



STATISTICAL SUPPLEMENT  
THIRD QUARTER 2012

**THE HANOVER INSURANCE GROUP**  
**STATISTICAL SUPPLEMENT**

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## **THE HANOVER INSURANCE GROUP**

### **BASIS OF PRESENTATION**

Information contained in this document includes the results of Chaucer from the acquisition date of July 1, 2011 onward.

Prior periods were restated for the effect of the Company's adoption of the new Deferred Acquisition Cost ("DAC") methodology on the Balance Sheet and Income Statement.

#### **BUSINESS DESCRIPTIONS**

##### **COMMERCIAL LINES**

*Commercial multiple peril* coverage insures businesses against third party liability from accidents occurring on their premises or arising out of their operations, such as injuries sustained from products sold. It also insures business property for damage, such as that caused by fire, wind, hail, water damage (except for flooding), theft and vandalism.

*Commercial automobile* coverage insures businesses against losses incurred from personal bodily injury, bodily injury to third parties, property damage to an insured's vehicle, and property damage to other vehicles and property.

*Workers' compensation* coverage insures employers against employee medical and indemnity claims resulting from injuries related to work. Workers' compensation policies are often written in conjunction with other commercial policies.

*Other Commercial Lines* is comprised of inland marine, which insures businesses against physical losses to property, such as contractor's equipment, builders' risk and goods in transit. We also offer underwriting and managing of program business, including to under-served markets where there are specialty coverage or risk management needs. Other Commercial Lines also includes bonds, which provides businesses with contract surety coverage in the event of performance or payment claims, and commercial surety coverage related to fiduciary or regulatory obligations. Also included in Other Commercial Lines coverages are umbrella, general liability, fire, specialty property, and professional and management liability.

##### **PERSONAL LINES**

*Personal automobile* coverage insures individuals against losses incurred from personal bodily injury, bodily injury to third parties, property damage to an insured's vehicle, and property damage to other vehicles and other property.

*Homeowners* coverage insures individuals for losses to their residences and personal property, such as those caused by fire, wind, hail, water damage (except for flooding), theft and vandalism, and against third party liability claims.

*Other Personal Lines* are comprised of personal inland marine (jewelry, art, etc.), umbrella, fire, personal watercraft, earthquake and other miscellaneous coverages.

##### **CHAUCER**

The Chaucer reporting segment represents THG's international business written through Lloyd's and includes international property, marine and aviation, energy, UK motor and international casualty and other coverages.

*Property coverage*, including direct, facultative and treaty property accounts, insures property, including commercial, auto, and industrial businesses, against physical loss or damage and business interruption. The property treaty account comprises mainly catastrophe and per risk excess contract acceptances, with a small amount of proportional treaty and reinsurance assumed business.

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

*Energy coverage*, encompassing exploration and production, construction, liabilities downstream and renewables, insures energy businesses against physical damage, business interruption, control of well, seepage and pollution and liabilities. Energy also includes Nuclear, which predominantly provides coverage relating to power generation at nuclear power stations.

*UK Motor* coverage insures the UK private car and fleet markets. In addition, it writes specialist classes including commercial vehicle, taxi, motorcycle, motor trade and classic/specialist vehicles, as well as other UK small commercial products.

*Casualty and Other Lines* includes coverages that insure financial institutions crime and professional indemnity, medical malpractice, workers' compensation and professional, managerial and general liability, as well as syndicate participations.

##### **OTHER PROPERTY AND CASUALTY**

*Other Property and Casualty segment* consists of 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 voluntary pools business which is in run-off.

