



FINANCIAL SUPPLEMENT  
FOURTH QUARTER 2018

**THE HANOVER INSURANCE GROUP**  
**FINANCIAL SUPPLEMENT**

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## **THE HANOVER INSURANCE GROUP**

### **BASIS OF PRESENTATION**

#### **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.

##### **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)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Dec-YTD 2017	Dec-YTD 2018
<b>PREMIUMS</b>							
Gross premiums written	\$ 1,088.8	\$ 1,178.6	\$ 1,206.8	\$ 1,296.7	\$ 1,161.6	\$ 4,563.5	\$ 4,843.7
Net premiums written	980.6	1,068.7	1,094.2	1,177.2	1,044.7	4,109.1	4,384.8
Net premiums earned	1,023.4	1,042.5	1,058.2	1,071.7	1,082.0	3,980.4	4,254.4
<b>EARNINGS</b>							
Operating income before interest and taxes	\$ 109.0	\$ 93.3	\$ 107.3	\$ 112.8	\$ 93.1	\$ 327.3	\$ 406.5
Operating income after taxes	65.8	66.1	76.2	84.9	64.9	192.6	292.1
Income from continuing operations	71.9	50.5	82.4	104.0	2.1	216.1	239.0
Net income	51.5	67.7	99.3	100.4	123.6	186.2	391.0
<b>PER SHARE DATA (DILUTED)</b>							
Operating income after taxes	\$ 1.53	\$ 1.54	\$ 1.77	\$ 1.97	\$ 1.51	\$ 4.48	\$ 6.79
Income from continuing operations	1.67	1.17	1.91	2.41	0.05	5.03	5.56
Net income	1.20	1.57	2.31	2.33	2.88	4.33	9.09
Weighted average shares outstanding	43.0	43.1	43.1	43.1	42.9	43.0	43.0

**BALANCE SHEET**

(In millions, except per share data)	December 31 2017	March 31 2018	June 30 2018	September 30 2018	December 31 2018
Total assets	\$ 15,469.6	\$ 15,334.2	\$ 15,403.6	\$ 15,624.3	\$ 12,399.7
Total loss and loss adjustment expense reserves	5,058.5	5,087.9	5,116.4	5,188.9	5,304.1
Total shareholders' equity	2,997.7	2,913.1	2,939.8	2,982.4	2,954.7
Total shareholders' equity, excluding net unrealized appreciation depreciation on fixed maturity investments, net of tax	2,792.3	2,912.8	2,988.6	3,056.4	2,981.9
U.S. Property and Casualty Companies					
Statutory surplus	\$ 2,077.1	\$ 2,126.5	\$ 2,075.7	\$ 2,171.2	\$ 2,172.5
Premium to surplus ratio	1.98:1	1.97:1	2.06:1	1.99:1	2.02:1
Book value per share	\$ 70.59	\$ 68.56	\$ 69.17	\$ 70.40	\$ 69.81
Book value per share, excluding net unrealized appreciation depreciation on fixed maturity investments, net of tax	\$ 65.76	\$ 68.55	\$ 70.32	\$ 72.14	\$ 70.46
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 63.94	\$ 61.90	\$ 62.63	\$ 63.90	\$ 64.71
Shares outstanding	42.5	42.5	42.5	42.4	42.3
Total debt/equity	26.3 %	27.0 %	26.8 %	26.1 %	26.3 %
Total debt/total capital	20.8 %	21.3 %	21.1 %	20.7 %	20.8 %

**THE HANOVER INSURANCE GROUP**  
**CONSOLIDATED INCOME STATEMENTS**

(In millions)	Three Months ended December 31			Year ended December 31		
	2018	2017	% Change	2018	2017	% Change
<b>REVENUES</b>						
Premiums earned	\$ 1,082.0	\$ 1,023.4	5.7	\$ 4,254.4	\$ 3,980.4	6.9
Net investment income	69.4	62.6	10.9	267.4	243.9	9.6
Net realized and unrealized investment gains (losses):						
Net realized gains (losses) from sales and other	(2.6)	1.7	(252.9)	(2.7)	26.7	(110.1)
Net change in fair value of equity securities	(50.1)	-	N/M	(43.4)	-	N/M
Net other-than-temporary impairment losses on investments recognized in earnings	(1.8)	(1.1)	63.6	(4.6)	(5.6)	(17.9)
Total net realized and unrealized investment gains (losses)	(54.5)	0.6	N/M	(50.7)	21.1	(340.3)
Fees and other income	5.9	5.9	-	23.2	22.5	3.1
Total revenues	<u>1,102.8</u>	<u>1,092.5</u>	<u>0.9</u>	<u>4,494.3</u>	<u>4,267.9</u>	<u>5.3</u>
<b>LOSSES AND EXPENSES</b>						
Losses and loss adjustment expenses	706.1	641.4	10.1	2,724.6	2,579.6	5.6
Amortization of deferred acquisition costs	227.1	215.1	5.6	891.8	840.7	6.1
Interest expense	11.2	11.3	(0.9)	45.1	45.2	(0.2)
Loss from repayment of debt	26.3	-	N/M	28.2	-	N/M
Other operating expenses	131.0	129.4	1.2	522.1	509.5	2.5
Total losses and expenses	<u>1,101.7</u>	<u>997.2</u>	<u>10.5</u>	<u>4,211.8</u>	<u>3,975.0</u>	<u>6.0</u>
Income from continuing operations before income taxes	1.1	95.3	(98.8)	282.5	292.9	(3.6)
Income tax expense (benefit)	(1.0)	23.4	(104.3)	43.5	76.8	(43.4)
Income from continuing operations	2.1	71.9	(97.1)	239.0	216.1	10.6
Discontinued Operations:						
Gain from sale of Chaucer business, net of taxes	131.9	-	N/M	131.9	-	N/M
Income (loss) from Chaucer business, net of taxes	(10.5)	(4.8)	118.8	20.0	(13.1)	(252.7)
Income (loss) from discontinued life business, net of taxes	0.1	(15.6)	N/M	0.1	(16.8)	N/M
Net income	<u>\$ 123.6</u>	<u>\$ 51.5</u>	<u>140.0</u>	<u>\$ 391.0</u>	<u>\$ 186.2</u>	<u>110.0</u>

