



The Hanover Insurance Group, Inc.

Second Quarter 2018 Results *August 2, 2018*

*To be read in conjunction with the press release dated
August 1, 2018 and conference call scheduled for August 2, 2018*



Forward-Looking Statements and Non-GAAP Financial Measures

Forward-looking statements

Certain statements in this release or in the above-referenced conference call may be forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Use of the words "believes," "anticipates," "expects," "projections," "potential," "forecast," "outlook," "should," "could," "confident," "plan," "guidance," "on track to," "committed to," "looking ahead," "ability to," "will," "will remain," "will continue," and similar expressions is intended to identify forward-looking statements. The company cautions investors that any such forward-looking statements are estimates or projections that involve significant judgment and that neither historical results and trends nor forward-looking statements are guarantees or necessarily indicative of future performance. Actual results could differ materially.

In particular, "forward-looking statements" include statements in this press release or in such conference call regarding our ability to deliver on "Hanover 2021" goals and objectives, specifically growing profitably within our distribution plant, increasing specialized capabilities, focus on innovation, and financial management to further distinguish The Hanover as a premier Property and Casualty company; exploration of strategic alternatives for Chaucer, including possible sale or retention of the entity, and possible use of proceeds from a sale; efforts to manage expenses remaining at the forefront of our strategy and investment decisions; ability to maintain rigorous expense culture, including reductions in the expense ratio; ability to generate strong growth, attractive margins, and return on equity; strength of balance sheet and capital base; ability to grow in lines with adequate pricing and target profitability; risk selection; the level of conservatism and strength of reserves and the balance sheet; likelihood reserves will run off favorably rather than unfavorably; expectation for Chaucer reserve development to contribute to earnings; ability to sustain current trends in Personal and Commercial Lines; ability to generate overall growth; ability to deliver above target profit margins; ability to produce stable loss ratios in Commercial Lines due to pricing, product, geographic and underwriting actions; pricing compared to long-term loss trends; volatility in commercial property lines; Specialty growth opportunities; workers' compensation loss trends; future trends of commercial multi-peril liability claims; frequency and severity trends in personal and commercial auto; commercial auto performance, including price and underwriting execution; small commercial's positive growth trajectory due to new tax laws; middle market portfolio profit improvement execution; success of digital tools and data analytics to improve customer experience; ability to increase rates in certain states; continue a balanced growth and consistent profitability in Personal Lines, through dedicated teams in target market segments; expectation that Personal Lines will deliver superior returns; the competition TAP rollout to remaining Personal Line states; ability to manage the cyclical nature and volatility of Chaucer's business, risk complexity, and challenging market conditions; ability to yield improved pricing and terms in conditions of Lloyd's business; global market stabilization; ability to generate a stable combined ratio at Chaucer; Lloyd's initiative to address syndicate's profitability to create a healthier, more competitive environment; results of expense management actions; implications of U.S. tax reform, including an expected effective tax rate of 21%; insurance demand; use of capital; ability to generate shareholder returns and ability of shareholders to receive benefits of expected tax savings; net investment income in 2018; capital management and allocation rigor; ability to deliver superior value to shareholders; share repurchases; increased income from expected "higher yielding assets"; volatility in unrealized gains; and ability to achieve components or the sum of the full year 2018 guidance, including combined ratio and catastrophe ratio, are all forward-looking statements. In addition, the company has not yet determined the best strategic alternative for Chaucer. There are no assurances that The Hanover will enter into a transaction, and if it elects to do so, whether a sale will be consummated, the value or use of any consideration that would be received, or any potential benefits that could be realized. 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, 2018 and the Annual Report, Form 10-K 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, are as of June 30, 2018.

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 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 Financial 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 (and interest expense), combined ratios and loss ratios, excluding catastrophes and/or prior-year development and accident year loss ratios, excluding catastrophes, and book value per share, excluding net appreciation (depreciation) on fixed maturity investments, net of tax. A reconciliation of non-GAAP measures to the closest GAAP measure is included in the end notes to this presentation, the press release dated August 1, 2018 or the financial supplement, which are posted on our website. The reconciliation of current accident year loss ratio and combined ratio excluding catastrophes to the most directly comparable GAAP measure, total loss ratio and combined ratio, is found in the end notes on the final pages of this document. 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 and unrealized investment gains and 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 appreciation (depreciation) on fixed maturity investments, is also a non-GAAP measure. It is calculated as total shareholders' equity excluding the after-tax effect of unrealized investment gains and losses on fixed maturities, divided by the number of common shares outstanding. Normalized operating return on equity is a non-GAAP measure. A reconciliation to the closest GAAP measure is included on the final pages of this document. The definition of other financial measures and terms can be found in the 2017 Annual Report on pages 80-83.



Second Quarter 2018

The Hanover Reports Second Quarter Net Income and Operating Income⁽¹⁾ of \$2.31 and \$2.20 per Diluted Share, Respectively; Second Quarter Combined Ratio of 95.5%; Combined Ratio Excluding Catastrophes⁽²⁾ of 90.5%; Operating Return on Average Equity⁽³⁾ of 12.8%

- Combined ratio, excluding catastrophes, of 90.5%, an improvement of 0.3 points over the prior-year quarter
- Catastrophe losses of \$63.6 million, or 5.0 points of the combined ratio, driven primarily by wind and hail events in the Northeast and Midwest, largely in Personal Lines
- Net premiums written increased 6.9%, with strong growth in more profitable Personal Lines, Small Commercial and target Specialty businesses
- Continued price increases in Commercial and Personal Lines
- Net investment income of \$78.7 million, up 8.9% from the prior-year quarter, aided by higher cashflows from operations and growth in partnership income
- Book value per share of \$69.17, up 0.9% from March 31, 2018, primarily due to earnings accretion, partially offset by changes in fair value of the fixed income portfolio due to interest rate movements and widening of credit spreads
- Repurchased approximately 99,000 shares of common stock for \$11.7 million during the second quarter of 2018

(1) See information about this and other non-GAAP measures and definitions used throughout this presentation on the final pages of this document.



