



The Hanover Insurance Group, Inc.

Q4 2010 Earnings Results

To be read in conjunction with the press release dated February 9, 2011 and the conference call scheduled for February 10, 2011.

Forward-Looking Statements and Non-GAAP Financial Measures

Certain statements in this presentation, including responses to questions, contain or may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Use of the words "believes," "anticipates," "expects," "projections," "outlook," "should," "plan," "confident," "guidance," "on track to," "promise," "line of sight" and similar expressions is intended to identify forward-looking statements. In particular, this presentation and related earnings call includes forward-looking statements with respect to 2011 pre-tax segment income; return targets, estimates of excess capital (which is dependent on, among other things, future results); Personal and Commercial Lines profitability improvement; the pricing environment and the company's ability to increase rates and to capitalize on potential industry disruption; competitive position; estimates of winter weather losses and their impact on quarterly earnings; net written premium growth and retention; new business growth (including as a result of the renewal rights transaction, new product introductions and geographic expansion); prior year reserve development; GAAP and accident year loss ratios; expense ratio and expense ratio improvements from improving scale and operating model changes; product margins, including with respect to specialty business; new product availability; the impact of various transactions; net investment income and the effect of lower yields on future net investment income; product introductions; product- geographic- and account- based mix changes on future growth and profitability; and return on equity; and may also include forward looking statements on underwriting conditions, the adequacy of reserves, the impact of anticipated regulatory changes, the impact of any recent, pending or future acquisitions, capital levels, ratings, the number of shares outstanding, share repurchases and repurchase of outstanding debt, growth in invested asset base, reinvestment rates, investment impairments, net investment income, and discontinued operations.

The company cautions investors that forward-looking statements are not guarantees of future performance, and actual results could differ materially. Investors are directed to consider the risks and uncertainties in our business that may affect future performance and that are discussed in readily available documents, including the company's earnings press release dated February 9, 2011 and the Annual Report 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 speaks as of December 31, 2010.

These uncertainties include the uncertain 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, the ability to increase or maintain certain property and casualty insurance rates, the impact of new product introductions, adverse loss development, 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, heightened competition (including rate pressure), adverse and evolving state and federal legislation or regulation, adverse regulatory or litigation actions, financial ratings actions, and various other factors. Comments referring to the profitability and future performance and growth as a result of the renewal rights transaction, westward expansion, or new product introductions, the acquisition of Campania, Inc. and Benchmark and the transaction with ICW Group are forward-looking statements.

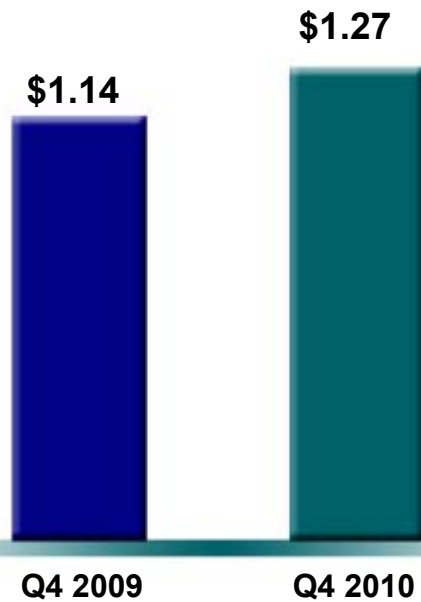
The discussion in this presentation of The Hanover's financial performance includes reference to certain financial measures that are not derived from generally accepted accounting principles, or GAAP, such as total segment income (sometimes referred to as property and casualty segment income), segment income after taxes, and loss ratios excluding catastrophes and/or development and accident year loss ratios excluding catastrophes. A reconciliation of non-GAAP measures to the closest GAAP measure is included in either the press release or statistical supplement, which are posted on our website. The reconciliation of accident year loss ratio and combined ratio excluding catastrophes to the nearest GAAP measure, total loss ratio and combined ratio, is found on pages 9 and 10 of the statistical supplement. After-tax segment income EPS (sometimes referred to as "after-tax segment income per share" or "after-tax operating earnings 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. The definition of other financial measures and terms can be found in the Annual Report on pages 77-79.