**THE HANOVER INSURANCE GROUP**  
**CONSOLIDATED BALANCE SHEETS**

(In millions, except per share data)	December 31 2018	December 31 2017	% Change
<b>ASSETS</b>			
Investments:			
Fixed maturities, at fair value (amortized cost of \$6,245.9 and \$5,657.1)	\$ 6,161.5	\$ 5,749.3	7.2
Equity securities, at fair value	464.4	576.2	(19.4)
Other investments	661.5	562.7	17.6
Total investments	<u>7,287.4</u>	<u>6,888.2</u>	5.8
Cash and cash equivalents	1,020.7	297.9	242.6
Accrued investment income	53.2	48.2	10.4
Premiums and accounts receivable, net	1,176.7	1,095.7	7.4
Reinsurance recoverable on paid and unpaid losses and unearned premiums	1,648.6	1,625.5	1.4
Deferred acquisition costs	450.8	430.0	4.8
Deferred income taxes	50.6	17.0	197.6
Goodwill	178.8	178.8	-
Other assets	371.6	333.7	11.4
Assets held-for-sale	57.4	4,466.6	(98.7)
Assets of discontinued life business	103.9	88.0	18.1
Total assets	<u>\$ 12,399.7</u>	<u>\$ 15,469.6</u>	<u>(19.8)</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Loss and loss adjustment expense reserves	\$ 5,304.1	\$ 5,058.5	4.9
Unearned premiums	2,277.8	2,131.7	6.9
Expenses and taxes payable	909.8	620.7	46.6
Reinsurance premiums payable	37.3	51.5	(27.6)
Debt	777.9	786.9	(1.1)
Liabilities held-for-sale	22.2	3,707.2	(99.4)
Liabilities of discontinued life business	115.9	115.4	0.4
Total liabilities	<u>9,445.0</u>	<u>12,471.9</u>	<u>(24.3)</u>
<b>SHAREHOLDERS' EQUITY</b>			
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	1,871.8	1,857.0	0.8
Accumulated other comprehensive income (loss)	(116.5)	107.6	(208.3)
Retained earnings	2,182.3	1,975.0	10.5
Treasury stock at cost (18.2 million and 18.0 million shares)	(983.5)	(942.5)	4.4
Total shareholders' equity	<u>2,954.7</u>	<u>2,997.7</u>	<u>(1.4)</u>
Total liabilities and shareholders' equity	<u>\$ 12,399.7</u>	<u>\$ 15,469.6</u>	<u>(19.8)</u>

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

**CONSOLIDATED**

Three Months ended December 31

	2018				2017			
	Commercial Lines	Personal Lines	Other	Total	Commercial Lines	Personal Lines	Other	Total
(In millions, except percentage data)								
Gross premiums written	\$ 689.8	\$ 471.8	\$ -	\$ 1,161.6	\$ 650.8	\$ 438.0	\$ -	\$ 1,088.8
Net premiums written	\$ 600.0	\$ 444.7	\$ -	\$ 1,044.7	\$ 564.9	\$ 415.7	\$ -	\$ 980.6
Net premiums earned	\$ 644.4	\$ 437.6	\$ -	\$ 1,082.0	\$ 616.1	\$ 407.3	\$ -	\$ 1,023.4
Losses and LAE:								
Current accident year, excluding catastrophe losses	375.9	280.4	0.1	656.4	349.7	248.8	-	598.5
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(16.0)	15.4	0.3	(0.3)	(9.3)	9.3	0.3	0.3
Current accident year catastrophe losses	46.2	5.3	-	51.5	29.7	12.2	-	41.9
Prior accident year unfavorable (favorable) catastrophe loss development	0.8	(2.3)	-	(1.5)	(0.2)	-	-	(0.2)
Total losses and LAE	406.9	298.8	0.4	706.1	369.9	270.3	0.3	640.5
Amortization of deferred acquisition costs and other underwriting expenses	227.1	123.5	0.7	351.3	219.3	114.8	1.7	335.8
<b>GAAP underwriting profit (loss)</b>	<b>10.4</b>	<b>15.3</b>	<b>(1.1)</b>	<b>24.6</b>	<b>26.9</b>	<b>22.2</b>	<b>(2.0)</b>	<b>47.1</b>
Net investment income	47.1	19.0	3.3	69.4	42.1	17.8	2.7	62.6
Other income	2.3	2.9	0.7	5.9	2.4	2.9	0.6	5.9
Other operating expenses	(2.4)	(0.7)	(3.7)	(6.8)	(2.2)	(1.3)	(3.1)	(6.6)
<b>Operating income (loss) before income taxes</b>	<b>\$ 57.4</b>	<b>\$ 36.5</b>	<b>\$ (0.8)</b>	<b>\$ 93.1</b>	<b>\$ 69.2</b>	<b>\$ 41.6</b>	<b>\$ (1.8)</b>	<b>\$ 109.0</b>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	58.3 %	64.1 %	N/M	60.7 %	56.7 %	61.1 %	N/M	58.4 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(2.5)%	3.5 %	N/M	-	(1.5)%	2.3 %	N/M	-
Current accident year catastrophe losses	7.2 %	1.2 %	N/M	4.7 %	4.8 %	3.0 %	N/M	4.1 %
Prior accident year unfavorable (favorable) catastrophe loss development	0.1 %	(0.5)%	N/M	(0.1)%	-	-	N/M	-
Total loss and LAE ratio	63.1 %	68.3 %	N/M	65.3 %	60.0 %	66.4 %	N/M	62.5 %
Expense ratio	35.1 %	27.7 %	N/M	32.1 %	35.4 %	27.6 %	N/M	32.5 %
<b>Combined ratio</b>	<b>98.2 %</b>	<b>96.0 %</b>	<b>N/M</b>	<b>97.4 %</b>	<b>95.4 %</b>	<b>94.0 %</b>	<b>N/M</b>	<b>95.0 %</b>