Consolidated Financial Results Snapshot

Three Months Ended

(\$ in millions, except per share amounts)

	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Net income per share	\$1.83	\$0.26	\$1.20	\$1.57	\$2.31
<i>Operating income after taxes per share</i>	\$1.69	\$0.11	\$2.00	\$1.95	\$2.20
Book value per share	\$70.18	\$70.10	\$70.59	\$68.56	\$69.17
Shareholders' equity	\$2,973	\$2,972	\$2,998	\$2,913	\$2,940
Debt	\$787	\$787	\$787	\$787	\$787
Total capital	\$3,760	\$3,759	\$3,785	\$3,700	\$3,727
Debt/total capital	20.9%	20.9%	20.8%	21.3%	21.1%
Total assets	\$14,793	\$15,389	\$15,470	\$15,334	\$15,404
Total equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax ⁽⁴⁾	\$2,747.7	\$2,743.5	\$2,792.3	\$2,912.8	\$2,988.6
Average equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax ⁽⁴⁾	\$2,728.1	\$2,745.6	\$2,767.9	\$2,852.6	\$2,950.7
Operating income after tax	\$72.3	\$4.7	\$86.0	\$84.0	\$94.6
Operating return on equity	10.6%	0.7%	12.4%	11.8%	12.8%
Operating income before interest and taxes	\$118.9	\$13.1	\$135.2	\$116.6	\$129.8

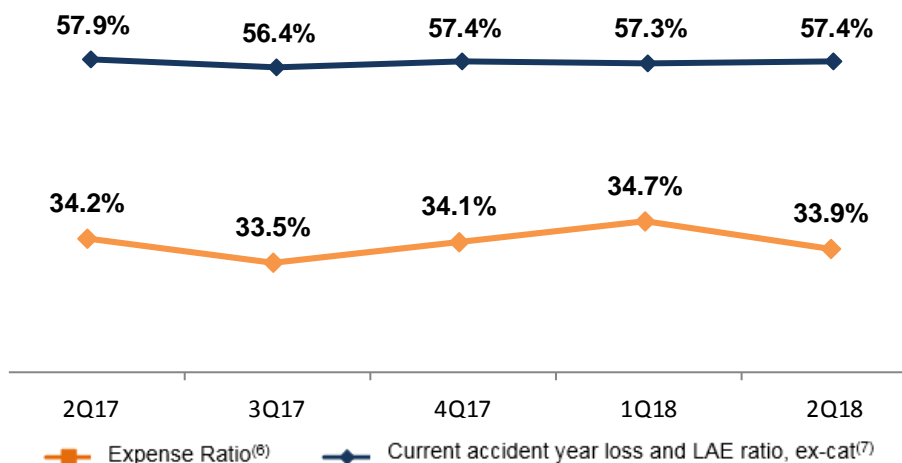


Improved combined ratio, excluding catastrophes, of 90.5%

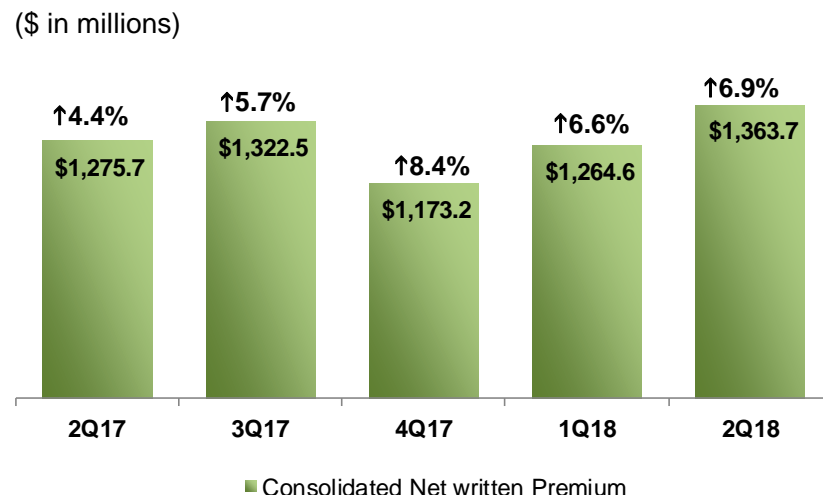
(\$ in millions)	Three Months Ended June 30	
	2017	2018
Net Premiums Written	\$ 1,275.7	\$ 1,363.7
Growth	4.4%	6.9%
Net Earned Premiums	\$ 1,181.2	\$ 1,272.9
Combined Ratio	95.6%	95.5%
Combined ratio, ex-cat	90.8%	90.5%
Current accident year combined ratio, ex-cat⁽⁵⁾	92.1%	91.3%

- Combined ratio of 95.5% in the second quarter of 2018, including 5.0 points of catastrophe losses
- Catastrophe losses of \$63.6 million driven by wind and hail events in domestic business, primarily in the Northeast and Midwest
- Combined ratio, excluding catastrophes, of 90.5%, a 0.3 point improvement over the second quarter of 2017, driven by improvements in the domestic expense ratio and the current accident year loss and LAE ratio
- Top-line growth of 6.9% driven by segments with attractive returns, including Personal Lines account business, Small Commercial and targeted specialty businesses

