwriting expenses				315.6				305.8
GAAP underwriting profit				81.2				34.3
Net investment income				51.6				54.2
Other income				8.4				9.0
Other operating expenses				(5.0)				(5.9)
Operating income before income taxes				\$ 136.2				\$ 91.6
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	70.8 %	44.5 %	35.8 %	60.6 %	70.8 %	50.1 %	35.1 %	62.6 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.5)%	0.2 %	6.0 %	(0.1)%	(0.6)%	(0.4)%	(3.1)%	(0.6)%
Current accident year catastrophe losses	0.8 %	6.6 %	1.0 %	2.8 %	0.5 %	14.3 %	3.1 %	5.4 %
Prior accident year unfavorable catastrophe loss development	-	1.1 %	0.4 %	0.4 %	-	2.2 %	-	0.8 %
Total loss and LAE ratio	71.1 %	52.4 %	43.2 %	63.7 %	70.7 %	66.2 %	35.1 %	68.2 %
Expense ratio				28.2 %				27.9 %
Combined ratio				91.9 %				96.1 %
Change in policies in force	(0.6)%	0.3 %	(11.7)%	(0.6)%	(2.5)%	(1.8)%	(12.3)%	(2.6)%
Retention	84.3 %	82.0 %	N/M	83.2 %	83.4 %	80.8 %	N/M	82.3 %

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING INFORMATION AND RELATED RATIOS

PERSONAL LINES

(In millions, except percentage data)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Sep-YTD 2015	Sep-YTD 2016
Gross premiums written	\$ 403.0	\$ 376.6	\$ 356.8	\$ 416.6	\$ 428.7	\$ 1,153.9	\$ 1,202.1
Net premiums written	\$ 383.3	\$ 357.6	\$ 337.0	\$ 395.3	\$ 407.5	\$ 1,088.0	\$ 1,139.8
Net premiums earned	\$ 358.6	\$ 358.4	\$ 358.6	\$ 364.7	\$ 371.5	\$ 1,068.2	\$ 1,094.8
Losses and LAE:							
Current accident year, excluding catastrophe losses	219.4	217.6	215.7	221.2	226.7	668.2	663.6
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(2.5)	(13.1)	(0.7)	0.9	(1.1)	(6.6)	(0.9)
Current accident year catastrophe losses	18.9	8.5	10.5	9.7	10.8	58.2	31.0
Prior accident year unfavorable catastrophe loss development	1.2	0.8	1.3	1.5	1.5	8.3	4.3
Total losses and LAE	237.0	213.8	226.8	233.3	237.9	728.1	698.0
Amortization of deferred acquisition costs and other underwriting expenses	103.7	106.9	103.2	102.1	110.3	305.8	315.6
GAAP underwriting profit	\$ 17.9	\$ 37.7	\$ 28.6	\$ 29.3	\$ 23.3	\$ 34.3	\$ 81.2
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	61.2 %	60.8 %	60.2 %	60.7 %	61.1 %	62.6 %	60.6 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.7)%	(3.7)%	(0.2)%	0.2 %	(0.3)%	(0.6)%	(0.1)%
Current accident year catastrophe losses	5.3 %	2.4 %	2.9 %	2.7 %	2.9 %	5.4 %	2.8 %
Prior accident year unfavorable catastrophe loss development	0.3 %	0.2 %	0.4 %	0.4 %	0.4 %	0.8 %	0.4 %
Total loss and LAE ratio	66.1 %	59.7 %	63.3 %	64.0 %	64.1 %	68.2 %	63.7 %
Expense ratio	28.1 %	29.1 %	28.1 %	27.3 %	29.0 %	27.9 %	28.2 %
Combined ratio	94.2 %	88.8 %	91.4 %	91.3 %	93.1 %	96.1 %	91.9 %
Combined ratio, excluding catastrophe losses	88.6 %	86.2 %	88.1 %	88.2 %	89.8 %	89.9 %	88.7 %
Current accident year combined ratio, excluding catastrophe losses	89.3 %	89.9 %	88.3 %	88.0 %	90.1 %	90.5 %	88.8 %