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

**CONSOLIDATED**

Year ended December 31

	2018				2017			
	Commercial Lines	Personal Lines	Other	Total	Commercial Lines	Personal Lines	Other	Total
<i>(In millions, except percentage data)</i>								
Gross premiums written	\$ 2,968.1	\$ 1,875.6	\$ -	\$ 4,843.7	\$ 2,826.8	\$ 1,736.7	\$ -	\$ 4,563.5
Net premiums written	\$ 2,610.7	\$ 1,774.1	\$ -	\$ 4,384.8	\$ 2,462.0	\$ 1,647.1	\$ -	\$ 4,109.1
Net premiums earned	\$ 2,548.4	\$ 1,706.0	\$ -	\$ 4,254.4	\$ 2,399.6	\$ 1,580.8	\$ -	\$ 3,980.4
Losses and LAE:								
Current accident year, excluding catastrophe losses	1,460.1	1,044.8	0.1	2,505.0	1,367.9	954.2	0.1	2,322.2
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(34.1)	33.3	1.2	0.4	(9.4)	9.4	1.2	1.2
Current accident year catastrophe losses	149.1	79.4	-	228.5	172.0	80.9	-	252.9
Prior accident year favorable catastrophe loss development	(6.8)	(2.5)	-	(9.3)	(1.4)	-	-	(1.4)
Total losses and LAE	1,568.3	1,155.0	1.3	2,724.6	1,529.1	1,044.5	1.3	2,574.9
Amortization of deferred acquisition costs and other underwriting expenses	895.1	484.4	2.9	1,382.4	858.3	452.6	2.9	1,313.8
<b>GAAP underwriting profit (loss)</b>	<b>85.0</b>	<b>66.6</b>	<b>(4.2)</b>	<b>147.4</b>	<b>12.2</b>	<b>83.7</b>	<b>(4.2)</b>	<b>91.7</b>
Net investment income	182.2	73.7	11.5	267.4	165.8	70.1	8.0	243.9
Other income	8.9	11.6	2.7	23.2	8.4	11.4	2.7	22.5
Other operating expenses	(10.4)	(5.7)	(15.4)	(31.5)	(9.0)	(6.5)	(15.3)	(30.8)
<b>Operating income (loss) before income taxes</b>	<b>\$ 265.7</b>	<b>\$ 146.2</b>	<b>\$ (5.4)</b>	<b>\$ 406.5</b>	<b>\$ 177.4</b>	<b>\$ 158.7</b>	<b>\$ (8.8)</b>	<b>\$ 327.3</b>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	57.2 %	61.2 %	N/M	58.8 %	57.0 %	60.4 %	N/M	58.3 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(1.3)%	2.0 %	N/M	-	(0.4)%	0.6 %	N/M	-
Current accident year catastrophe losses	5.9 %	4.6 %	N/M	5.4 %	7.2 %	5.1 %	N/M	6.4 %
Prior accident year favorable catastrophe loss development	(0.3)%	(0.1)%	N/M	(0.2)%	(0.1)%	-	N/M	-
Total loss and LAE ratio	61.5 %	67.7 %	N/M	64.0 %	63.7 %	66.1 %	N/M	64.7 %
Expense ratio	34.9 %	27.8 %	N/M	32.1 %	35.6 %	28.0 %	N/M	32.6 %
<b>Combined ratio</b>	<b>96.4 %</b>	<b>95.5 %</b>	<b>N/M</b>	<b>96.1 %</b>	<b>99.3 %</b>	<b>94.1 %</b>	<b>N/M</b>	<b>97.3 %</b>



**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING INFORMATION AND RELATED RATIOS**

**CONSOLIDATED**

(In millions, except percentage data)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Dec-YTD 2017	Dec-YTD 2018
Gross premiums written	\$ 1,088.8	\$ 1,178.6	\$ 1,206.8	\$ 1,296.7	\$ 1,161.6	\$ 4,563.5	\$ 4,843.7
Net premiums written	\$ 980.6	\$ 1,068.7	\$ 1,094.2	\$ 1,177.2	\$ 1,044.7	\$ 4,109.1	\$ 4,384.8
Net premiums earned	\$ 1,023.4	\$ 1,042.5	\$ 1,058.2	\$ 1,071.7	\$ 1,082.0	\$ 3,980.4	\$ 4,254.4
Losses and LAE:							
Current accident year, excluding catastrophe losses	598.5	605.1	612.3	631.2	656.4	2,322.2	2,505.0
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	0.3	0.3	0.1	0.3	(0.3)	1.2	0.4
Current accident year catastrophe losses	41.9	72.3	59.1	45.6	51.5	252.9	228.5
Prior accident year favorable catastrophe loss development	(0.2)	(6.8)	(0.3)	(0.7)	(1.5)	(1.4)	(9.3)
Total losses and LAE	640.5	670.9	671.2	676.4	706.1	2,574.9	2,724.6
Amortization of deferred acquisition costs and other underwriting expenses	335.8	341.7	342.7	346.7	351.3	1,313.8	1,382.4
<b>GAAP underwriting profit</b>	<b>\$ 47.1</b>	<b>\$ 29.9</b>	<b>\$ 44.3</b>	<b>\$ 48.6</b>	<b>\$ 24.6</b>	<b>\$ 91.7</b>	<b>\$ 147.4</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	58.4 %	58.0 %	57.9 %	58.9 %	60.7 %	58.3 %	58.8 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	-	-	-	-	-
Current accident year catastrophe losses	4.1 %	6.9 %	5.6 %	4.3 %	4.7 %	6.4 %	5.4 %
Prior accident year favorable catastrophe loss development	-	(0.7)%	-	(0.1)%	(0.1)%	-	(0.2)%
Total loss and LAE ratio	62.5 %	64.2 %	63.5 %	63.1 %	65.3 %	64.7 %	64.0 %
Expense ratio	32.5 %	32.4 %	32.0 %	32.0 %	32.1 %	32.6 %	32.1 %
<b>Combined ratio</b>	<b>95.0 %</b>	<b>96.6 %</b>	<b>95.5 %</b>	<b>95.1 %</b>	<b>97.4 %</b>	<b>97.3 %</b>	<b>96.1 %</b>
Combined ratio, excluding catastrophe losses	90.9 %	90.4 %	89.9 %	90.9 %	92.8 %	90.9 %	90.9 %
Current accident year combined ratio, excluding catastrophe losses	90.9 %	90.4 %	89.9 %	90.9 %	92.8 %	90.9 %	90.9 %