Stable current accident year loss and expense ratio trends



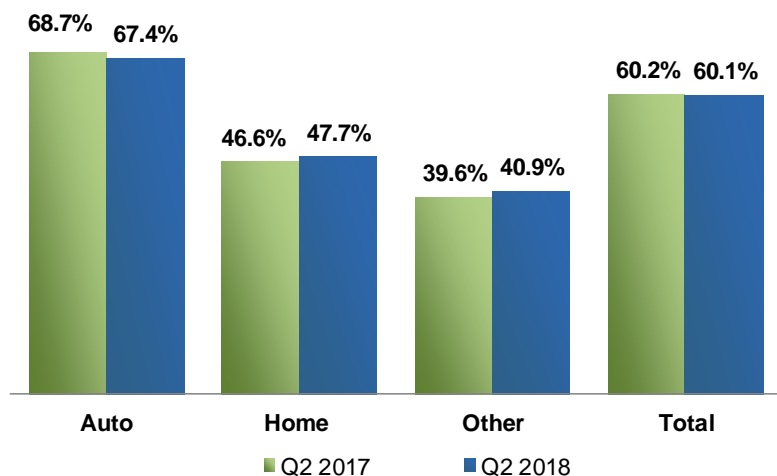
Net premiums written growth





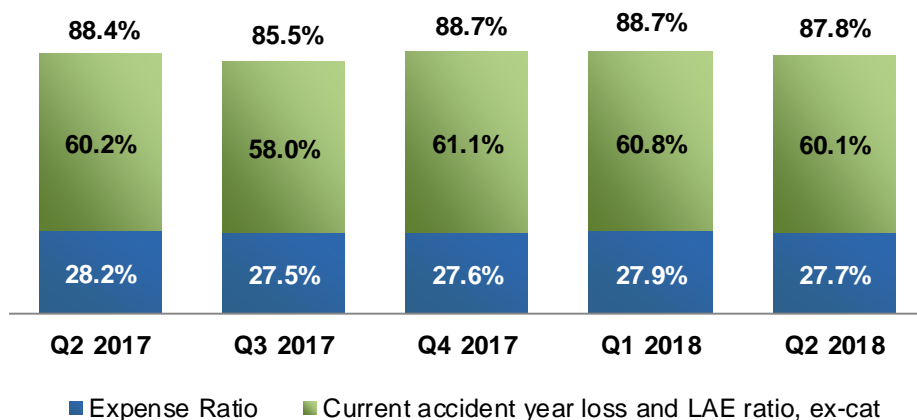
Personal Lines Underwriting Highlights

Current Accident Year Loss and LAE Ratio, Ex-Cat



- Combined ratio of 97.6% in the second quarter of 2018, including 8.0 points of catastrophe losses and 1.8 points of unfavorable prior-year reserve development
- Unfavorable prior-year reserve development of 1.8 points, primarily driven by auto bodily injury severity from the 2016 accident year
 - 2017 and 2018 selections remain appropriate, aided by earned pricing increases and favorable frequency

Current Accident Year Combined Ratio, Ex-Cat



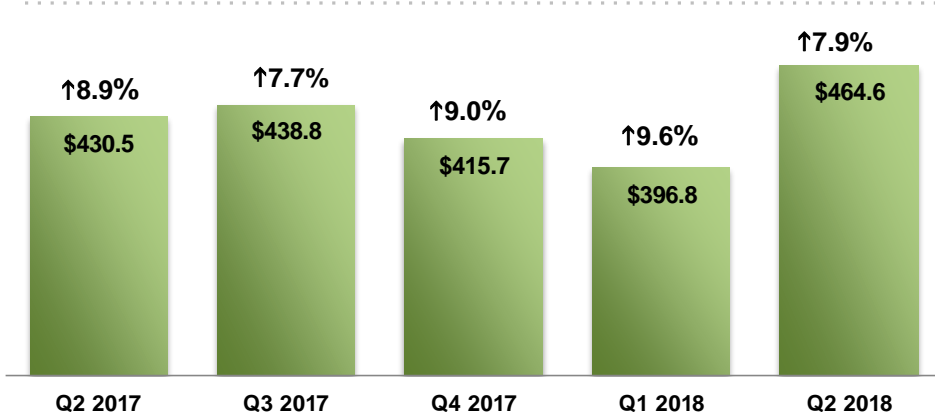
- Current accident year combined ratio, excluding catastrophes, improved to 87.8% from 88.4% in the prior-year quarter, driven by lower expenses
- Current accident year loss ratio, excluding catastrophes, of 60.1%, was favorable compared to the prior-year quarter, driven by the expense component of the loss ratio, while underlying loss trends were stable
- Expense ratio improvement of 0.5 points from the prior-year quarter, driven by expense actions executed in July of 2017, as well as fixed cost leverage from continued premium growth



Personal Lines Growth Highlights

(\$ in millions)

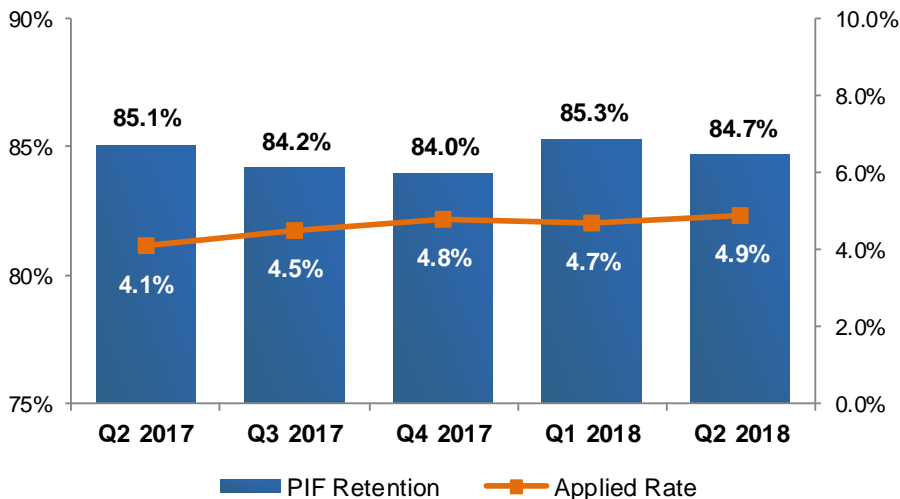
Net Premiums Written



- Strong net premiums written growth of 7.9%, driven by solid retention and continued rate increases
 - Policies-in-force grew 3.4% from the prior-year quarter, primarily from Hanover Platinum business
- Strong quality of growth:
 - New account business characterized by higher coverage value, greater umbrella penetration and superior retention
 - Account business represents 83% of the portfolio and 86% of new business, aided by Hanover Platinum product
 - Strong agency partnerships continue to increase profitability in targeted segments