Opening Remarks by Fred Eppinger

Fourth Quarter 2010 Results

(\$ in millions, except per share data)

Net Income Per Share



Segment Income⁽¹⁾ Per Share



	Q4 2009	Q4 2010
Net Income	\$57.3	\$58.4

	Q4 2009	Q4 2010
Segment Income ⁽¹⁾	\$41.8	\$43.7

⁽¹⁾ Non-GAAP Financial Measure

Full Year 2010 Results

(\$ in millions, except per share data)

Net Income Per Share

\$3.86



2009

\$3.34



2010

Segment Income⁽¹⁾ Per Share

\$3.08



2009

\$2.64



2010

Net Income

\$197.2

\$154.8

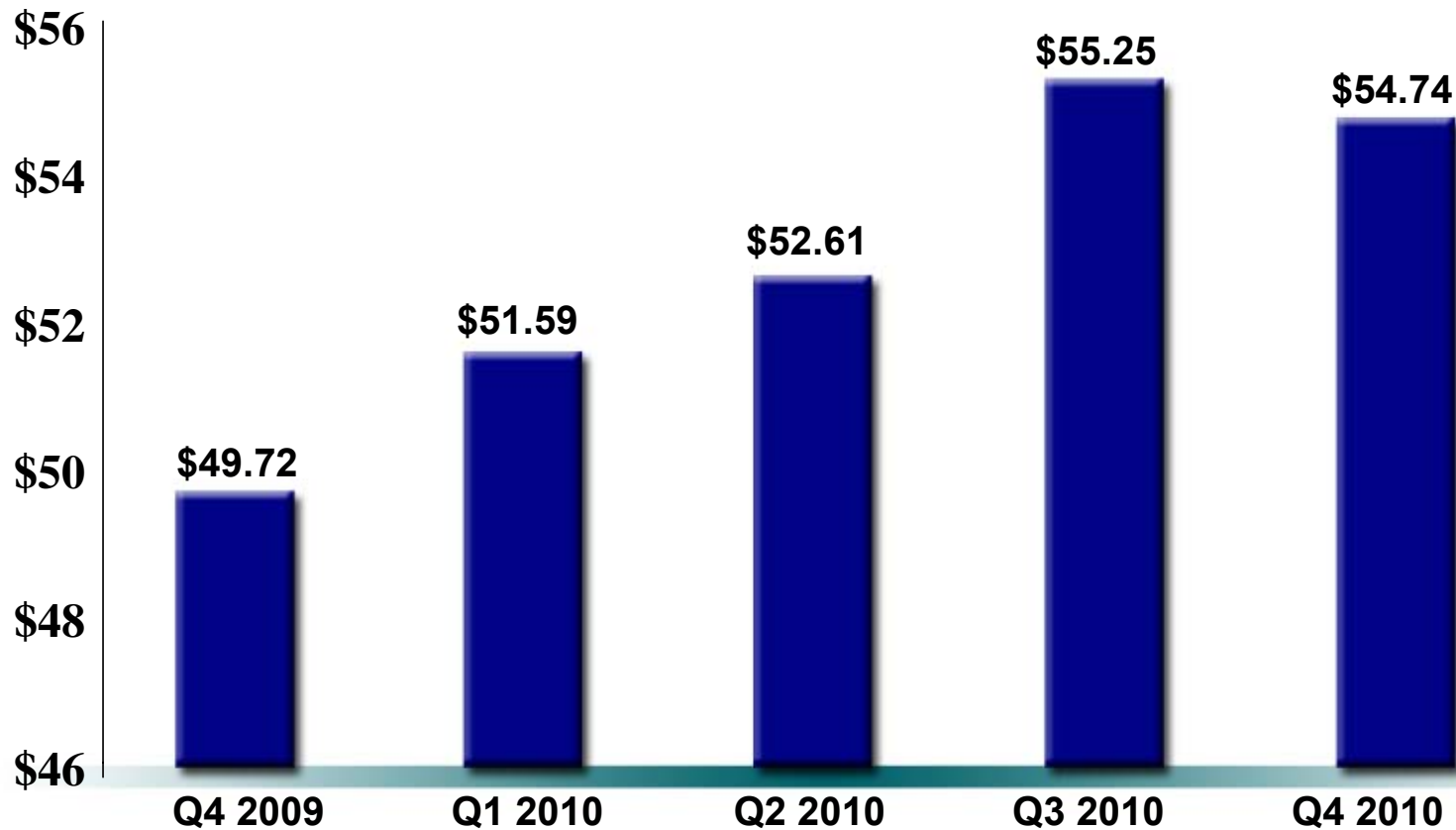
Segment Income⁽¹⁾

\$157.5

\$122.2

⁽¹⁾ Non-GAAP Financial Measure

Book Value Per Share



↑ 10%

Underwriting Highlights

by Marita Zuraitis

THG Underwriting Performance

	Q4		Full Year	
	2009	2010	2009	2010
Accident year losses, ex-cat	56.1%	52.9%	55.7%	52.4%
Catastrophe losses	1.0%	2.2%	3.9%	5.6%
Prior year loss development	(4.1%)	(2.8%)	(5.2%)	(3.1%)
Total losses	53.0%	52.3%	54.4%	54.9%
Loss adjustment expenses	10.9%	10.7%	10.0%	10.4%
Policy acquisition and other underwriting expenses	33.8%	34.8%	33.8%	34.8%
Combined ratio	97.7%	97.8%	98.2%	100.1%
Combined ratio, ex-cat ⁽¹⁾	96.7%	95.6%	94.3%	94.5%
Accident year combined ratio, ex-cat ⁽¹⁾	100.8%	98.4%	99.5%	97.6%