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

**COMMERCIAL LINES**

Three Months ended December 31

(In millions, except percentage data)	2018					2017				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
Net premiums written	\$ 192.3	\$ 78.9	\$ 67.7	\$ 261.1	\$ 600.0	\$ 180.7	\$ 73.3	\$ 69.4	\$ 241.5	\$ 564.9
Net premiums earned	\$ 213.5	\$ 85.8	\$ 77.0	\$ 268.1	\$ 644.4	\$ 204.8	\$ 80.8	\$ 77.7	\$ 252.8	\$ 616.1
Losses and LAE:										
Current accident year, excluding catastrophe losses	119.6	65.3	45.1	145.9	375.9	110.0	56.1	46.6	137.0	349.7
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	1.9	10.0	(16.8)	(11.1)	(16.0)	2.5	2.5	(9.1)	(5.2)	(9.3)
Current accident year catastrophe losses	29.4	-	-	16.8	46.2	27.6	(0.8)	-	2.9	29.7
Prior accident year unfavorable (favorable) catastrophe loss development	1.9	-	-	(1.1)	0.8	(0.8)	(0.1)	-	0.7	(0.2)
Total losses and LAE	<u>152.8</u>	<u>75.3</u>	<u>28.3</u>	<u>150.5</u>	<u>406.9</u>	<u>139.3</u>	<u>57.7</u>	<u>37.5</u>	<u>135.4</u>	<u>369.9</u>
Amortization of deferred acquisition costs and other underwriting expenses					<u>227.1</u>					<u>219.3</u>
<b>GAAP underwriting profit (loss)</b>					<u>10.4</u>					<u>26.9</u>
Net investment income					47.1					42.1
Other income					2.3					2.4
Other operating expenses					(2.4)					(2.2)
<b>Operating income before income taxes</b>					<u>\$ 57.4</u>					<u>\$ 69.2</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	56.0 %	76.1 %	58.6 %	54.3 %	58.3 %	53.7 %	69.4 %	60.0 %	54.3 %	56.7 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	0.9 %	11.7 %	(21.8)%	(4.1)%	(2.5)%	1.2 %	3.1 %	(11.7)%	(2.1)%	(1.5)%
Current accident year catastrophe losses	13.8 %	-	-	6.3 %	7.2 %	13.5 %	(1.0)%	-	1.1 %	4.8 %
Prior accident year unfavorable (favorable) catastrophe loss development	0.9 %	-	-	(0.4)%	0.1 %	(0.4)%	(0.1)%	-	0.3 %	-
Total loss and LAE ratio	<u>71.6 %</u>	<u>87.8 %</u>	<u>36.8 %</u>	<u>56.1 %</u>	<u>63.1 %</u>	<u>68.0 %</u>	<u>71.4 %</u>	<u>48.3 %</u>	<u>53.6 %</u>	<u>60.0 %</u>
Expense ratio					<u>35.1 %</u>					<u>35.4 %</u>
<b>Combined ratio</b>					<u><u>98.2 %</u></u>					<u><u>95.4 %</u></u>
Change in policies in force	11.5 %	(6.4)%	10.7 %	2.6 %	5.7 %	7.4 %	3.1 %	13.3 %	6.3 %	7.2 %
Retention	85.5 %	83.9 %	77.9 %	N/M	83.8 %	84.9 %	82.5 %	81.5 %	N/M	83.8 %

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

**COMMERCIAL LINES**

Year ended December 31

	2018					2017				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 861.4	\$ 344.8	\$ 317.1	\$ 1,087.4	\$ 2,610.7	\$ 815.3	\$ 322.7	\$ 311.1	\$ 1,012.9	\$ 2,462.0
Net premiums earned	\$ 841.7	\$ 335.6	\$ 314.5	\$ 1,056.6	\$ 2,548.4	\$ 801.4	\$ 314.8	\$ 300.8	\$ 982.6	\$ 2,399.6
Losses and LAE:										
Current accident year, excluding catastrophe losses	470.2	242.3	191.5	556.1	1,460.1	433.3	215.3	185.5	533.8	1,367.9
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(1.2)	23.2	(31.0)	(25.1)	(34.1)	2.5	2.5	(9.1)	(5.3)	(9.4)
Current accident year catastrophe losses	93.1	2.7	-	53.3	149.1	94.1	4.5	-	73.4	172.0
Prior accident year unfavorable (favorable) catastrophe loss development	(2.8)	-	-	(4.0)	(6.8)	0.4	(0.2)	-	(1.6)	(1.4)
Total losses and LAE	559.3	268.2	160.5	580.3	1,568.3	530.3	222.1	176.4	600.3	1,529.1
Amortization of deferred acquisition costs and other underwriting expenses					895.1					858.3
<b>GAAP underwriting profit</b>					85.0					12.2
Net investment income					182.2					165.8
Other income					8.9					8.4
Other operating expenses					(10.4)					(9.0)
<b>Operating income before income taxes</b>					\$ 265.7					\$ 177.4
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	55.8 %	72.2 %	60.9 %	52.6 %	57.2 %	54.1 %	68.4 %	61.6 %	54.3 %	57.0 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.1)%	6.9 %	(9.9)%	(2.4)%	(1.3)%	0.3 %	0.8 %	(3.0)%	(0.5)%	(0.4)%
Current accident year catastrophe losses	11.0 %	0.8 %	-	5.1 %	5.9 %	11.8 %	1.5 %	-	7.5 %	7.2 %
Prior accident year unfavorable (favorable) catastrophe loss development	(0.3)%	-	-	(0.4)%	(0.3)%	-	(0.1)%	-	(0.2)%	(0.1)%
Total loss and LAE ratio	66.4 %	79.9 %	51.0 %	54.9 %	61.5 %	66.2 %	70.6 %	58.6 %	61.1 %	63.7 %
Expense ratio					34.9 %					35.6 %
<b>Combined ratio</b>					96.4 %					99.3 %
Change in policies in force	11.5 %	(6.4)%	10.7 %	2.6 %	5.7 %	7.4 %	3.1 %	13.3 %	6.3 %	7.2 %
Retention	86.1 %	84.0 %	79.3 %	N/M	84.5 %	86.2 %	82.7 %	81.5 %	N/M	84.5 %