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

CHAUCER

Three Months ended September 30

(In millions, except percentage data)	2016					2015					
	Property	Marine & Aviation	Energy	Casualty & Other	Total	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 39.6	\$ 85.6	\$ 28.8	\$ 89.5	\$ 243.5	\$ 32.4	\$ 81.5	\$ 28.9	\$ 46.3	\$ 86.4	\$ 275.5
Net premiums written	\$ 34.5	\$ 67.0	\$ 18.8	\$ 75.8	\$ 196.1	\$ 29.5	\$ 70.4	\$ 21.4	-	\$ 77.4	\$ 198.7
Net premiums earned	\$ 38.8	\$ 66.8	\$ 25.2	\$ 71.4	\$ 202.2	\$ 42.5	\$ 71.2	\$ 41.1	-	\$ 76.3	\$ 231.1
Losses and LAE:											
Current accident year, excluding catastrophe losses					110.4						123.3
Prior accident year favorable reserve development, excluding catastrophe losses					(26.6)						(32.1)
Current accident year catastrophe losses					0.4						29.2
Prior accident year favorable catastrophe loss development					(3.5)						(17.3)
Total losses and LAE					80.7						103.1
Amortization of deferred acquisition costs and other underwriting expenses					83.7						98.4
GAAP underwriting profit					37.8						29.6
Net investment income					10.3						10.5
Other income					2.5						1.1
Other operating expenses					(2.2)						-
Operating income before income taxes					\$ 48.4						\$ 41.2
Loss and LAE ratio:											
Current accident year, excluding catastrophe losses					54.6 %						53.4 %
Prior accident year favorable reserve development, excluding catastrophe losses					(13.2)%						(13.9)%
Current accident year catastrophe losses					0.2 %						12.6 %
Prior accident year favorable catastrophe loss development					(1.7)%						(7.5)%
Total loss and LAE ratio					39.9 %						44.6 %
Expense ratio					41.4 %						42.6 %
Combined ratio					81.3 %						87.2 %

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

CHAUCER

Nine Months ended September 30

(In millions, except percentage data)	2016					2015					
	Property	Marine & Aviation	Energy	Casualty & Other	Total	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 214.7	\$ 281.8	\$ 131.7	\$ 275.9	\$ 904.1	\$ 212.7	\$ 277.6	\$ 162.7	\$ 185.9	\$ 277.3	\$ 1,116.2
Net premiums written ⁽¹⁾	\$ 127.6	\$ 205.2	\$ 76.2	\$ 236.5	\$ 645.5	\$ 143.2	\$ 224.2	\$ 107.1	\$ 129.1	\$ 247.9	\$ 851.5
Net premiums earned	\$ 109.9	\$ 195.0	\$ 100.8	\$ 223.9	\$ 629.6	\$ 125.7	\$ 214.0	\$ 140.0	\$ 135.4	\$ 220.0	\$ 835.1
Losses and LAE:											
Current accident year, excluding catastrophe losses					381.9						501.5
Prior accident year favorable reserve development, excluding catastrophe losses					(64.6)						(89.3)
Current accident year catastrophe losses					36.6						39.4
Prior accident year favorable catastrophe loss development					(25.3)						(22.2)
Total losses and LAE					328.6						429.4
Amortization of deferred acquisition costs and other underwriting expenses					247.2						313.0
GAAP underwriting profit					53.8						92.7
Net investment income					32.3						34.8
Other income					6.0						5.6
Other operating expenses					(4.5)						(0.7)
Operating income before income taxes					\$ 87.6						\$ 132.4
Loss and LAE ratio:											
Current accident year, excluding catastrophe losses					60.7 %						60.0 %
Prior accident year favorable reserve development, excluding catastrophe losses					(10.3)%						(10.7)%
Current accident year catastrophe losses					5.8 %						4.7 %
Prior accident year favorable catastrophe loss development					(4.0)%						(2.6)%
Total loss and LAE ratio					52.2 %						51.4 %
Expense ratio					39.3 %						37.5 %
Combined ratio					91.5 %						88.9 %

(1) Net premiums written for Chaucer 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 disposal of the U.K. motor business and has no impact on net premiums earned.