⁽¹⁾ Non-GAAP financial measure

Commercial Lines Fourth Quarter Operating Highlights

\$ in millions

	<u>Q4 2009</u>	<u>Q4 2010</u>	<u>Change</u>
Pre-tax Segment Income ⁽¹⁾	\$ 53	\$ 36	\$ (17)
Catastrophe Impact	--	9	9
Adjusted Ex-Cat Segment Income ⁽¹⁾	<u>\$ 53</u>	<u>\$ 45</u>	<u>\$ (8)</u>
Combined Ratio	92.7%	99.3%	6.6 pts
Catastrophe Loss Ratio	0.1%	2.4%	2.3 pts
Ex-catastrophe Combined Ratio⁽¹⁾	92.6%	96.9%	4.3 pts

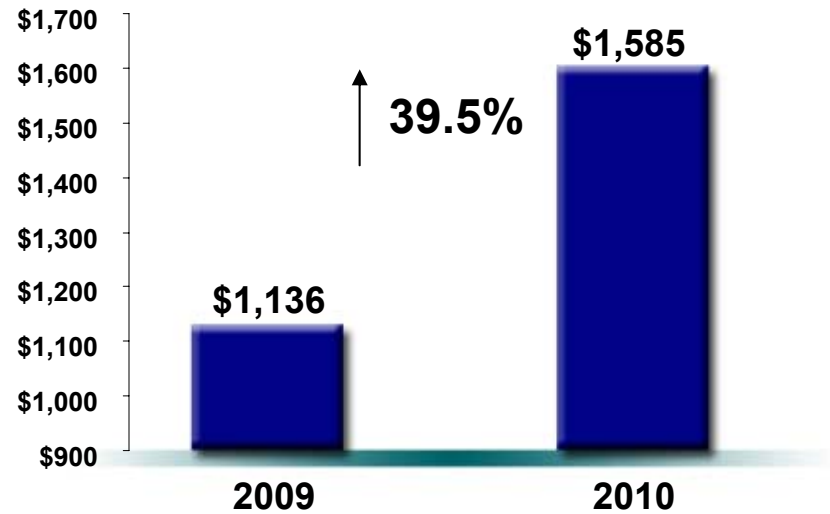
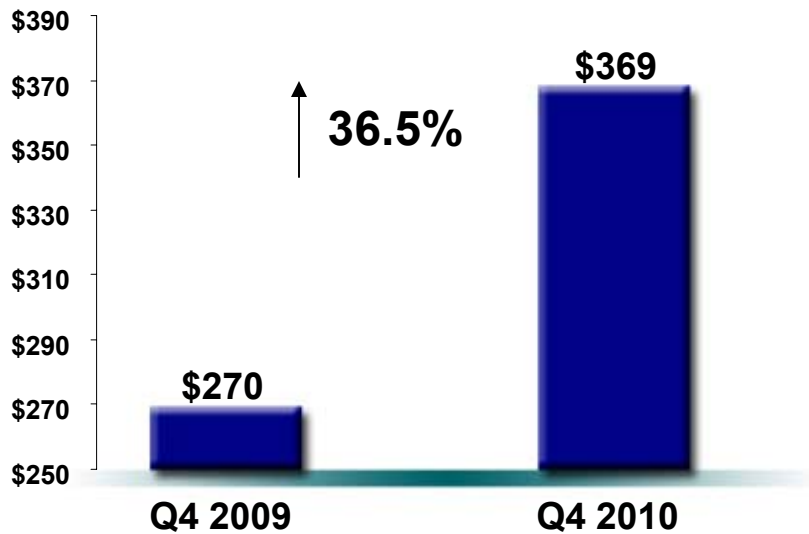
- Lower favorable loss and LAE development 6.3 points
- Lower ex-catastrophe accident year loss ratio ⁽¹⁾ (1.9) points
- Lower underwriting and loss adjustment expense ratio (0.1) points