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING INFORMATION AND RELATED RATIOS**

**COMMERCIAL LINES**

(In millions, except percentage data)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Dec-YTD 2017	Dec-YTD 2018
Gross premiums written	\$ 650.8	\$ 759.0	\$ 717.7	\$ 801.6	\$ 689.8	\$ 2,826.8	\$ 2,968.1
Net premiums written	\$ 564.9	\$ 671.9	\$ 629.6	\$ 709.2	\$ 600.0	\$ 2,462.0	\$ 2,610.7
Net premiums earned	\$ 616.1	\$ 629.0	\$ 634.6	\$ 640.4	\$ 644.4	\$ 2,399.6	\$ 2,548.4
Losses and LAE:							
Current accident year, excluding catastrophe losses	349.7	353.2	358.2	372.8	375.9	1,367.9	1,460.1
Prior accident year favorable reserve development, excluding catastrophe losses	(9.3)	(1.6)	(8.0)	(8.5)	(16.0)	(9.4)	(34.1)
Current accident year catastrophe losses	29.7	44.6	25.1	33.2	46.2	172.0	149.1
Prior accident year unfavorable (favorable) catastrophe loss development	(0.2)	(6.6)	(0.3)	(0.7)	0.8	(1.4)	(6.8)
Total losses and LAE	369.9	389.6	375.0	396.8	406.9	1,529.1	1,568.3
Amortization of deferred acquisition costs and other underwriting expenses	219.3	223.1	222.1	222.8	227.1	858.3	895.1
<b>GAAP underwriting profit</b>	<b>\$ 26.9</b>	<b>\$ 16.3</b>	<b>\$ 37.5</b>	<b>\$ 20.8</b>	<b>\$ 10.4</b>	<b>\$ 12.2</b>	<b>\$ 85.0</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	56.7 %	56.2 %	56.5 %	58.2 %	58.3 %	57.0 %	57.2 %
Prior accident year favorable reserve development, excluding catastrophe losses	(1.5)%	(0.3)%	(1.3)%	(1.3)%	(2.5)%	(0.4)%	(1.3)%
Current accident year catastrophe losses	4.8 %	7.0 %	3.9 %	5.2 %	7.2 %	7.2 %	5.9 %
Prior accident year unfavorable (favorable) catastrophe loss development	-	(1.0)%	-	(0.1)%	0.1 %	(0.1)%	(0.3)%
Total loss and LAE ratio	60.0 %	61.9 %	59.1 %	62.0 %	63.1 %	63.7 %	61.5 %
Expense ratio	35.4 %	35.3 %	34.8 %	34.6 %	35.1 %	35.6 %	34.9 %
<b>Combined ratio</b>	<b>95.4 %</b>	<b>97.2 %</b>	<b>93.9 %</b>	<b>96.6 %</b>	<b>98.2 %</b>	<b>99.3 %</b>	<b>96.4 %</b>
Combined ratio, excluding catastrophe losses	90.6 %	91.2 %	90.0 %	91.5 %	90.9 %	92.2 %	90.8 %
Current accident year combined ratio, excluding catastrophe losses	92.1 %	91.5 %	91.3 %	92.8 %	93.4 %	92.6 %	92.1 %

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

**PERSONAL LINES**

Three Months ended December 31

(In millions, except percentage data)	2018				2017			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 280.4	\$ 153.0	\$ 11.3	\$ 444.7	\$ 260.2	\$ 145.8	\$ 9.7	\$ 415.7
Net premiums earned	\$ 277.9	\$ 149.2	\$ 10.5	\$ 437.6	\$ 256.8	\$ 140.9	\$ 9.6	\$ 407.3
Losses and LAE:								
Current accident year, excluding catastrophe losses	208.3	67.5	4.6	280.4	185.9	61.2	1.7	248.8
Prior accident year unfavorable reserve development, excluding catastrophe losses	5.4	9.0	1.0	15.4	3.7	4.9	0.7	9.3
Current accident year catastrophe losses	0.5	4.6	0.2	5.3	1.1	10.9	0.2	12.2
Prior accident year favorable catastrophe loss development	<u>(0.3)</u>	<u>(2.0)</u>	-	<u>(2.3)</u>	-	-	-	-
Total losses and LAE	213.9	79.1	5.8	298.8	190.7	77.0	2.6	270.3
Amortization of deferred acquisition costs and other underwriting expenses				<u>123.5</u>				<u>114.8</u>
<b>GAAP underwriting profit</b>				<u>15.3</u>				<u>22.2</u>
Net investment income				19.0				17.8
Other income				2.9				2.9
Other operating expenses				<u>(0.7)</u>				<u>(1.3)</u>
<b>Operating income before income taxes</b>				<u>\$ 36.5</u>				<u>\$ 41.6</u>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	75.0 %	45.3 %	43.8 %	64.1 %	72.5 %	43.4 %	17.7 %	61.1 %
Prior accident year unfavorable reserve development, excluding catastrophe losses	1.9 %	6.0 %	9.5 %	3.5 %	1.4 %	3.5 %	7.3 %	2.3 %
Current accident year catastrophe losses	0.2 %	3.0 %	1.9 %	1.2 %	0.4 %	7.7 %	2.1 %	3.0 %
Prior accident year favorable catastrophe loss development	<u>(0.1)%</u>	<u>(1.3)%</u>	-	<u>(0.5)%</u>	-	-	-	-
Total loss and LAE ratio	<u>77.0 %</u>	<u>53.0 %</u>	<u>55.2 %</u>	<u>68.3 %</u>	<u>74.3 %</u>	<u>54.6 %</u>	<u>27.1 %</u>	<u>66.4 %</u>
Expense ratio				<u>27.7 %</u>				<u>27.6 %</u>
<b>Combined ratio</b>				<u>96.0 %</u>				<u>94.0 %</u>
Change in policies in force	2.5 %	3.0 %	27.3 %	3.5 %	3.8 %	4.0 %	(9.1)%	3.5 %
Retention	84.2 %	83.1 %	N/M	83.7 %	84.4 %	83.7 %	N/M	84.0 %