Retention*

Applied Rate



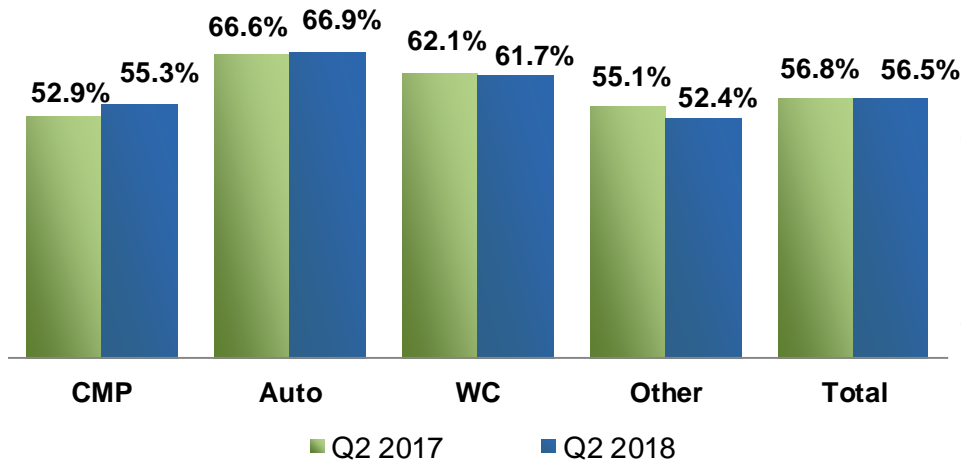
- Solid rate increases of 4.9%, rate above loss trends
- Strong retention of 84.7%, in line with expectations

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



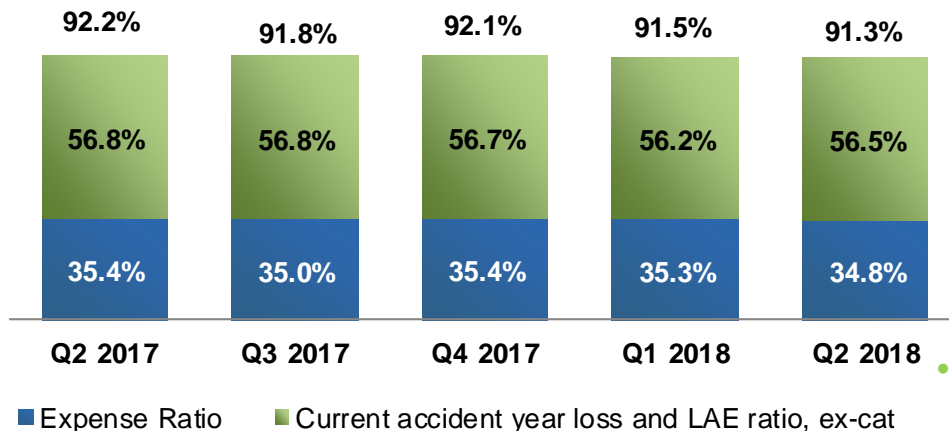
Commercial Lines Underwriting Highlights

Current Accident Year Loss and LAE Ratio, Ex-Cat



- Combined ratio of 93.9% in the second quarter of 2018, including 3.9 points of catastrophe losses and 1.3 points of favorable prior-year reserve development
- Favorable prior-year reserve development of 1.3 points driven by Other Commercial Lines and Workers' Compensation, partially offset by Auto
- Combined ratio, excluding catastrophes, of 90.0%, an improvement of 2.2 points from the second quarter of 2017

Current Accident Year Combined Ratio, Ex-Cat



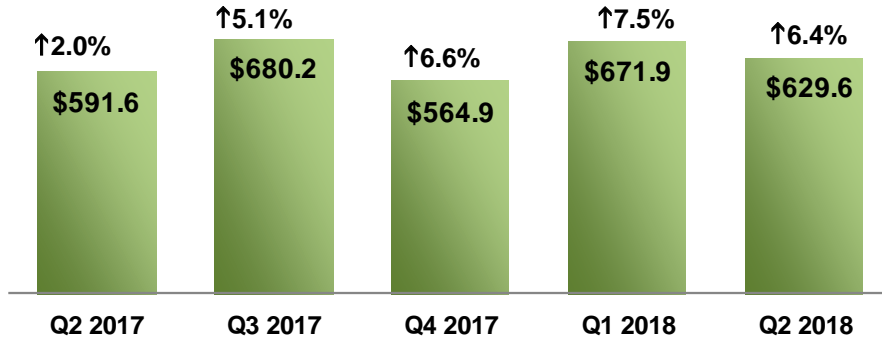
- Current accident year loss and LAE, excluding catastrophes, remained fundamentally stable at 56.5%, with normal property variability impacting prior-year comparisons by line:
 - CMP results reflect elevated property losses in the second quarter of 2018
 - Other Commercial Lines reflected large losses and related reinsurance premium in the second quarter of 2017
- Expense ratio improved 0.6 points over the prior-year quarter, driven by expense savings actions executed in July of 2017, as well as fixed cost leverage from continued premium growth



Commercial Lines Growth Highlights

(\$ in millions)

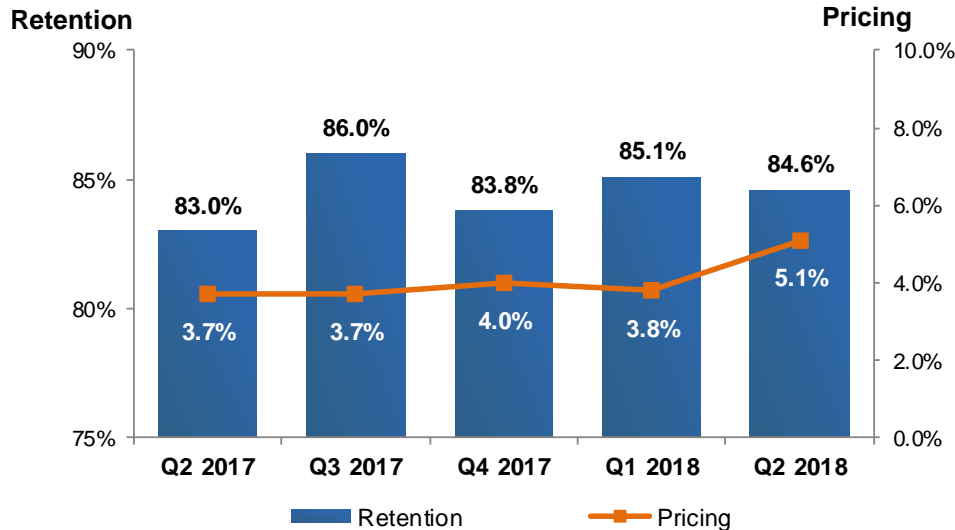
Net Premiums Written



- Net premiums written growth of 6.4%, due to:
 - Solid Small Commercial growth
 - Strong Middle Market growth in technology, manufacturing and other profitable niche classes
 - Robust domestic Specialty growth, especially in the most profitable segments