**THE HANOVER INSURANCE GROUP**  
**FINANCIAL HIGHLIGHTS**

(In millions, except earnings per share)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Sep-YTD 2011	Sep-YTD 2012
<b>PREMIUMS</b>							
Gross premiums written	\$ 1,198.3	\$ 1,133.0	\$ 1,287.8	\$ 1,417.1	\$ 1,291.9	\$ 2,926.2	\$ 3,996.8
Net premiums written	1,051.0	977.1	1,016.8	1,197.6	1,120.1	2,616.3	3,334.5
Net premiums earned	1,018.6	1,047.8	1,035.6	1,050.0	1,071.0	2,550.8	3,156.6
<b>EARNINGS</b>							
Segment income (loss) before interest and taxes	\$ (8.2)	\$ 77.5	\$ 85.7	\$ 31.0	\$ 62.9	\$ (5.7)	\$ 179.6
Segment income (loss) after taxes	(18.8)	45.5	46.0	10.0	32.5	(31.3)	88.5
Income (loss) from continuing operations	(10.0)	46.4	50.7	9.8	40.9	(14.9)	101.4
Net income (loss)	(10.0)	49.6	49.7	20.8	40.4	(12.9)	110.9
<b>PER SHARE DATA (DILUTED) (1)</b>							
Segment income (loss) after taxes	\$ (0.41)	\$ 1.00	\$ 1.01	\$ 0.22	\$ 0.72	\$ (0.69)	\$ 1.95
Income (loss) from continuing operations	(0.22)	1.02	1.11	0.22	0.90	(0.33)	2.23
Net income (loss)	(0.22)	1.09	1.09	0.46	0.89	(0.28)	2.44
Weighted average shares outstanding (1)	45.3	45.3	45.5	45.4	45.2	45.4	45.4

**BALANCE SHEET**

(In millions, except per share data)	September 30 2011	December 31 2011	March 31 2012	June 30 2012	September 30 2012
Total assets	\$ 12,658.4	\$ 12,598.6	\$ 12,913.4	\$ 13,118.7	\$ 13,330.1
Total loss and loss adjustment expense reserves	5,722.0	5,760.3	5,827.3	5,853.4	5,938.9
Total shareholders' equity	2,428.8	2,484.0	2,579.0	2,617.5	2,699.4
U.S. Property and Casualty Companies					
Statutory surplus	\$ 1,538.5	\$ 1,582.8	\$ 1,681.1	\$ 1,655.1	\$ 1,670.8
Premium to surplus ratio	2.02:1	2.00:1	1.92:1	1.98:1	2.01:1
Book value per share	\$ 54.40	\$ 55.67	\$ 57.65	\$ 58.81	\$ 61.00
Book value per share, excluding net unrealized investment gains and losses, net of tax	\$ 51.06	\$ 51.58	\$ 52.32	\$ 53.10	\$ 53.82
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 46.61	\$ 48.29	\$ 50.31	\$ 51.53	\$ 53.69
Shares outstanding	44.6	44.6	44.7	44.5	44.3
Total debt/equity	37.1 %	36.7 %	35.6 %	35.1 %	34.0 %
Total debt/total capital	27.1 %	26.8 %	26.3 %	26.0 %	25.4 %

(1) Weighted average shares outstanding and per diluted share amounts in the third quarter of 2011 excludes common stock equivalents, as the impact of these instruments was anti-dilutive.

