The Hanover Insurance Group, Inc.

- Annual Meeting of Shareholders -

May 15, 2018

The Hanover Insurance Group®

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”, “needed to deliver”, “continuing”, “capitalize on”, “opportunity”, “next level”, “even brighter future”, 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 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; 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 and build out specialized capabilities; risk selection; the level of conservatism and strength of reserves and the balance sheet; ability to sustain current trends in Personal and Commercial Lines; ability to generate Commercial Lines and overall growth; ability to deliver above target profit margins; pricing compared to long-term loss trends; volatility in commercial property lines; Specialty top and bottom line growth opportunities; success of digital tools and data analytics to improve customer experience; results of expense management actions; 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;” and 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 May 2, 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 or such noted remarks, which, unless otherwise noted, are as of March 31, 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 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 unrealized gains and losses. A reconciliation of non-GAAP measures to the closest GAAP measure is included in the end notes to this presentation, the press release dated May 2, 2018 or the financial supplement, which are posted on our website. The reconciliation of 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 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 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. Normalized and 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.

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Definitions and Reconciliations

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:

	Three months ended March 31, 2017		Three months ended March 31, 2018		Twelve months ended December 31, 2016		Twelve months ended December 31, 2017	
(In millions, except per share data)	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted
OPERATING INCOME								
Commercial Lines	$37.4		$61.5		$35.9		$177.9	
Personal Lines	9.9		34.4		178.4		159.2	
Chaucer	24.9		22.9		126.8		7.1	
Other	(3.1)		(2.2)		(18.3)		(7.9)	
Total	69.1		116.6		322.8		336.3	
Interest expense	(12.0)		(12.4)		(54.9)		(48.5)	
Operating income before income taxes	57.1	$1.33	104.2	$2.42	267.9	$6.20	287.8	$6.70
Income tax (expense) benefit on operating income	(16.3)	(0.38)	(20.2)	(0.47)	(83.5)	(1.93)	(84.0)	(1.96)
Operating income after income taxes	40.8	0.95	84.0	1.95	184.4	4.27	203.8	4.74
Other non-operating items:								
Net realized gains from sales and other	3.3	0.07	0.3	0.01	8.6	0.20	23.7	0.56
Loss from repurchase of debt	-	-	-	-	(88.3)	(2.05)	-	-
Net change in fair value of equity securities	-	-	(23.0)	(0.53)	-	-	-	-
Net other-than-temporary impairment losses on investments recognized in earnings	(1.4)	(0.03)	(0.7)	(0.02)	-	-	-	-
Effect of the Enactment of the Tax Cuts and Jobs Act	-	-	-	-	-	-	(22.3)	(0.52)
Other	-	-	(0.2)	(0.01)	4.2	0.10	(10.0)	(0.23)
Income tax benefit (expense) on other non-operating items	2.5	0.06	7.4	0.17	47.2	1.09	7.8	0.18
Income from continuing operations, net of taxes	45.2	1.05	67.8	1.57	156.1	3.61	203.0	4.73
Discontinued operations, net of taxes	-	-	(0.1)	-	(1.0)	(0.02)	(16.8)	(0.40)
Net income	$45.2	$1.05	$67.7	$1.57	$155.1	$3.59	$186.2	$4.33
Weighted average shares outstanding		42.9		43.1		43.2		43.0

Definitions and Reconciliations Continued

Normalized operating return on average total equity ("normalized operating ROE"), as referenced in the prepared remarks, is a non-GAAP financial measure. The following is a reconciliation of operating income (defined and reconciled to the closest GAAP measure as part of page 3 of this presentation), to the normalized operating income, which is also a non-GAAP measure and is utilized to calculate normalized operating ROE.