- Core Commercial pricing increase of 5.1%, an improvement of 1.3 points, compared to the first quarter of 2018

Core Commercial Lines ⁽⁸⁾



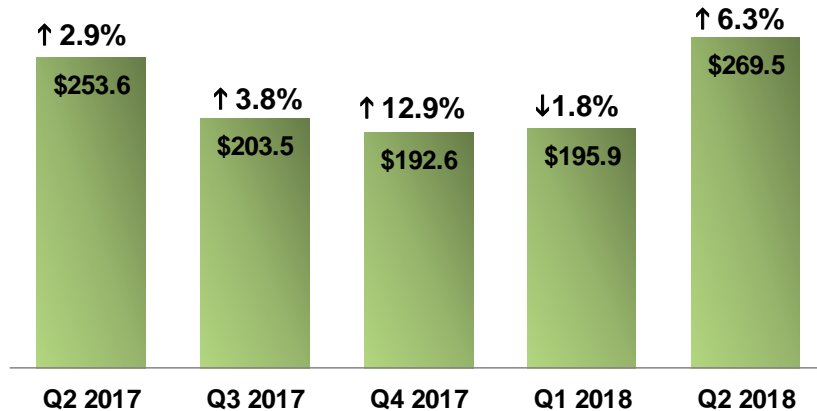
- Strong retention of 84.6%, which remains in line with targeted levels



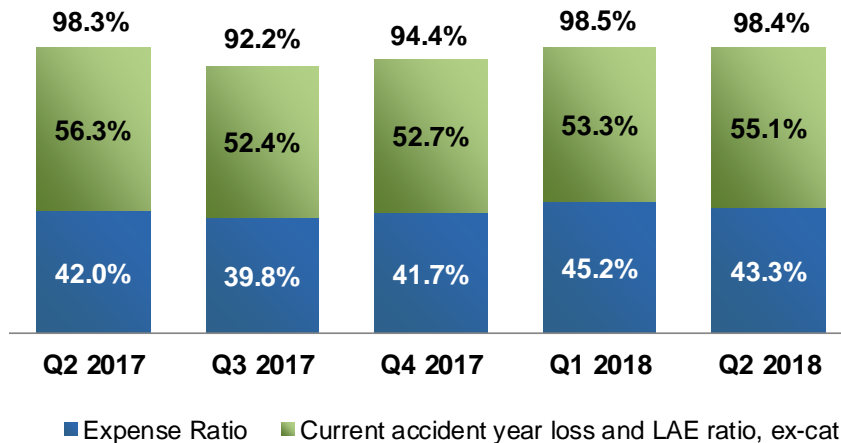
Chaucer Highlights

(\$ in millions)

Net Premiums Written



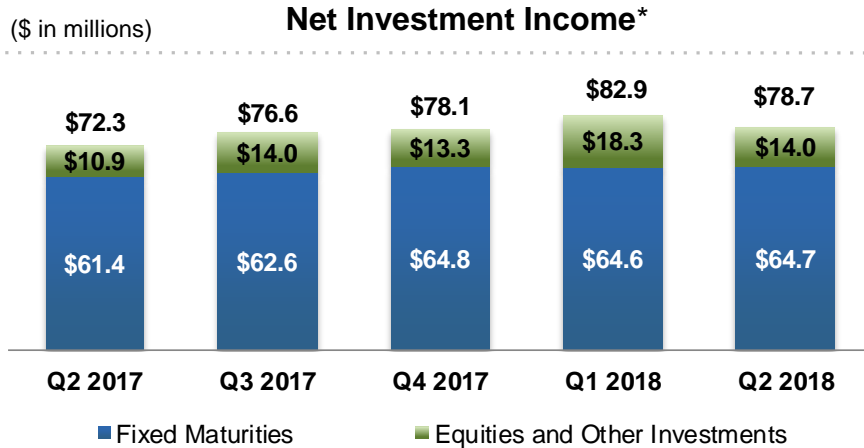
Current Accident Year Combined Ratio, Ex-Cat