⁽¹⁾ Non-GAAP financial measure

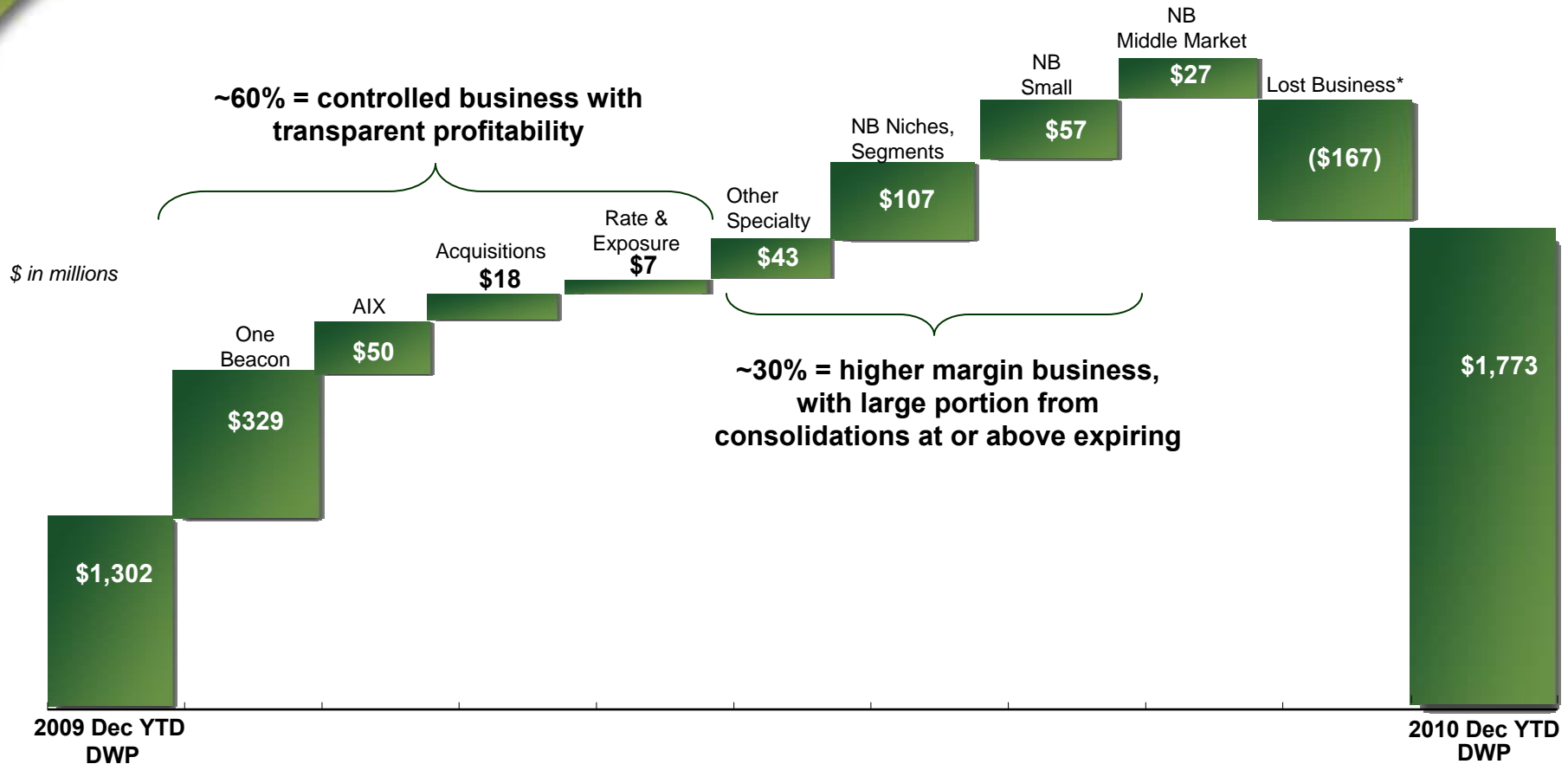
Commercial Lines Growth Trends

\$ in millions

Net Written Premium



2010 Commercial Lines Growth Generated with Minimal New Business (NB) Penalty



Growth realized through limited group of partner agents

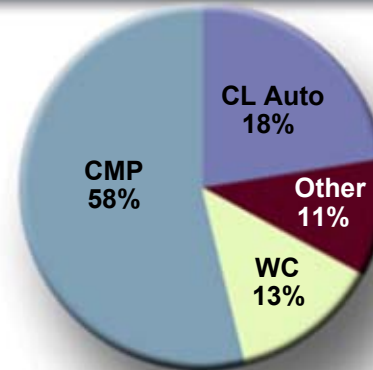
*Workers Compensation, CL Auto and CMP only, excludes specialty