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

(In millions)	Three Months ended September 30			Nine Months ended September 30		
	2012	2011	% Change	2012	2011	% Change
<b>REVENUES</b>						
Premiums earned	\$ 1,071.0	\$ 1,018.6	5.1	\$ 3,156.6	\$ 2,550.8	23.7
Net investment income	69.2	67.8	2.1	206.5	189.2	9.1
Total net realized investment gains	5.0	8.2	(39.0)	4.7	24.9	(81.1)
Fees and other income	12.5	13.4	(6.7)	38.9	30.8	26.3
Total revenues	<u>1,157.7</u>	<u>1,108.0</u>	<u>4.5</u>	<u>3,406.7</u>	<u>2,795.7</u>	<u>21.9</u>
<b>LOSSES AND EXPENSES</b>						
Losses and loss adjustment expenses	708.4	734.9	(3.6)	2,101.9	1,863.4	12.8
Policy acquisition expenses	235.8	222.3	6.1	697.0	547.5	27.3
Interest expense	14.6	17.4	(16.1)	46.7	38.6	21.0
Other operating expenses	145.7	152.7	(4.6)	426.0	388.2	9.7
Total losses and expenses	<u>1,104.5</u>	<u>1,127.3</u>	<u>(2.0)</u>	<u>3,271.6</u>	<u>2,837.7</u>	<u>15.3</u>
Income (loss) from continuing operations before income taxes	53.2	(19.3)	N/M	135.1	(42.0)	N/M
Income tax expense (benefit)	12.3	(9.3)	N/M	33.7	(27.1)	N/M
Income (loss) from continuing operations	40.9	(10.0)	N/M	101.4	(14.9)	N/M
Discontinued operations	(0.5)	-	N/M	9.5	2.0	N/M
Net income (loss)	<u>\$ 40.4</u>	<u>\$ (10.0)</u>	<u>N/M</u>	<u>\$ 110.9</u>	<u>\$ (12.9)</u>	<u>N/M</u>

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

(In millions, except per share data)	September 30 2012	December 31 2011	% Change
<b>ASSETS</b>			
Investments:			
Fixed maturities, at fair value (amortized cost of \$6,363.6 and \$6,008.7)	\$ 6,794.9	\$ 6,284.7	8.1
Equity securities, at fair value (cost of \$363.0 and \$239.9)	392.8	246.4	59.4
Other investments	257.1	190.2	35.2
Total investments	<u>7,444.8</u>	<u>6,721.3</u>	<u>10.8</u>
Cash and cash equivalents	462.0	820.4	(43.7)
Accrued investment income	74.8	71.8	4.2
Premiums and accounts receivable, net	1,350.5	1,168.1	15.6
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,444.6	2,262.2	8.1
Deferred policy acquisition costs	501.3	458.6	9.3
Deferred income taxes	206.5	274.0	(24.6)
Goodwill	184.8	185.5	(0.4)
Other assets	531.0	515.5	3.0
Assets of discontinued operations	129.8	121.2	7.1
Total assets	<u>\$ 13,330.1</u>	<u>\$ 12,598.6</u>	<u>5.8</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Loss and loss adjustment expense reserves	\$ 5,938.9	\$ 5,760.3	3.1
Unearned premiums	2,555.7	2,292.1	11.5
Expenses and taxes payable	618.5	642.9	(3.8)
Reinsurance premiums payable	473.9	378.9	25.1
Debt	917.5	911.1	0.7
Liabilities of discontinued operations	126.2	129.3	(2.4)
Total liabilities	<u>10,630.7</u>	<u>10,114.6</u>	<u>5.1</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	1,785.0	1,784.8	-
Accumulated other comprehensive income	364.0	210.4	73.0
Retained earnings	1,282.1	1,211.3	5.8
Treasury stock at cost (16.2 and 15.9 million shares)	(732.3)	(723.1)	1.3
Total shareholders' equity	<u>2,699.4</u>	<u>2,484.0</u>	<u>8.7</u>
Total liabilities and shareholders' equity	<u>\$ 13,330.1</u>	<u>\$ 12,598.6</u>	<u>5.8</u>