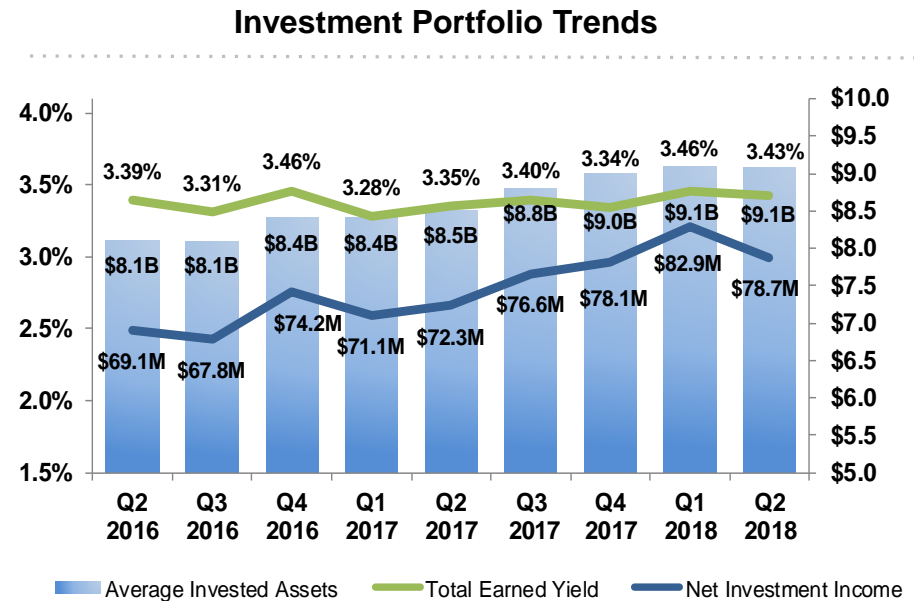
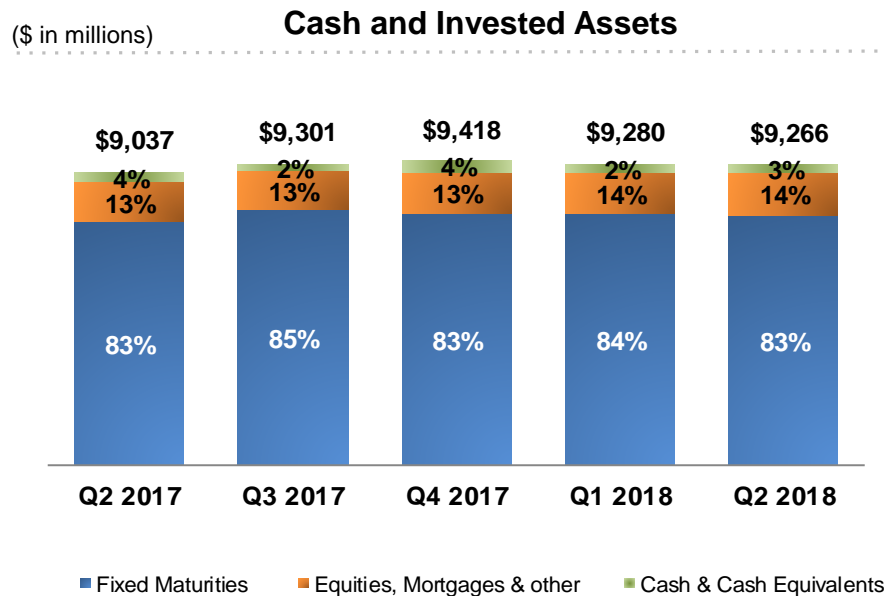
- Combined ratio of 95.7% in the second quarter of 2018, including 2.2 points of catastrophe losses and 4.9 points of favorable prior-year development
- Current accident year combined ratio, excluding catastrophes of 98.4%, which remains consistent with the prior-year quarter and generally in line with our expectations
- Expense ratio increased by 1.3 points due to:
 - Higher brokerage expenses due to mix changes
 - Higher quota-share cessions
 - Foreign exchange movements on overseas deposits
- Long term expense ratio expectations in the mid 40's
- Current accident year loss and LAE ratio decreased 1.2 points to 55.1%, driven primarily by higher quota share utilization, underlying results fundamentally stable
- Net premiums written growth of 6.3%, due to strategic growth initiatives, including Accident and Health business, partially offset by increases in ceded reinsurance premiums



Net Investment Income Trends



- Net investment income increased 8.9% over the prior-year quarter due to:
 - Reinvestment of higher operating cash flows, partially offset by lower earned yields
 - Higher private equity partnership income
- Net investment income from fixed income portfolio grew 5.4%



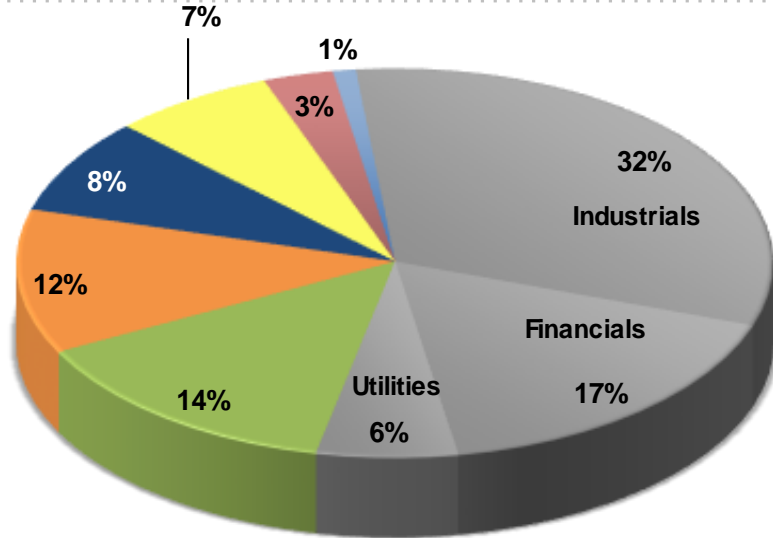
*Net Investment Income from Equities and Other investments is presented net of investment expenses.



Investment Portfolio Holdings Breakdown

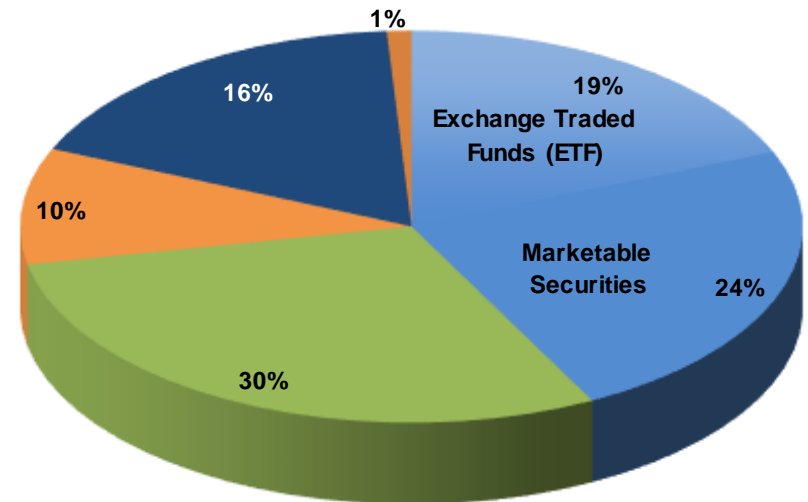
June 30, 2018

Fixed Maturities \$7.7 Billion



- Industrials
- Utilities
- Municipals (Taxable)
- US Government
- Municipals (Tax-exempt)
- Financials
- RMBS/ABS
- CMBS
- Foreign Government

Equities and Other \$1.3 Billion



- Equities
- Overseas Deposits
- Other Investments & Equities
- Mortgage Loans
- Limited Partnerships

Fixed Income Characteristics:

- 95% of fixed maturity securities are investment grade
- Weighted average quality: A+
- Duration: 4.3 years



About The Hanover

The Hanover Insurance Group, Inc. is the holding company for several property and casualty insurance companies, which together constitute one of the largest insurance businesses in the United States. The company provides exceptional insurance solutions in a dynamic world. The Hanover distributes its products through a select group of independent agents and brokers. Together with its agents, The Hanover offers standard and specialized insurance protection for small and mid-sized businesses, as well as 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, property and energy. For more information, please visit hanover.com.