($ In millions, except percentages)	Twelve months ended December 31 2017
Operating income[1]	$203.8
Impact of higher than budgeted catastrophe losses and related activity, net of 35% statutory tax rate:	
Catastrophe losses above full year 2017 budget* of 4.5% of net premiums earned vs 7.9% of actual full year 2017 net premiums earned	110.3
Lower performance-based compensation expense and higher net reinstatement premiums	(4.0)
Normalized operating income (non-GAAP)	$310.1
Average normalized total shareholders' equity (non-GAAP) - As calculated below	$2,785.1
Normalized operating return on equity (non-GAAP)	11.1%

** 2017 full year budget is based on modeled results and management's assumptions*

Normalized total shareholders' equity is a non-GAAP financial measure. The following is a reconciliation of GAAP total shareholders' equity to normalized total shareholders' equity:

($ In millions)	Twelve months ended December 31 2016	December 31 2017
Total shareholders' equity (GAAP)	$2,857.5	$2,997.7
Less: net unrealized appreciation (depreciation) on investments, net of tax	$186.0	$205.4
Total shareholders' equity, excluding net unrealized [5] (non-GAAP)	$2,671.5	$2,792.3
Impact of higher than budgeted catastrophe losses and related activity, net of 35% statutory tax rate:		
Catastrophe losses above full year 2017 budget* of 4.5% of net premiums earned vs 7.9% of actual full year 2017 net premiums earned		$110.3
Lower performance-based compensation expense and higher net reinstatement premiums		($4.0)
Normalized total shareholders' equity (non-GAAP)		$2,898.6
Average total shareholders' equity (GAAP)		$2,927.6
Average normalized total shareholders' equity (non-GAAP)		$2,785.1

** 2017 full year budget is based on modeled results and management's assumptions*

Definitions and Reconciliations Continued

Current accident year loss 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	Twelve months ended	
	December 31, 2016	December 31, 2017
Total loss and LAE Ratio	64.1%	64.6%
Less:		
Prior-year reserve development ratio	3.0%	(0.7%)
Catastrophe ratio	2.7%	7.9%
Current accident year loss ratio, excluding catastrophe losses	58.4%	57.4%

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 March 31, 2018					Three months ended March 31, 2017				
	Commercial Lines	Personal Lines	Total Domestic	Chaucer	Total	Commercial Lines	Personal Lines	Total Domestic	Chaucer	Total
Total combined ratio	97.2%	95.8%	96.7%	97.2%	96.9%	100.2%	101.6%	100.9%	93.5%	99.5%
Less: catastrophe ratio	6.0%	6.7%	6.3%	2.6%	5.6%	6.2%	10.6%	7.9%	3.5%	7.1%
Combined ratio, excluding catastrophe losses	91.2%	89.1%	90.4%	94.6%	91.3%	94.0%	91.0%	93.0%	90.0%	92.4%

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Definitions and Reconciliations Continued

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, by average shareholders' equity, excluding unrealized appreciation (depreciation) on fixed maturity investments, net of tax, for the stated period, as defined below.

($ In millions, except percentages)	March 31 2017	March 31 2018
Annualized net income (period ended net income multiplied by 4)	$180.8	$270.8
Average shareholders' equity	$2,885.5	$2,955.4
Return on equity (GAAP)	6.3%	9.2%

($ In millions, except percentages)	March 31 2017	March 31 2018
Annualized operating income [1] (period ended operating income multiplied by 4)	$163.2	$336.0
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax	$2,690.0	$2,852.6
Operating return on equity (non-GAAP)	6.1%	11.8%

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.

	Three months ended					
($ In millions)	December 31 2016	March 31 2017	June 30 2017	September 30 2017	December 31 2017	March 31 2018
Total shareholders' equity	$2,857.5	$2,913.5	$2,972.5	$2,972.0	$2,997.7	$2,913.1
Less: net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	$186.0	$205.0	$224.8	$228.5	$205.4	$0.3
Total shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	$2,671.5	$2,708.5	$2,747.7	$2,743.5	$2,792.3	$2,912.8
Average shareholders' equity		$2,885.5	$2,943.0	$2,972.3	$2,984.9	$2,955.4
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax		$2,690.0	$2,728.1	$2,745.6	$2,767.9	$2,852.6