Total Written Premium Related to OB Transaction

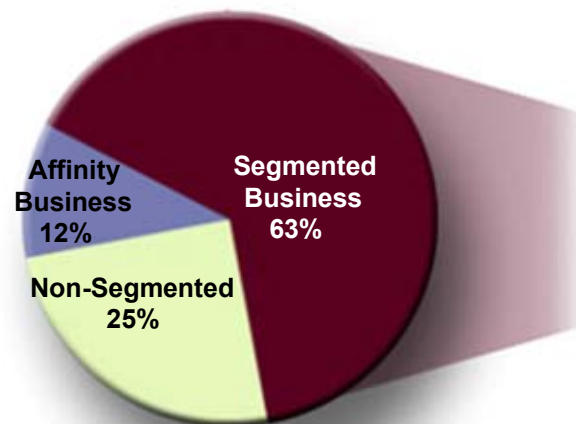
Business Unit

<i>\$ in millions</i>	<u>Written Premium</u>	<u>Retention</u>
Middle Market	\$140	77%
Small Commercial	\$189	80%
Total	\$329	78.5%*

Line of Business



Segmentation



Retailers
 Professional Services
 Food Industries
 Cultural Institutions
 Craft Brewers
 Media
 Wholesalers
 Comm Real Estate
 and other

*Reflects written premium renewed under the renewal rights transaction of \$302 million

Personal Lines Fourth Quarter Operating Highlights

\$ in millions

	<u>Q4 2009</u>	<u>Q4 2010</u>	<u>Change</u>
Pre-tax Segment Income ⁽¹⁾	\$ 20	\$ 39	\$ 19
Catastrophe Impact	6	8	2
Adjusted Ex-Cat Segment Income ⁽¹⁾	<u>\$ 26</u>	<u>\$ 47</u>	<u>\$ 21</u>
Combined Ratio	101.9%	96.4%	(5.5) pts
Catastrophe Loss Ratio	<u>1.7%</u>	<u>2.1%</u>	<u>0.4 pts</u>
Ex-catastrophe Combined Ratio⁽¹⁾	100.2%	94.3%	(5.9) pts

- Higher favorable loss and LAE development (3.4) points
- Lower ex-catastrophe accident year loss ratio ⁽¹⁾ (2.7) points
- Higher underwriting and loss adjustment expense ratio 0.2 points

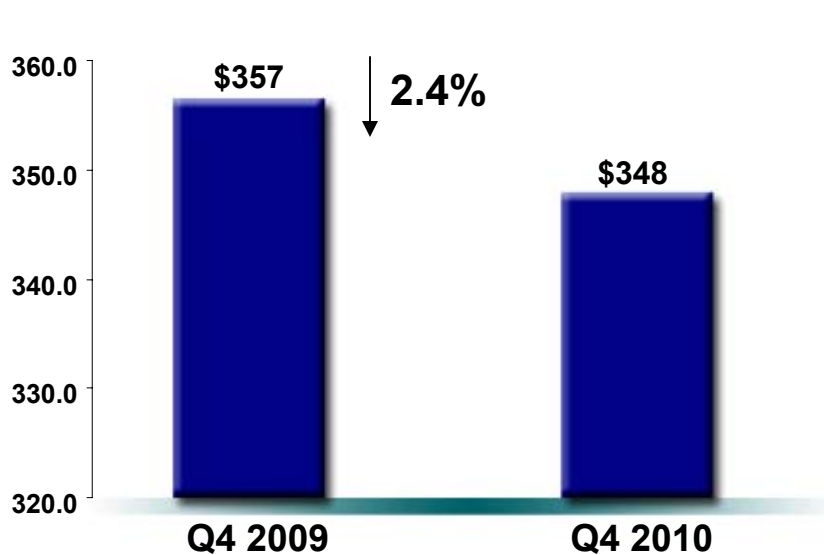
⁽¹⁾ Non-GAAP financial measure

Personal Lines Growth Trends

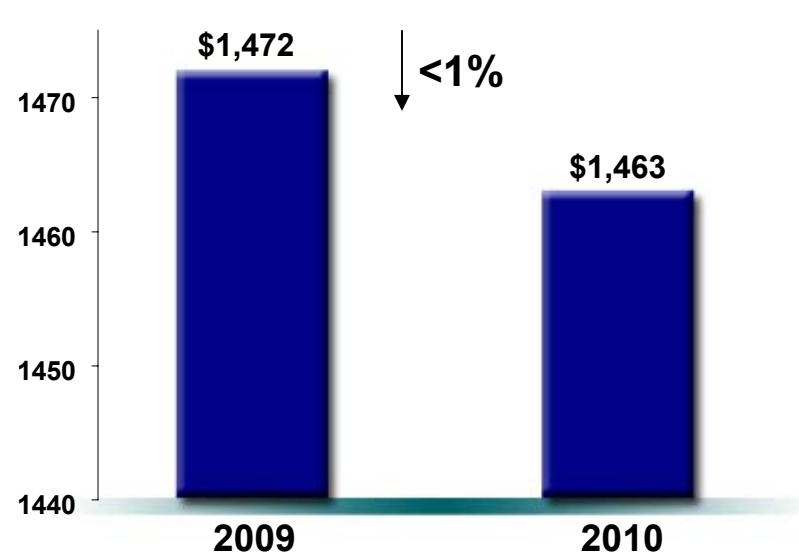
Net Written Premium

Retention
 Q4 2010 = 78.7%
 Q4 2009 = 78.4%

\$ in millions



\$ in millions



1.5 points of 2.4% decrease in net written premium is attributable to reduction in Louisiana homeowners business