- (1) Operating income (loss) and operating income (loss) per diluted share are non-GAAP measures. See the disclosure on the use of non-GAAP measures throughout this presentation under the heading “Forward-Looking Statements and Non-GAAP Financial Measures.” Operating income (loss) before taxes, as referenced in the results of the three business segments, is defined as, with respect to such segment, operating income (loss) before taxes and interest expense. The following table provides the reconciliation of operating income (loss) and operating income (loss) per diluted share to the most directly comparable GAAP measures, income (loss) from continuing operations and income (loss) from continuing operations per diluted share, respectively:

	June 30, 2017		September 30,		Three months ended December 31, 2017		March 31, 2018		June 30, 2018	
	\$ Amount	Per Share Diluted	\$ Amount	Per Share Diluted	\$ Amount	Per Share Diluted	\$ Amount	Per Share Diluted	\$ Amount	Per Share Diluted
<i>(In millions, except per share data)</i>										
OPERATING INCOME										
Commercial Lines	\$43.2		\$28.2		\$69.1		\$61.5		\$82.0	
Personal Lines	47.9		59.7		41.7		34.4		27.3	
Chaucer	29.7		(73.8)		26.3		22.9		21.9	
Other	(1.9)		(1.0)		(1.9)		(2.2)		(1.4)	
Total	118.9		13.1		135.2		116.6		129.8	
Interest expense	(12.2)		(12.1)		(12.2)		(12.4)		(11.6)	
Operating income before income taxes	106.7	\$2.49	1.0	\$0.02	123.0	\$2.86	104.2	\$2.42	118.2	\$2.74
Income tax (expense) benefit on operating income	(34.4)	(0.80)	3.7	0.09	(37.0)	(0.86)	(20.2)	(0.47)	(23.6)	(0.54)
Operating income after income taxes	72.3	1.69	4.7	0.11	86.0	2.00	84.0	1.95	94.6	2.20
Other non-operating items:										
Net realized gains (losses) from sales and other	7.7	0.18	14.7	0.34	3.9	0.09	0.3	0.01	(0.4)	(0.01)
Net change in fair value of equity securities	-	-	-	-	-	-	(23.0)	(0.53)	6.0	0.14
Net other-than-temporary impairment losses on investments recognized in earnings	(1.8)	(0.04)	(1.3)	(0.03)	(1.4)	(0.03)	(0.7)	(0.02)	(1.9)	(0.05)
Effect of the Enactment of the Tax Cuts and Jobs Act	-	-	-	-	(22.3)	(0.52)	-	-	-	-
Other	(1.6)	(0.04)	(5.5)	(0.13)	(2.9)	(0.07)	(0.2)	(0.01)	(2.0)	(0.05)
Income tax benefit (expense) on other non-operating items	1.8	0.04	(0.3)	(0.01)	3.8	0.09	7.4	0.17	2.9	0.07
Income from continuing operations, net of taxes	78.4	1.83	12.3	0.28	67.1	1.56	67.8	1.57	99.2	2.30
Discontinued operations, net of taxes	-	-	(1.2)	(0.02)	(15.6)	(0.36)	(0.1)	-	0.1	0.01
Net income	\$78.4	\$1.83	\$11.1	\$0.26	\$51.5	\$1.20	\$67.7	\$1.57	\$99.3	\$2.31
Weighted average shares outstanding		42.8		42.9		43.0		43.1		43.1



End notes continued

(2) Combined ratio, excluding catastrophes, is a non-GAAP measure, which is equal to the combined ratio, excluding catastrophe losses. This measure and measures excluding prior-year reserve development (“current accident-year” ratios) are used throughout this document. The combined ratio (which includes catastrophe losses and prior-year reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of the GAAP combined ratio to the combined ratio, excluding catastrophes losses:

	Three months ended June 30, 2018					Three months ended June 30, 2017				
	Commercial Lines	Personal Lines	Total Domestic	Chaucer	Total	Commercial Lines	Personal Lines	Total Domestic	Chaucer	Total
Total combined ratio	93.9%	97.6%	95.5%	95.7%	95.5%	99.4%	91.8%	96.5%	91.0%	95.6%
Less: catastrophe ratio	3.9%	8.0%	5.6%	2.2%	5.0%	7.2%	3.4%	5.7%	0.6%	4.8%
Combined ratio, excluding catastrophe losses	<u>90.0%</u>	<u>89.6%</u>	<u>89.9%</u>	<u>93.5%</u>	<u>90.5%</u>	<u>92.2%</u>	<u>88.4%</u>	<u>90.8%</u>	<u>90.4%</u>	<u>90.8%</u>

(3) Operating Return on Average Equity (“Operating ROE”) is a non-GAAP measure. Operating ROE is calculated by dividing annualized operating income after tax for the applicable period (as defined on end note (1)), by average shareholders’ equity, excluding unrealized appreciation (depreciation) on fixed maturity investments, net of tax, for the stated period, as defined in end note (4).

	June 30 2017	September 30 2017	December 31 2017	March 31 2018	June 30 2018
(\$ In millions, except percentages)					
Annualized net income (period ended net income multiplied by 4)	\$313.6	\$44.4	\$206.0	\$270.8	\$397.2
Average shareholders’ equity	\$2,943.0	\$2,972.3	\$2,984.9	\$2,955.4	\$2,926.5
Return on equity (GAAP)	10.7%	1.5%	6.9%	9.2%	13.6%

	June 30 2017	September 30 2017	December 31 2017	March 31 2018	June 30 2018
(\$ In millions, except percentages)					
Annualized operating income (period ended operating income multiplied by 4)	\$289.2	\$18.8	\$344.0	\$336.0	\$378.4
Average shareholders’ equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	\$2,728.1	\$2,745.6	\$2,767.9	\$2,852.6	\$2,950.7
Operating return on equity (non-GAAP)	10.6%	0.7%	12.4%	11.8%	12.8%



End notes continued

- (4) Total shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, is a non-GAAP measure. Total shareholder's equity is the most directly comparable GAAP measure, and is reconciled in the table below. For the calculation of Operating Return on Equity ("operating ROE"), the average of beginning and ending shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, is used for the period as shown in the table below.