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

**PERSONAL LINES**

Year ended December 31

(In millions, except percentage data)	2018				2017			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 1,127.5	\$ 604.0	\$ 42.6	\$ 1,774.1	\$ 1,041.6	\$ 566.9	\$ 38.6	\$ 1,647.1
Net premiums earned	\$ 1,079.9	\$ 586.0	\$ 40.1	\$ 1,706.0	\$ 992.7	\$ 549.9	\$ 38.2	\$ 1,580.8
Losses and LAE:								
Current accident year, excluding catastrophe losses	756.7	272.2	15.9	1,044.8	692.7	249.3	12.2	954.2
Prior accident year unfavorable reserve development, excluding catastrophe losses	15.0	15.8	2.5	33.3	3.7	4.9	0.8	9.4
Current accident year catastrophe losses	6.0	72.7	0.7	79.4	6.0	74.3	0.6	80.9
Prior accident year unfavorable (favorable) catastrophe loss development	(0.7)	(2.0)	0.2	(2.5)	(0.3)	0.2	0.1	-
Total losses and LAE	777.0	358.7	19.3	1,155.0	702.1	328.7	13.7	1,044.5
Amortization of deferred acquisition costs and other underwriting expenses				484.4				452.6
<b>GAAP underwriting profit</b>				66.6				83.7
Net investment income				73.7				70.1
Other income				11.6				11.4
Other operating expenses				(5.7)				(6.5)
<b>Operating income before income taxes</b>				\$ 146.2				\$ 158.7
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	70.1 %	46.4 %	39.7 %	61.2 %	69.7 %	45.4 %	32.0 %	60.4 %
Prior accident year unfavorable reserve development, excluding catastrophe losses	1.4 %	2.7 %	6.2 %	2.0 %	0.4 %	0.9 %	2.1 %	0.6 %
Current accident year catastrophe losses	0.6 %	12.4 %	1.7 %	4.6 %	0.6 %	13.5 %	1.5 %	5.1 %
Prior accident year unfavorable (favorable) catastrophe loss development	(0.1)%	(0.3)%	0.5 %	(0.1)%	-	-	0.3 %	-
Total loss and LAE ratio	72.0 %	61.2 %	48.1 %	67.7 %	70.7 %	59.8 %	35.9 %	66.1 %
Expense ratio				27.8 %				28.0 %
<b>Combined ratio</b>				95.5 %				94.1 %
Change in policies in force	2.5 %	3.0 %	27.3 %	3.5 %	3.8 %	4.0 %	(9.1)%	3.5 %
Retention	85.0 %	83.8 %	N/M	84.4 %	85.2 %	83.8 %	N/M	84.5 %

**THE HANOVER INSURANCE GROUP**  
**GAAP UNDERWRITING INFORMATION AND RELATED RATIOS**

**PERSONAL LINES**

(In millions, except percentage data)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Dec-YTD 2017	Dec-YTD 2018
Gross premiums written	\$ 438.0	\$ 419.6	\$ 489.1	\$ 495.1	\$ 471.8	\$ 1,736.7	\$ 1,875.6
Net premiums written	\$ 415.7	\$ 396.8	\$ 464.6	\$ 468.0	\$ 444.7	\$ 1,647.1	\$ 1,774.1
Net premiums earned	\$ 407.3	\$ 413.5	\$ 423.6	\$ 431.3	\$ 437.6	\$ 1,580.8	\$ 1,706.0
Losses and LAE:							
Current accident year, excluding catastrophe losses	248.8	251.9	254.1	258.4	280.4	954.2	1,044.8
Prior accident year unfavorable reserve development, excluding catastrophe losses	9.3	1.6	7.8	8.5	15.4	9.4	33.3
Current accident year catastrophe losses	12.2	27.7	34.0	12.4	5.3	80.9	79.4
Prior accident year favorable catastrophe loss development	-	(0.2)	-	-	(2.3)	-	(2.5)
Total losses and LAE	270.3	281.0	295.9	279.3	298.8	1,044.5	1,155.0
Amortization of deferred acquisition costs and other underwriting expenses	114.8	117.9	119.8	123.2	123.5	452.6	484.4
<b>GAAP underwriting profit</b>	<b>\$ 22.2</b>	<b>\$ 14.6</b>	<b>\$ 7.9</b>	<b>\$ 28.8</b>	<b>\$ 15.3</b>	<b>\$ 83.7</b>	<b>\$ 66.6</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	61.1 %	60.8 %	60.1 %	59.9 %	64.1 %	60.4 %	61.2 %
Prior accident year unfavorable reserve development, excluding catastrophe losses	2.3 %	0.4 %	1.8 %	2.0 %	3.5 %	0.6 %	2.0 %
Current accident year catastrophe losses	3.0 %	6.7 %	8.0 %	2.9 %	1.2 %	5.1 %	4.6 %
Prior accident year favorable catastrophe loss development	-	-	-	-	(0.5)%	-	(0.1)%
Total loss and LAE ratio	66.4 %	67.9 %	69.9 %	64.8 %	68.3 %	66.1 %	67.7 %
Expense ratio	27.6 %	27.9 %	27.7 %	28.0 %	27.7 %	28.0 %	27.8 %
<b>Combined ratio</b>	<b>94.0 %</b>	<b>95.8 %</b>	<b>97.6 %</b>	<b>92.8 %</b>	<b>96.0 %</b>	<b>94.1 %</b>	<b>95.5 %</b>
Combined ratio, excluding catastrophe losses	91.0 %	89.1 %	89.6 %	89.9 %	95.3 %	89.0 %	91.0 %
Current accident year combined ratio, excluding catastrophe losses	88.7 %	88.7 %	87.8 %	87.9 %	91.8 %	88.4 %	89.0 %