THE HANOVER INSURANCE GROUP
GAAP UNDERWRITING INFORMATION AND RELATED RATIOS

CHAUCER

(In millions, except percentage data)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Sep-YTD 2015	Sep-YTD 2016
Gross premiums written	\$ 275.5	\$ 205.3	\$ 338.1	\$ 322.5	\$ 243.5	\$ 1,116.2	\$ 904.1
Net premiums written ⁽¹⁾	\$ 198.7	\$ 175.2	\$ 203.0	\$ 246.4	\$ 196.1	\$ 851.5	\$ 645.5
Net premiums earned	\$ 231.1	\$ 216.1	\$ 221.3	\$ 206.1	\$ 202.2	\$ 835.1	\$ 629.6
Losses and LAE:							
Current accident year, excluding catastrophe losses	123.3	118.5	141.9	129.6	110.4	501.5	381.9
Prior accident year favorable reserve development, excluding catastrophe losses	(32.1)	(30.8)	(29.7)	(8.3)	(26.6)	(89.3)	(64.6)
Current accident year catastrophe losses	29.2	10.3	10.2	26.0	0.4	39.4	36.6
Prior accident year favorable catastrophe loss development	(17.3)	(10.7)	(9.7)	(12.1)	(3.5)	(22.2)	(25.3)
Total losses and LAE	103.1	87.3	112.7	135.2	80.7	429.4	328.6
Amortization of deferred acquisition costs and other underwriting expenses	98.4	90.0	86.1	77.4	83.7	313.0	247.2
GAAP underwriting profit (loss)	\$ 29.6	\$ 38.8	\$ 22.5	\$ (6.5)	\$ 37.8	\$ 92.7	\$ 53.8
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	53.4 %	54.9 %	64.1 %	62.9 %	54.6 %	60.0 %	60.7 %
Prior accident year favorable reserve development, excluding catastrophe losses	(13.9)%	(14.3)%	(13.4)%	(4.0)%	(13.2)%	(10.7)%	(10.3)%
Current accident year catastrophe losses	12.6 %	4.8 %	4.6 %	12.6 %	0.2 %	4.7 %	5.8 %
Prior accident year favorable catastrophe loss development	(7.5)%	(5.0)%	(4.4)%	(5.9)%	(1.7)%	(2.6)%	(4.0)%
Total loss and LAE ratio	44.6 %	40.4 %	50.9 %	65.6 %	39.9 %	51.4 %	52.2 %
Expense ratio	42.6 %	41.6 %	38.9 %	37.6 %	41.4 %	37.5 %	39.3 %
Combined ratio	87.2 %	82.0 %	89.8 %	103.2 %	81.3 %	88.9 %	91.5 %
Combined ratio, excluding catastrophe losses	82.1%	82.2%	89.6%	96.5%	82.8%	86.8%	89.7%
Current accident year combined ratio, excluding catastrophe losses	96.0%	96.5%	103.0%	100.5%	96.0%	97.5%	100.0%

(1) Net premiums written for Chaucer 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 disposal of the U.K. motor business and has no impact on net premiums earned.

THE HANOVER INSURANCE GROUP
NET INVESTMENT INCOME AND YIELDS

(In millions, except yields)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	YTD 2015	YTD 2016
Net Investment Income							
Fixed maturities	\$ 62.5	\$ 63.0	\$ 61.1	\$ 61.3	\$ 59.8	\$ 190.8	\$ 182.2
Equity securities	4.2	4.6	4.3	4.8	4.4	12.9	13.5
Other investments	4.0	5.2	5.6	5.7	6.4	12.9	17.7
Investment expenses	(2.4)	(2.8)	(2.7)	(2.7)	(2.8)	(7.5)	(8.2)
Total	\$ 68.3	\$ 70.0	\$ 68.3	\$ 69.1	\$ 67.8	\$ 209.1	\$ 205.2
Pre-tax Yields							
Fixed maturities	3.64%	3.63%	3.54%	3.56%	3.43%	3.61%	3.51%
Total	3.45%	3.47%	3.40%	3.39%	3.31%	3.43%	3.36%

Pre-tax yields are calculated as annualized net investment income divided by the average of investment balances, excluding unrealized capital gains and losses, at the end of each month during the period.