(\$ In millions)	Three months ended*					
	March 31 2017	June 30 2017	September 30 2017	December 31 2017	March 31 2018	June 30 2018
Total shareholders' equity	\$2,913.5	\$2,972.5	\$2,972.0	\$2,997.7	\$2,913.1	\$2,939.8
Less: net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	\$205.0	\$224.8	\$228.5	\$205.4	\$0.3	(\$48.8)
Total shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	<u>\$2,708.5</u>	<u>\$2,747.7</u>	<u>\$2,743.5</u>	<u>\$2,792.3</u>	<u>\$2,912.8</u>	<u>\$2,988.6</u>
Average shareholders' equity		\$2,943.0	\$2,972.3	\$2,984.9	\$2,955.4	\$2,926.5
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax		\$2,728.1	\$2,745.6	\$2,767.9	\$2,852.6	\$2,950.7

- (5) Current accident year combined ratio, excluding catastrophe losses, is a non-GAAP measure, which is equal to the combined ratio, excluding prior-year reserve development and catastrophe losses. The combined ratio (which includes catastrophe losses and prior-year reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of the GAAP combined ratio to the current accident year combined ratio, excluding catastrophe losses:

	Three months ended June 30, 2018			
	Commercial Lines	Personal Lines	Chaucer	Total
Total combined ratio	93.9%	97.6%	95.7%	95.5%
Less:				
Prior-year reserve development ratio	(1.3%)	1.8%	(4.9%)	(0.8%)
Catastrophe ratio	3.9%	8.0%	2.2%	5.0%
Current accident year combined ratio, excluding catastrophe losses	<u>91.3%</u>	<u>87.8%</u>	<u>98.4%</u>	<u>91.3%</u>
	June 30, 2017			
Total combined ratio	99.4%	91.8%	91.0%	95.6%
Less:				
Prior-year reserve development ratio	-	-	(7.9%)	(1.3%)
Catastrophe ratio	7.2%	3.4%	0.6%	4.8%
Current accident year combined ratio, excluding catastrophe losses	<u>92.2%</u>	<u>88.4%</u>	<u>98.3%</u>	<u>92.1%</u>

*Prior to 2018, unrealized appreciation (depreciation) also included changes in the fair value of equity securities. Effective January 1, 2018, as a result of the implementation of a new accounting standard, these changes in fair value are included in net income as a component of net realized and unrealized investment gains and losses.



End notes continued

- (6) On this page and later in this document, the expense ratio is reduced by installment fee revenues for purposes of the ratio calculation.
- (7) Current accident year loss and LAE ratio, excluding catastrophe losses, is a non-GAAP measure, which is equal to the loss and LAE ratio (“loss ratio”), excluding prior-year reserve development and catastrophe losses. The loss ratio (which includes catastrophe losses and prior-year loss reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of the GAAP loss ratio to the current accident year loss ratio, excluding catastrophe losses:

Consolidated	Three months ended				
	June 30, 2017	September 31, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Total loss and LAE Ratio	61.4%	71.3%	61.0%	62.2%	61.6%
Less:					
Prior-year reserve development ratio	(1.3%)	(1.0%)	(0.3%)	(0.7%)	(0.8%)
Catastrophe ratio	4.8%	15.9%	3.8%	5.6%	5.0%
Current accident year loss ratio, excluding catastrophe losses	<u>57.9%</u>	<u>56.4%</u>	<u>57.5%</u>	<u>57.3%</u>	<u>57.4%</u>

Personal Lines	Three months ended				Three months ended			
	June 30, 2018				June 30, 2017			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Total loss and LAE Ratio	70.6%	70.4%	42.9%	69.9%	69.4%	54.9%	41.7%	63.6%
Less:								
Prior-year reserve development ratio	2.1%	1.4%	2.0%	1.8%	-	-	-	-
Catastrophe ratio	1.1%	21.3%	-	8.0%	0.7%	8.3%	2.1%	3.4%
Current accident year loss ratio, excluding catastrophe losses	<u>67.4%</u>	<u>47.7%</u>	<u>40.9%</u>	<u>60.1%</u>	<u>68.7%</u>	<u>46.6%</u>	<u>39.6%</u>	<u>60.2%</u>



End notes continued

(7) Continued

Commercial Lines	Three months ended June 30, 2018					Three months ended June 30, 2017				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
	Total loss and LAE Ratio	60.2%	74.6%	57.2%	53.9%	59.1%	66.6%	67.8%	62.1%	61.3%
Less:										
Prior-year reserve development ratio	(0.4%)	5.5%	(4.5%)	(3.1%)	(1.3%)	-	-	-	-	-
Catastrophe ratio	5.3%	2.2%	-	4.6%	3.9%	13.7%	1.2%	-	6.2%	7.2%
Current accident year loss ratio, excluding catastrophe losses	<u>55.3%</u>	<u>66.9%</u>	<u>61.7%</u>	<u>52.4%</u>	<u>56.5%</u>	<u>52.9%</u>	<u>66.6%</u>	<u>62.1%</u>	<u>55.1%</u>	<u>56.8%</u>

Chaucer	Three months ended	
	June 30, 2018	June 30, 2017
Total loss and LAE Ratio	52.4%	49.0%
Less:		
Prior-year reserve development ratio	(4.9%)	(7.9%)
Catastrophe ratio	2.2%	0.6%
Current accident year loss ratio, excluding catastrophe losses	<u>55.1%</u>	<u>56.3%</u>

(8) Core Commercial business provides commercial property and casualty coverages to small and mid-sized businesses in the U.S., generally with annual premiums per policy up to \$250,000, primarily through the commercial multiple peril, commercial auto and workers' compensation lines of business, as reported on the second quarter financial supplement.

(\$ in millions)	Three months ended June 30, 2018			Three months ended June 30, 2017		
	Core Commercial	Other Commercial	Total	Core Commercial	Other Commercial	Total
Net Premiums Written	\$359.9	\$269.7	\$629.6	\$340.8	\$250.8	\$591.6
Net Premiums Earned	\$371.2	\$263.4	\$634.6	\$347.4	\$243.8	\$591.2