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

**CONSOLIDATED**

Three Months ended September 30

	<b>2012</b>					<b>2011</b>				
	Commercial Lines	Personal Lines	Chaucer	Other P&C	Total P&C	Commercial Lines	Personal Lines	Chaucer	Other P&C	Total P&C
<i>(In millions, except percentage data)</i>										
Gross premiums written	\$ 571.6	\$ 430.3	\$ 290.0	\$ -	\$ 1,291.9	\$ 501.3	\$ 415.1	\$ 281.9	\$ -	\$ 1,198.3
Net premiums written	\$ 500.0	\$ 393.7	\$ 226.4	\$ -	\$ 1,120.1	\$ 438.4	\$ 390.3	\$ 222.3	\$ -	\$ 1,051.0
Net premiums earned	\$ 461.1	\$ 366.5	\$ 242.9	\$ 0.5	\$ 1,071.0	\$ 410.1	\$ 363.7	\$ 244.8	\$ -	\$ 1,018.6
Losses and LAE:										
Current accident year, excluding catastrophe losses	295.2	241.5	128.0	0.1	664.8	270.7	253.3	140.0	0.1	664.1
Prior year (favorable) unfavorable reserve development	4.4	3.6	(17.1)	0.8	(8.3)	(3.6)	(8.5)	(16.6)	(0.1)	(28.8)
Catastrophe losses	17.0	27.7	7.2	-	51.9	39.8	46.2	13.6	-	99.6
Total losses and LAE	316.6	272.8	118.1	0.9	708.4	306.9	291.0	137.0	-	734.9
Policy acquisition and other underwriting expenses	172.3	102.1	94.1	0.7	369.2	160.3	101.8	95.7	-	357.8
<b>GAAP underwriting profit (loss)</b>	<b>(27.8)</b>	<b>(8.4)</b>	<b>30.7</b>	<b>(1.1)</b>	<b>(6.6)</b>	<b>(57.1)</b>	<b>(29.1)</b>	<b>12.1</b>	<b>-</b>	<b>(74.1)</b>
Net investment income	35.6	21.6	10.2	1.7	69.1	34.0	22.7	8.6	2.5	67.8
Other income	2.2	3.5	6.1	2.4	14.2	5.3	3.5	4.1	1.7	14.6
Other operating expenses	(1.9)	(2.0)	(5.0)	(4.9)	(13.8)	(4.7)	(2.1)	(4.9)	(4.8)	(16.5)
Segment income (loss) before income taxes	\$ 8.1	\$ 14.7	\$ 42.0	\$ (1.9)	\$ 62.9	\$ (22.5)	\$ (5.0)	\$ 19.9	\$ (0.6)	\$ (8.2)
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	63.9 %	65.8 %	52.7 %	N/M	62.1 %	66.1 %	69.6 %	57.2 %	N/M	65.2 %
Prior year (favorable) unfavorable reserve development	1.0 %	1.0 %	(7.0)%	N/M	(0.8)%	(0.9)%	(2.3)%	(6.8)%	N/M	(2.8)%
Catastrophe losses	3.7 %	7.6 %	3.0 %	N/M	4.8 %	9.7 %	12.7 %	5.6 %	N/M	9.8 %
Total loss and LAE ratio	68.6 %	74.4 %	48.7 %	N/M	66.1 %	74.9 %	80.0 %	56.0 %	N/M	72.2 %
Expense ratio	37.2 %	27.0 %	38.7 %	N/M	34.1 %	38.8 %	27.1 %	39.1 %	N/M	34.7 %
Combined ratio	105.8 %	101.4 %	87.4 %	N/M	100.2 %	113.7 %	107.1 %	95.1 %	N/M	106.9 %
Change in policies in force	8.7 %	(2.4)%				9.1 %	(3.0)%			
Retention	82.5 %	80.6 %				83.8 %	80.3 %			