THE HANOVER INSURANCE GROUP
INVESTMENT PORTFOLIO
September 30, 2016

(In millions)

Investment Type	Weighted Average Quality	Amortized Cost or Cost	Fair Value	% of Total	Net Unrealized Gain	Change in Net Unrealized During Q3	Change in Net Unrealized YTD
Fixed maturities:							
U.S. Treasury and government agencies	AAA	\$ 311.1	\$ 320.4	3.6%	\$ 9.3	\$ (2.3)	\$ 7.3
Foreign government	AA+	234.5	242.7	2.8%	8.2	1.0	7.1
Municipals:							
Taxable	AA	963.2	1,023.9	11.6%	60.7	(9.7)	17.8
Tax exempt	AA	108.6	112.5	1.3%	3.9	(1.0)	1.0
Corporate:							
NAIC 1	A	1,665.3	1,741.1	19.7%	75.8	(3.6)	43.9
NAIC 2	BBB	1,859.6	1,938.0	22.0%	78.4	7.3	79.8
NAIC 3 and below	B+	412.5	429.1	4.9%	16.6	13.2	56.0
Total corporate	BBB+	3,937.4	4,108.2	46.6%	170.8	16.9	179.7
Asset backed:							
Residential mortgage-backed	AAA	921.8	944.3	10.7%	22.5	(2.7)	14.0
Commercial mortgage-backed	AAA	546.5	569.8	6.5%	23.3	(2.1)	21.8
Asset-backed	AAA	77.3	78.4	0.9%	1.1	0.5	1.7
Total fixed maturities	A+	7,100.4	7,400.2	84.0%	299.8	0.6	250.4
Equity securities		533.6	612.5	6.9%	78.9	4.0	30.8
Other investments		480.0	483.4	5.5%	3.4	-	-
Total investments		8,114.0	8,496.1	96.4%	382.1	4.6	281.2
Cash and cash equivalents		315.9	315.9	3.6%	-	-	-
Total		\$ 8,429.9	\$ 8,812.0	100.0%	\$ 382.1	\$ 4.6	\$ 281.2

THE HANOVER INSURANCE GROUP
CREDIT QUALITY AND DURATION OF FIXED MATURITIES
September 30, 2016

(In millions)

CREDIT QUALITY OF FIXED MATURITIES

NAIC Designation	Rating Agency Equivalent Designation	Amortized Cost	Fair Value	% of Total Fair Value
1	Aaa/Aa/A	\$ 4,786.7	\$ 4,990.1	67.4%
2	Baa	1,893.5	1,972.5	26.7%
3	Ba	210.7	219.6	3.0%
4	B	195.7	202.9	2.7%
5	Caa and lower	11.6	11.6	0.2%
6	In or near default	2.2	3.5	-
Total fixed maturities		<u>\$ 7,100.4</u>	<u>\$ 7,400.2</u>	<u>100.0%</u>

DURATION OF FIXED MATURITIES

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 Years	\$ 1,389.7	\$ 1,419.1	19.2%
2-4 Years	2,369.5	2,481.7	33.5%
4-6 Years	1,678.6	1,759.4	23.8%
6-8 Years	1,157.8	1,216.8	16.4%
8-10 Years	434.0	444.9	6.0%
10+ Years	70.8	78.3	1.1%
Total fixed maturities	<u>\$ 7,100.4</u>	<u>\$ 7,400.2</u>	<u>100.0%</u>
Weighted Average Duration	<u>4.17</u>		

THE HANOVER INSURANCE GROUP
TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS
September 30, 2016

(In millions, except percentage data)

Issuer	Amortized Cost	Fair Value	As a Percent of Invested Assets	S&P Ratings
Anheuser-Busch	\$ 31.5	\$ 32.9	0.37%	A-
AT&T	27.1	27.9	0.32%	BBB+
Enterprise Holdings	26.9	27.7	0.31%	BBB+
Bank of America	25.4	26.9	0.31%	BBB+
Glencore International	24.8	24.9	0.28%	BBB-
Morgan Stanley	24.6	25.3	0.29%	BBB+
Southern Company	24.1	25.5	0.29%	A-
US Bancorp	24.0	25.0	0.28%	A
AbbVie	24.0	24.8	0.28%	A-
Oracle	23.9	24.8	0.28%	AA-
Top 10 Corporate and Municipal Fixed	\$ 256.3	\$ 265.7	3.01%	