**THE HANOVER INSURANCE GROUP**  
**NET INVESTMENT INCOME AND YIELDS**

(In millions, except yields)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	YTD 2017	YTD 2018
<b>Net Investment Income</b>							
Fixed maturities	\$ 52.9	\$ 52.7	\$ 53.3	\$ 55.3	\$ 56.4	\$ 205.8	\$ 217.7
Limited partnerships	3.5	7.3	5.8	4.7	6.3	15.3	24.1
Equity securities	4.6	3.9	4.6	4.3	4.2	18.0	17.0
Mortgage loans	3.1	3.3	3.4	3.6	3.7	11.4	14.0
Other investments	1.0	1.2	1.1	1.1	1.4	3.4	4.8
Investment expenses	(2.5)	(2.4)	(2.6)	(2.6)	(2.6)	(10.0)	(10.2)
<b>Total</b>	<b>\$ 62.6</b>	<b>\$ 66.0</b>	<b>\$ 65.6</b>	<b>\$ 66.4</b>	<b>\$ 69.4</b>	<b>\$ 243.9</b>	<b>\$ 267.4</b>
<b>Pre-tax Yields</b>							
Fixed maturities	3.72%	3.64%	3.61%	3.60%	3.62%	3.75%	3.62%
<b>Total</b>	<b>3.71%</b>	<b>3.84%</b>	<b>3.77%</b>	<b>3.68%</b>	<b>3.71%</b>	<b>3.75%</b>	<b>3.74%</b>

Pre-tax yields represent annualized net investment income for the period divided by the monthly average invested assets, excluding accumulated changes in fair value for fixed maturities and equity securities.



**THE HANOVER INSURANCE GROUP**  
**INVESTMENT PORTFOLIO**  
December 31, 2018

(In millions)

Investment Type	Weighted Average Quality	Amortized Cost or Cost	Fair Value / Carry Value	% of Total	Net Unrealized Gain (Loss)	Change in Net Unrealized During Q4	Change in Net Unrealized YTD
Fixed maturities:							
U.S. Treasury and government agencies	AAA	\$ 414.7	\$ 409.9	4.9%	\$ (4.8)	\$ 8.8	\$ (5.0)
Foreign government	AA	7.3	7.4	0.1%	0.1	-	(0.2)
Municipals:							
Taxable	AA	820.4	827.8	10.0%	7.4	8.5	(16.1)
Tax-exempt	AA	58.6	58.0	0.7%	(0.6)	0.2	(1.0)
Corporate:							
NAIC 1	A	1,556.7	1,535.5	18.5%	(21.2)	6.9	(43.1)
NAIC 2	BBB	1,615.8	1,580.9	19.0%	(34.9)	(3.4)	(63.9)
NAIC 3 and below	B+	304.1	294.3	3.5%	(9.8)	(13.6)	(21.3)
Total corporate	BBB+	3,476.6	3,410.7	41.0%	(65.9)	(10.1)	(128.3)
Asset-backed:							
Residential mortgage-backed	AAA	728.4	716.4	8.6%	(12.0)	12.7	(12.9)
Commercial mortgage-backed	AAA	648.4	640.3	7.7%	(8.1)	6.5	(12.8)
Asset-backed	AA+	91.5	91.0	1.1%	(0.5)	0.7	(0.3)
Total fixed maturities	A+	6,245.9	6,161.5	74.1%	(84.4)	27.3	(176.6)
Equity securities <sup>(1)</sup>		464.4	464.4	5.6%	-	-	(142.5)
Mortgage and other loans		405.7	405.7	4.9%	-	-	-
Other investments <sup>(1)</sup>		255.8	255.8	3.1%	-	-	(3.4)
Total investments		7,371.8	7,287.4	87.7%	(84.4)	27.3	(322.5)
Cash and cash equivalents		1,020.7	1,020.7	12.3%	-	-	-
<b>Total, excluding held-for-sale</b>		<b>\$ 8,392.5</b>	<b>\$ 8,308.1</b>	<b>100.0%</b>	<b>\$ (84.4)</b>	<b>\$ 27.3</b>	<b>\$ (322.5)</b>

(1) The balance of unrealized was reclassified to retained earnings, net of tax, on January 1, 2018 as a result of implementing FASB's ASU 2016-01, Recognition and Measurement of Financial Instruments. Following the implementation, changes in fair value on these investments are recorded in net income.