Financial Review by Steve Bensinger

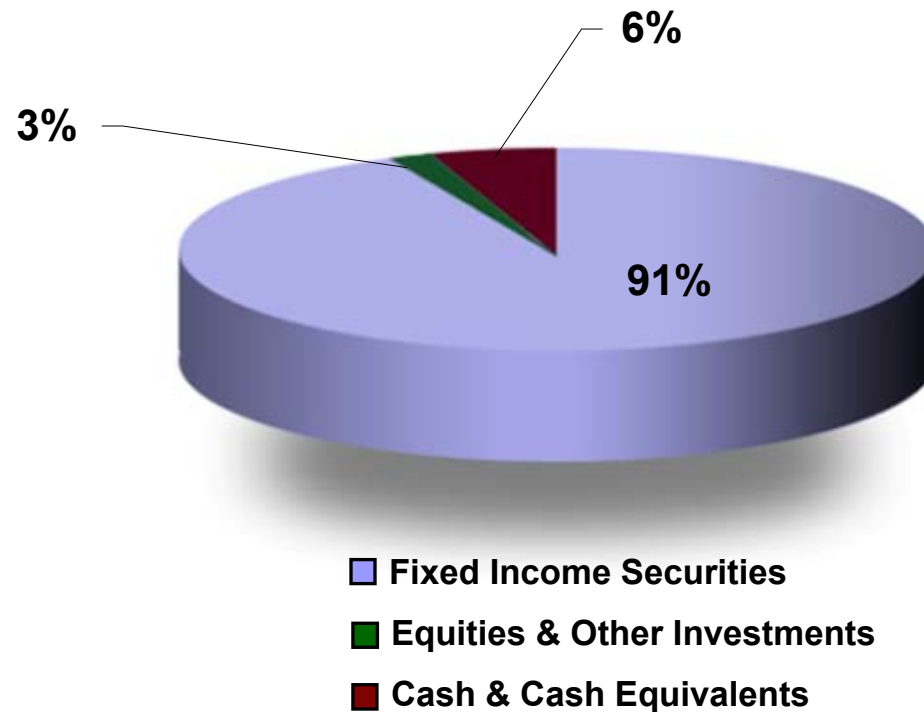
Reconciliation of Segment Income to Net Income

	Q4		Full Year	
	2009	2010	2009	2010
Property and Casualty				
GAAP underwriting income (loss)	\$ 10.5	\$ 12.3	\$ 29.0	\$ (18.2)
Net investment income	63.8	63.0	251.7	247.2
Other, net	(4.0)	0.9	(10.6)	(1.3)
Total Property and Casualty ⁽¹⁾	<u>70.3</u>	<u>76.2</u>	<u>270.1</u>	<u>227.7</u>
Interest Expense on Debt	(7.9)	(11.5)	(35.1)	(44.3)
Total Federal Income Tax Expense on Segment Income	<u>(20.6)</u>	<u>(21.0)</u>	<u>(77.5)</u>	<u>(61.2)</u>
Segment Income After Tax ⁽¹⁾	41.8	43.7	157.5	122.2
Net Realized Investment Gains	11.1	12.9	1.4	29.7
(Loss) From Retirement of Debt	-	(2.0)	34.5	(2.0)
Federal Income Tax Benefit (Expense) on Non-segment Income ⁽²⁾	3.0	2.8	(5.6)	3.3
Gain from Discontinued Operations	1.4	1.0	9.4	1.6
Net Income	<u>\$ 57.3</u>	<u>\$ 58.4</u>	<u>\$ 197.2</u>	<u>\$ 154.8</u>
Net Income Per Share (Diluted)	\$ 1.14	\$ 1.27	\$ 3.86	\$ 3.34

- (1) Total Property and Casualty and Segment Income (After Tax) are non-GAAP financial measures. The reconciliation to the closest GAAP measure, Income from Continuing Operations, can be found on the last page of the earnings press release dated February 9, 2011.
- (2) See footnote three on page 11 of the press release dated February 9, 2011.