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

**CONSOLIDATED**

Nine Months ended September 30

	2012					2011				
	Commercial Lines	Personal Lines	Chaucer	Other P&C	Total P&C	Commercial Lines	Personal Lines	Chaucer	Other P&C	Total P&C
(In millions, except percentage data)										
Gross premiums written	\$ 1,668.4	\$ 1,217.8	\$ 1,110.3	\$ 0.3	\$ 3,996.8	\$ 1,462.7	\$ 1,181.3	\$ 281.9	\$ 0.3	\$ 2,926.2
Net premiums written	\$ 1,465.6	\$ 1,112.2	\$ 756.4	\$ 0.3	\$ 3,334.5	\$ 1,287.4	\$ 1,106.3	\$ 222.3	\$ 0.3	\$ 2,616.3
Net premiums earned	\$ 1,345.2	\$ 1,094.1	\$ 716.4	\$ 0.9	\$ 3,156.6	\$ 1,219.4	\$ 1,086.5	\$ 244.8	\$ 0.1	\$ 2,550.8
Losses and LAE:										
Current accident year, excluding catastrophe losses	827.8	704.9	410.6	0.3	1,943.6	755.5	734.2	140.0	0.3	1,630.0
Prior year (favorable) unfavorable reserve development	19.4	15.2	(43.9)	1.0	(8.3)	(27.2)	(28.5)	(16.6)	(0.3)	(72.6)
Catastrophe losses	66.5	83.1	17.0	-	166.6	144.4	148.0	13.6	-	306.0
Total losses and LAE	913.7	803.2	383.7	1.3	2,101.9	872.7	853.7	137.0	-	1,863.4
Policy acquisition and other underwriting expenses	506.5	305.5	268.1	1.9	1,082.0	479.9	302.5	95.7	-	878.1
<b>GAAP underwriting profit (loss)</b>	<b>(75.0)</b>	<b>(14.6)</b>	<b>64.6</b>	<b>(2.3)</b>	<b>(27.3)</b>	<b>(133.2)</b>	<b>(69.7)</b>	<b>12.1</b>	<b>0.1</b>	<b>(190.7)</b>
Net investment income	106.3	64.5	29.8	5.7	206.3	101.6	68.5	8.6	10.5	189.2
Other income	10.4	10.2	16.5	6.7	43.8	15.6	9.8	4.1	5.0	34.5
Other operating expenses	(9.1)	(5.6)	(13.6)	(14.9)	(43.2)	(13.6)	(6.1)	(4.9)	(14.1)	(38.7)
Segment income (loss) before income taxes	\$ 32.6	\$ 54.5	\$ 97.3	\$ (4.8)	\$ 179.6	\$ (29.6)	\$ 2.5	\$ 19.9	\$ 1.5	\$ (5.7)
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	61.7 %	64.4 %	57.3 %	N/M	61.6 %	62.0 %	67.6 %	57.2 %	N/M	63.9 %
Prior year (favorable) unfavorable reserve development	1.4 %	1.4 %	(6.1)%	N/M	(0.3)%	(2.2)%	(2.6)%	(6.8)%	N/M	(2.8)%
Catastrophe losses	4.9 %	7.6 %	2.4 %	N/M	5.3 %	11.8 %	13.6 %	5.6 %	N/M	12.0 %
Total loss and LAE ratio	68.0 %	73.4 %	53.6 %	N/M	66.6 %	71.6 %	78.6 %	56.0 %	N/M	73.1 %
Expense ratio	37.4 %	27.1 %	37.4 %	N/M	33.9 %	39.1 %	27.0 %	39.1 %	N/M	33.9 %
Combined ratio	105.4 %	100.5 %	91.0 %	N/M	100.5 %	110.7 %	105.6 %	95.1 %	N/M	107.0 %
Change in policies in force	8.7 %	(2.4)%				9.1 %	(3.0)%			
Retention	83.7 %	80.6 %				83.5 %	80.3 %			