**THE HANOVER INSURANCE GROUP**  
**CREDIT QUALITY AND DURATION OF FIXED MATURITIES**  
December 31, 2018

(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	\$ 4,297.7	\$ 4,258.8	69.1%
2	Baa	1,636.7	1,601.0	26.0%
3	Ba	176.4	173.2	2.8%
4	B	120.0	113.8	1.9%
5	Caa and lower	14.8	14.3	0.2%
6	In or near default	0.3	0.4	-
Total, excluding fixed maturities held-for-sale		<u>\$ 6,245.9</u>	<u>\$ 6,161.5</u>	<u>100.0%</u>

**DURATION OF FIXED MATURITIES**

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 Years	\$ 1,092.3	\$ 1,101.5	17.9%
2-4 Years	1,427.3	1,420.4	23.0%
4-6 Years	1,831.2	1,801.4	29.2%
6-8 Years	1,768.6	1,710.3	27.8%
8-10 Years	57.5	59.7	1.0%
10+ Years	69.0	68.2	1.1%
Total, excluding fixed maturities held-for-sale	<u>\$ 6,245.9</u>	<u>\$ 6,161.5</u>	<u>100.0%</u>
Weighted Average Duration	<u>4.5</u>		

**THE HANOVER INSURANCE GROUP**

**TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS - CONTINUING OPERATIONS**

December 31, 2018

(In millions, except percentage data)

<b>Issuer</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>As a Percent of Invested Assets</b>	<b>Ratings (1)</b>
US Bancorp	\$ 24.7	\$ 24.3	0.29%	A
Bank of New York Mellon	23.7	23.2	0.28%	A
Oracle	23.2	23.1	0.28%	AA-
JP Morgan Chase	22.6	21.7	0.26%	A-
AvalonBay Communities	22.1	21.3	0.26%	A-
Lockheed Martin	21.3	21.3	0.26%	BBB+
Kroger	21.3	20.9	0.25%	BBB
Enterprise Holdings	20.8	20.0	0.24%	A-
Sempra Energy	20.7	20.0	0.24%	BBB+
Fifth Third Bank	20.2	20.0	0.24%	A-
<b>Top 10 Corporate and Municipal Fixed</b>	<b>\$ 220.6</b>	<b>\$ 215.8</b>	<b>2.60%</b>	

(1) Represents nationally recognized rating agency sources.

**THE HANOVER INSURANCE GROUP**  
**RECONCILIATION OF OPERATING INCOME TO NET INCOME**

	Three Months ended December 31				Year ended December 31			
	2018		2017		2018		2017	
	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)
(In millions, except per share data)								
<b>OPERATING INCOME (LOSS)</b>								
Commercial Lines	\$ 57.4		\$ 69.2		\$ 265.7		\$ 177.4	
Personal Lines	36.5		41.6		146.2		158.7	
Other	(0.8)		(1.8)		(5.4)		(8.8)	
Total	<u>93.1</u>		<u>109.0</u>		<u>406.5</u>		<u>327.3</u>	
Interest expense	(11.2)		(11.3)		(45.1)		(45.2)	
Operating income before income taxes	81.9	\$ 1.91	97.7	\$ 2.27	361.4	\$ 8.40	282.1	\$ 6.56
Income tax expense on operating income	(17.0)	(0.40)	(31.9)	(0.74)	(69.3)	(1.61)	(89.5)	(2.08)
Operating income after income taxes	<u>64.9</u>	<u>1.51</u>	<u>65.8</u>	<u>1.53</u>	<u>292.1</u>	<u>6.79</u>	<u>192.6</u>	<u>4.48</u>
Non-operating items:								
Net realized gains (losses) from sales and other	(2.6)	(0.06)	1.7	0.04	(2.7)	(0.06)	26.7	0.62
Net change in fair value of equity securities	(50.1)	(1.17)	-	-	(43.4)	(1.01)	-	-
Net other-than-temporary impairment losses on investments recognized in earnings	(1.8)	(0.04)	(1.1)	(0.03)	(4.6)	(0.11)	(5.6)	(0.13)
Loss from repayment of debt	(26.3)	(0.61)	-	-	(28.2)	(0.65)	-	-
Other	-	-	(3.0)	(0.07)	-	-	(10.3)	(0.24)
Income tax benefit on non-operating items	18.0	0.42	8.5	0.20	25.8	0.60	12.7	0.30
Income from continuing operations, net of taxes	<u>2.1</u>	<u>0.05</u>	<u>71.9</u>	<u>1.67</u>	<u>239.0</u>	<u>5.56</u>	<u>216.1</u>	<u>5.03</u>
Discontinued Operations:								
Gain from sale of Chaucer business, net of tax	131.9	3.08	-	-	131.9	3.07	-	-
Income (loss) from Chaucer business, net of taxes	(10.5)	(0.25)	(4.8)	(0.11)	20.0	0.46	(13.1)	(0.30)
Income (loss) from discontinued life business, net of taxes	0.1	-	(15.6)	(0.36)	0.1	-	(16.8)	(0.40)
<b>NET INCOME</b>	<u>\$ 123.6</u>	<u>\$ 2.88</u>	<u>\$ 51.5</u>	<u>\$ 1.20</u>	<u>\$ 391.0</u>	<u>\$ 9.09</u>	<u>\$ 186.2</u>	<u>\$ 4.33</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 and unrealized 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 and unrealized investment gains and losses, which, in 2018 also included changes in the fair value of equity securities still held as a result of the implementation of a new accounting standard, 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 fixed maturity investments, net of tax is 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. Tangible book value per share is total shareholders' equity, excluding goodwill and intangible assets, 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 twelve months ended December 31, 2018 and 2017 is set forth on page 18 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

**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	2018		Dividends Per Share
	High	Low	
March 31	\$120.84	\$106.61	\$0.540
June 30	\$123.22	\$112.61	\$0.540
September 30	\$130.49	\$115.28	\$0.540
December 31	<b>\$120.25</b>	<b>\$105.29</b>	<b>\$0.600</b>

Quarter Ended	2017		Dividends Per Share
	High	Low	
March 31	\$91.58	\$83.09	\$0.500
June 30	\$89.51	\$80.59	\$0.500
September 30	\$99.63	\$87.90	\$0.500
December 31	\$108.85	\$96.87	\$0.540

**INDUSTRY RATINGS AS OF January 30, 2019**

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 505000  
Louisville, KY 40233-5000  
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**

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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)