THG Asset Mix

% of market value



Investment Portfolio Holdings \$5.4B⁽¹⁾ Market Value

As of 12/31/2010

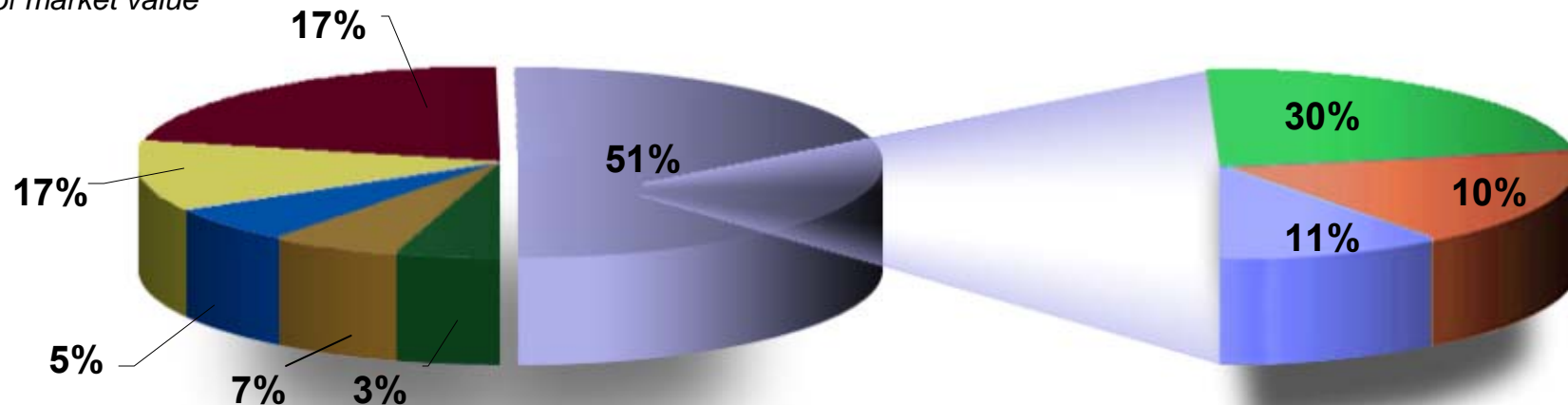
(1) This information and investment information presented later in this presentation includes assets of the discontinued accident and health business

Fixed Income Sector Breakdown

\$4.9 Billion Market Value
As of 12/31/2010

Corporates \$2.5 Billion

% of market value



- Corporates
 Municipals (Tax-exempt)
 CMBS
 Industrials
 Financials
 Utilities
- U.S. Govt/Agencies
 Municipals (Taxable)
 MBS/ABS

Fixed Income Characteristics:

92% of fixed income securities are investment grade

Weighted average quality A+

Duration: 4.5 years

Corporate Holding Characteristics:

86% Investment Grade

Duration 4.4 years

CMBS Portfolio

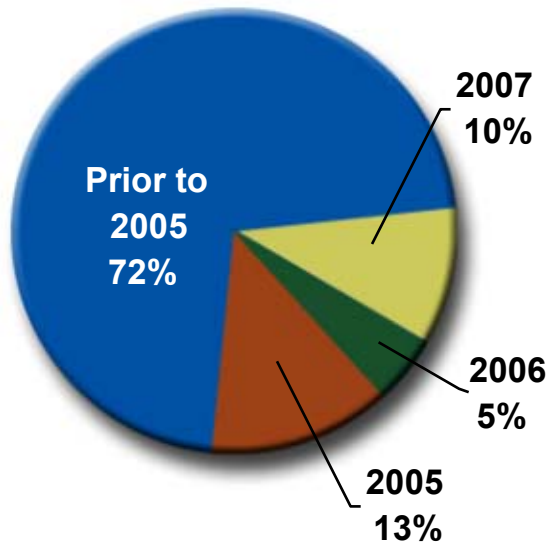
% of market value

\$368.1 million
as of 12/31/2010

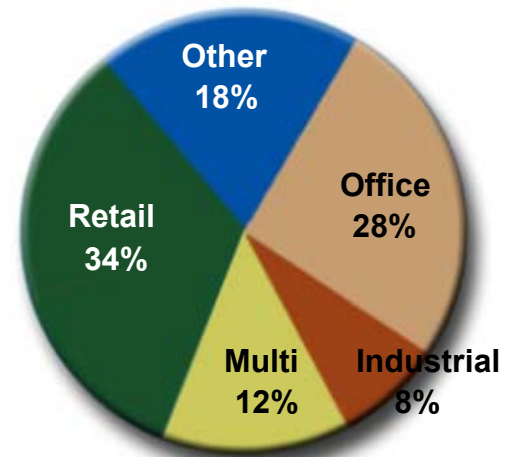
Rating:
AAA – 69%
AA – 14%
A – 17%

Weighted average
LTV: 74%

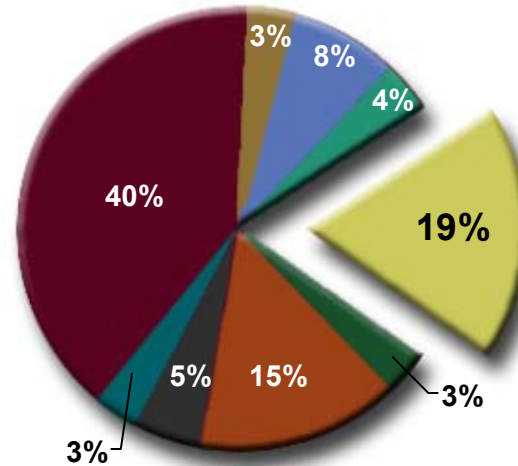
Vintage



Property Type



Geography



- NC ■ NY ■ FL ■ Defeased ■ NJ ■ CA ■ TX ■ IL ■ Other

Municipal Bond Portfolio

(as of 12/31/2010)

**\$965.6 million, or 18% of total investment portfolio and
39% of total shareholders equity**

Privately Insured – 24% (A+)
Government/Agency Insured – 6% (AA+)
Uninsured – 70% (AA)
Weighted Average Rating - AA

Revenue Bonds – 60%
GO Bonds – 40%
Taxable – 84%
Tax-exempt – 16%

\$ in millions

State	Total Fair Value	% Municipals	State General Obligation	Local General Obligation	Revenue	Average Rating of Hanover's Holdings
Texas	\$ 55.9	5.8%	10%	72%	18%	Aa1
New York	55.6	5.8%	--	11%	89%	Aa2
Illinois	44.6	4.6%	--	34%	66%	A2
Virginia	41.4	4.3%	--	30%	70%	Aa1
Pennsylvania	38.6	4.0%	26%	32%	42%	Aa3
Ohio	38.5	4.0%	1%	--	99%	Aa3
Washington	37.6	3.9%	1%	25%	74%	Aa2
California	37.2	3.9%	16%	5%	79%	A1
Utah	33.5	3.5%	29%	14%	57%	Aa2
Georgia	32.5	3.4%	32%	35%	33%	Aa2
Tennessee	32.0	3.3%	2%	25%	73%	Aa3
Maryland	29.4	3.0%	1%	78%	21%	Aa1
South Carolina	28.5	2.9%	1%	63%	36%	Aa3
New Hampshire	27.4	2.8%	47%	9%	44%	Aa2
Indiana	27.0	2.8%	--	--	100%	Aa1
Massachusetts	26.9	2.8%	1%	28%	71%	Aa3
Wisconsin	26.1	2.7%	19%	2%	79%	A1
Minnesota	25.6	2.7%	--	55%	45%	Aa2
New Jersey	24.2	2.5%	5%	10%	85%	Aa3
All other	303.0	31.3%	7%	6%	87%	Aa1
Total Municipal Exposure	\$965.6	100%	14%	26%	60%	Aa2

Net Unrealized Position

(\$ in millions)

Investment Type	Wtd Avg Quality	Book Value	Market Value	Net Unrealized @ 12/31/2010	Change in Net Unrealized During Q4 2010	Δ in Net Unrealized YTD
Corporate:						
NAIC 1	A	\$1,002.2	\$ 1,058.6	\$ 56.4	\$ (30.2)	\$ 24.1
NAIC 2	BBB	1,012.6	1,082.5	69.9	(32.2)	21.4
NAIC 3 and Below	B+	341.4	360.8	19.4	2.1	15.5
	BBB+	2,356.2	2,501.9	145.7	(60.3)	61.0
MBS / CMBS / ABS:						
MBS	AA+	725.4	755.3	29.9	(9.5)	14.3
CMBS	AA+	350.7	368.1	17.4	(2.7)	14.7
ABS	A+	57.5	61.2	3.7	(1.4)	1.2
Municipals:						
Taxable	AA	813.7	812.8	(0.9)	(35.8)	15.7
Tax Exempt	A+	149.7	152.7	3.0	(2.6)	(1.1)
U.S. Government	AAA	261.4	263.2	1.8	(6.0)	2.3
Total Fixed Maturities	A+	4,714.6	4,915.2	200.6	(118.3)	108.1
Equities		120.7	128.6	7.9	(5.5)	(4.0)
Other Long-term Investments		36.7	39.4	2.7	1.2	0.7
Total		\$4,872.0	\$ 5,083.2	\$ 211.2	\$ (122.6)	\$ 104.8

THG Balance Sheet Strength

<i>(In millions, except per share data)</i>	December 31 2009	December 31 2010
Total shareholders' equity	\$2,359	\$2,461
Total book value per share	\$49.72	\$54.74
Debt/total capital	15.5%	19.8%
THG holding company cash and investments	\$293	\$448
Statutory surplus	\$1,742	\$1,747
Property and casualty premium to surplus ratio	1.50:1	1.75:1

Questions