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

**CONSOLIDATED**

(In millions, except percentage data)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Sep-YTD 2011	Sep-YTD 2012
Gross premiums written	\$ 1,198.3	\$ 1,133.0	\$ 1,287.8	\$ 1,417.1	\$ 1,291.9	\$ 2,926.2	\$ 3,996.8
Net premiums written	\$ 1,051.0	\$ 977.1	\$ 1,016.8	\$ 1,197.6	\$ 1,120.1	\$ 2,616.3	\$ 3,334.5
Net premiums earned	\$ 1,018.6	\$ 1,047.8	\$ 1,035.6	\$ 1,050.0	\$ 1,071.0	\$ 2,550.8	\$ 3,156.6
Losses and LAE:							
Current accident year, excluding catastrophe losses	664.1	662.5	638.0	640.8	664.8	1,630.0	1,943.6
Prior year (favorable) unfavorable reserve development	(28.8)	(30.7)	(17.2)	17.2	(8.3)	(72.6)	(8.3)
Catastrophe losses	99.6	55.6	40.6	74.1	51.9	306.0	166.6
Total losses and LAE	734.9	687.4	661.4	732.1	708.4	1,863.4	2,101.9
Policy acquisition and other underwriting expenses	357.8	353.7	358.2	354.6	369.2	878.1	1,082.0
GAAP underwriting profit (loss)	\$ (74.1)	\$ 6.7	\$ 16.0	\$ (36.7)	\$ (6.6)	\$ (190.7)	\$ (27.3)
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	65.2 %	63.2 %	61.7 %	61.1 %	62.1 %	63.9 %	61.6 %
Prior year (favorable) unfavorable reserve development	(2.8)%	(2.9)%	(1.7)%	1.6 %	(0.8)%	(2.8)%	(0.3)%
Catastrophe losses	9.8 %	5.3 %	3.9 %	7.1 %	4.8 %	12.0 %	5.3 %
Total loss and LAE ratio	72.2 %	65.6 %	63.9 %	69.8 %	66.1 %	73.1 %	66.6 %
Expense ratio	34.7 %	33.4 %	34.2 %	33.3 %	34.1 %	33.9 %	33.9 %
Combined ratio	106.9 %	99.0 %	98.1 %	103.1 %	100.2 %	107.0 %	100.5 %
Combined ratio, excluding catastrophe losses	97.1 %	93.7 %	94.2 %	96.0 %	95.4 %	95.0 %	95.2 %
Current accident year combined ratio, excluding catastrophe losses	99.9 %	96.6 %	95.9 %	94.4 %	96.2 %	97.8 %	95.5 %

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

**COMMERCIAL LINES**

**Three Months ended September 30**

	2012					2011				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 172.9	\$ 71.8	\$ 49.9	\$ 205.4	\$ 500.0	\$ 152.8	\$ 64.0	\$ 43.5	\$ 178.1	\$ 438.4
Net premiums earned	\$ 149.8	\$ 67.6	\$ 48.7	\$ 195.0	\$ 461.1	\$ 136.8	\$ 61.2	\$ 43.3	\$ 168.8	\$ 410.1
Losses and LAE:										
Current accident year, excluding catastrophe losses	88.1	47.9	34.7	124.5	295.2	86.8	39.6	33.8	110.5	270.7
Prior year (favorable) unfavorable reserve development	(1.6)	3.2	(2.2)	5.0	4.4	(5.8)	0.9	(2.2)	3.5	(3.6)
Catastrophe losses	8.8	0.3	-	7.9	17.0	22.9	2.2	-	14.7	39.8
Total losses and LAE	95.3	51.4	32.5	137.4	316.6	103.9	42.7	31.6	128.7	306.9
Policy acquisition and other underwriting expenses					172.3					160.3
<b>GAAP underwriting loss</b>					<b>(27.8)</b>					<b>(57.1)</b>
Net investment income					35.6					34.0
Other income					2.2					5.3
Other operating expenses					(1.9)					(4.7)
Segment income (loss) before income taxes					<u>\$ 8.1</u>					<u>\$ (22.5)</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	58.8 %	70.9 %	71.2 %	63.7 %	63.9 %	63.4 %	64.7 %	78.1 %	65.4 %	66.1 %
Prior year (favorable) unfavorable reserve development	(1.1)%	4.7 %	(4.5)%	2.6 %	1.0 %	(4.2)%	1.5 %	(5.1)%	2.1 %	(0.9)%
Catastrophe losses	5.9 %	0.4 %	N/M	4.1 %	3.7 %	16.7 %	3.6 %	N/M	8.7 %	9.7 %
Total loss and LAE ratio	63.6 %	76.0 %	66.7 %	70.4 %	68.6 %	75.9 %	69.8 %	73.0 %	76.2 %	74.9 %
Expense ratio					37.2 %					38.8 %
Combined ratio					<u>105.8 %</u>					<u>113.7 %</u>
Change in policies in force	2.5 %	3.4 %	9.0 %	16.3 %	8.7 %	4.1 %	11.1 %	11.5 %	12.5 %	9.1%
Retention	84.0 %	80.9 %	78.9 %	N/M	82.5 %	85.9 %	82.5 %	75.6 %	N/M	83.8%