THE HANOVER INSURANCE GROUP
RECONCILIATION OF OPERATING INCOME TO NET INCOME

	Three Months ended September 30				Nine Months ended September 30			
	2016		2015		2016		2015	
(In millions, except per share data)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)
OPERATING INCOME (LOSS)								
Commercial Lines	\$ 42.5		\$ 47.1		\$ 129.2		\$ 126.5	
Personal Lines	41.7		37.2		136.2		91.6	
Chaucer	48.4		41.2		87.6		132.4	
Other	<u>(2.8)</u>		<u>(2.9)</u>		<u>(8.1)</u>		<u>(8.0)</u>	
Total	129.8		122.6		344.9		342.5	
Interest expense	<u>(12.5)</u>		<u>(14.8)</u>		<u>(42.8)</u>		<u>(45.9)</u>	
Operating income before income taxes	117.3	\$ 2.73	107.8	\$ 2.40	302.1	\$ 6.97	296.6	\$ 6.58
Income tax expense on operating income	<u>(38.7)</u>	<u>(0.90)</u>	<u>(35.6)</u>	<u>(0.79)</u>	<u>(98.0)</u>	<u>(2.26)</u>	<u>(96.9)</u>	<u>(2.15)</u>
Operating income after income taxes	78.6	1.83	72.2	1.61	204.1	4.71	199.7	4.43
Gain on disposal of U.K. motor business, net of tax	-	-	-	-	0.9	0.02	40.3	0.90
Other non-operating items:								
Net realized investment gains	4.2	0.10	8.0	0.18	5.0	0.12	30.0	0.67
Loss from repayment of debt	-	-	(5.6)	(0.12)	(86.1)	(1.99)	(24.1)	(0.54)
Other	2.5	0.06	0.2	-	2.8	0.07	(0.2)	-
Income tax benefit on other non-operating items	<u>3.0</u>	<u>0.07</u>	<u>2.4</u>	<u>0.05</u>	<u>41.6</u>	<u>0.96</u>	<u>7.3</u>	<u>0.16</u>
Income from continuing operations, net of taxes	88.3	2.06	77.2	1.72	168.3	3.89	253.0	5.62
Discontinued operations, net of taxes	<u>0.1</u>	-	<u>1.1</u>	<u>0.02</u>	<u>0.3</u>	-	<u>0.9</u>	<u>0.02</u>
NET INCOME	<u>\$ 88.4</u>	<u>\$ 2.06</u>	<u>\$ 78.3</u>	<u>\$ 1.74</u>	<u>\$ 168.6</u>	<u>\$ 3.89</u>	<u>\$ 253.9</u>	<u>\$ 5.64</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. The Company's non-GAAP measures include operating income before interest expense and taxes, total operating income after taxes, total operating 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 operating income and loss and combined ratios excluding catastrophe losses (catastrophe losses as discussed here and in all other measures include catastrophe loss development) and reserve development. After-tax operating income EPS (sometimes referred to as "after-tax operating 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.

Operating 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. Operating 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. Operating income before interest expense and taxes is the sum of the operating income from: Commercial Lines, Personal Lines, Chaucer, and Other. The Hanover believes that measures of operating 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 operating 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 operating 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.

Operating income before and after interest expense and taxes and measures of operating 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 operating income before interest expense and taxes and income from continuing operations per share to operating income after taxes per share for the three and nine months ended September 30, 2016 and 2015 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

808 North Highlander Way
Howell, MI 48843

Chaucer Holdings Limited

Plantation Place
30 Fenchurch Street
London
EC3M 3AD

MARKET AND DIVIDEND INFORMATION

The following tables set forth the high and low closing sales prices of our common stock and cash dividends for the periods indicated:

Quarter Ended 2016

Quarter Ended	Price Range		Dividends
	High	Low	Per Share
March 31	\$90.68	\$76.90	\$0.460
June 30	\$91.15	\$80.41	\$0.460
September 30	\$84.58	\$74.10	\$0.460

Quarter Ended 2015

Quarter Ended	Price Range		Dividends
	High	Low	Per Share
March 31	\$73.35	\$68.18	\$0.410
June 30	\$74.87	\$68.57	\$0.410
September 30	\$82.82	\$75.39	\$0.410
December 31	\$86.58	\$77.40	\$0.460

INDUSTRY RATINGS AS OF NOVEMBER 3, 2016

Financial Strength Ratings	A.M. Best	Standard & Poor's	Moody's
The Hanover Insurance Company	A	A	A3
Citizens Insurance Company of America	A	A	-

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

TRANSFER AGENT

Computershare Investor Services
PO Box 30170
College Station, TX 77842-3170
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
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)