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

**COMMERCIAL LINES**

**Nine Months ended September 30**

	2012					2011				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 474.4	\$ 213.5	\$ 153.7	\$ 624.0	\$ 1,465.6	\$ 434.7	\$ 190.7	\$ 133.5	\$ 528.5	\$ 1,287.4
Net premiums earned	\$ 437.0	\$ 197.7	\$ 141.7	\$ 568.8	\$ 1,345.2	\$ 416.3	\$ 183.7	\$ 128.7	\$ 490.7	\$ 1,219.4
Losses and LAE:										
Current accident year, excluding catastrophe losses	251.6	134.3	105.4	336.5	827.8	259.6	113.2	99.6	283.1	755.5
Prior year (favorable) unfavorable reserve development	(13.6)	11.8	(5.2)	26.4	19.4	(17.4)	2.3	(12.8)	0.7	(27.2)
Catastrophe losses	52.9	1.1	-	12.5	66.5	102.6	3.1	-	38.7	144.4
Total losses and LAE	290.9	147.2	100.2	375.4	913.7	344.8	118.6	86.8	322.5	872.7
Policy acquisition and other underwriting expenses					506.5					479.9
<b>GAAP underwriting loss</b>					<b>(75.0)</b>					<b>(133.2)</b>
Net investment income					106.3					101.6
Other income					10.4					15.6
Other operating expenses					(9.1)					(13.6)
Segment income (loss) before income taxes					<u>\$ 32.6</u>					<u>\$ (29.6)</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	57.6 %	67.8 %	74.4 %	59.2 %	61.7 %	62.4 %	61.5 %	77.4 %	57.7 %	62.0 %
Prior year (favorable) unfavorable reserve development	(3.1)%	6.0 %	(3.7)%	4.6 %	1.4 %	(4.2)%	1.3 %	(9.9)%	0.1 %	(2.2)%
Catastrophe losses	12.1 %	0.6 %	N/M	2.2 %	4.9 %	24.6 %	1.7 %	N/M	7.9 %	11.8 %
Total loss and LAE ratio	66.6 %	74.4 %	70.7 %	66.0 %	68.0 %	82.8 %	64.5 %	67.5 %	65.7 %	71.6 %
Expense ratio					37.4 %					39.1 %
Combined ratio					<u>105.4 %</u>					<u>110.7 %</u>
Change in policies in force	2.5 %	3.4 %	9.0 %	16.3 %	8.7 %	4.1 %	11.1 %	11.5 %	12.5 %	9.1%
Retention	84.9 %	83.2 %	79.8 %	N/M	83.7 %	85.4 %	81.3 %	79.8 %	N/M	83.5%

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

**COMMERCIAL LINES**

(In millions, except percentage data)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Sep-YTD 2011	Sep-YTD 2012
Gross premiums written	\$ 501.3	\$ 475.3	\$ 532.6	\$ 564.2	\$ 571.6	\$ 1,462.7	\$ 1,668.4
Net premiums written	\$ 438.4	\$ 415.7	\$ 468.9	\$ 496.7	\$ 500.0	\$ 1,287.4	\$ 1,465.6
Net premiums earned	\$ 410.1	\$ 422.3	\$ 434.9	\$ 449.2	\$ 461.1	\$ 1,219.4	\$ 1,345.2
Losses and LAE:							
Current accident year, excluding catastrophe losses	270.7	249.3	256.3	276.3	295.2	755.5	827.8
Prior year (favorable) unfavorable reserve development	(3.6)	(7.5)	0.5	14.5	4.4	(27.2)	19.4
Catastrophe losses	39.8	4.0	11.1	38.4	17.0	144.4	66.5
Total losses and LAE	306.9	245.8	267.9	329.2	316.6	872.7	913.7
Policy acquisition and other underwriting expenses	160.3	166.3	169.5	164.7	172.3	479.9	506.5
GAAP underwriting profit (loss)	\$ (57.1)	\$ 10.2	\$ (2.5)	\$ (44.7)	\$ (27.8)	\$ (133.2)	\$ (75.0)
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	66.1 %	59.1 %	58.9 %	61.6 %	63.9 %	62.0 %	61.7 %
Prior year (favorable) unfavorable reserve development	(0.9)%	(1.8)%	0.1 %	3.2 %	1.0 %	(2.2)%	1.4 %
Catastrophe losses	9.7 %	0.9 %	2.6 %	8.5 %	3.7 %	11.8 %	4.9 %
Total loss and LAE ratio	74.9 %	58.2 %	61.6 %	73.3 %	68.6 %	71.6 %	68.0 %
Expense ratio	38.8 %	39.2 %	38.7 %	36.4 %	37.2 %	39.1 %	37.4 %
Combined ratio	113.7 %	97.4 %	100.3 %	109.7 %	105.8 %	110.7 %	105.4 %
Combined ratio, excluding catastrophe losses	104.0 %	96.5 %	97.7 %	101.2 %	102.1 %	98.9 %	100.5 %
Current accident year combined ratio, excluding catastrophe losses	104.9 %	98.3 %	97.6 %	98.0 %	101.1 %	101.1 %	99.1 %

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

**PERSONAL LINES**

**Three Months ended September 30**

(In millions, except percentage data)	2012				2011			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 239.0	\$ 143.2	\$ 11.5	\$ 393.7	\$ 233.7	\$ 144.8	\$ 11.8	\$ 390.3
Net premiums earned	\$ 228.9	\$ 127.0	\$ 10.6	\$ 366.5	\$ 228.8	\$ 124.3	\$ 10.6	\$ 363.7
Losses and LAE:								
Current accident year, excluding catastrophe losses	168.6	68.6	4.3	241.5	170.2	77.7	5.4	253.3
Prior year (favorable) unfavorable reserve development	3.3	0.4	(0.1)	3.6	(9.5)	0.4	0.6	(8.5)
Catastrophe losses	3.7	23.6	0.4	27.7	2.7	42.1	1.4	46.2
Total losses and LAE	175.6	92.6	4.6	272.8	163.4	120.2	7.4	291.0
Policy acquisition and other underwriting expenses				102.1				101.8
<b>GAAP underwriting loss</b>				<b>(8.4)</b>				<b>(29.1)</b>
Net investment income				21.6				22.7
Other income				3.5				3.5
Other operating expenses				(2.0)				(2.1)
Segment income (loss) before income taxes				<u>\$ 14.7</u>				<u>\$ (5.0)</u>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	73.7 %	54.1 %	40.5 %	65.8 %	74.4 %	62.5 %	50.9 %	69.6 %
Prior year (favorable) unfavorable reserve development	1.4 %	0.3 %	(0.9)%	1.0 %	(4.2)%	0.3 %	5.7 %	(2.3)%
Catastrophe losses	1.6 %	18.6 %	3.8 %	7.6 %	1.2 %	33.9 %	13.2 %	12.7 %
Total loss and LAE ratio	76.7 %	73.0 %	43.4 %	74.4 %	71.4 %	96.7 %	69.8 %	80.0 %
Expense ratio				27.0 %				27.1 %
Combined ratio				<u>101.4 %</u>				<u>107.1 %</u>
Change in policies in force	(1.8)%	(2.5)%	(8.1)%	(2.4)%	(5.0)%	(0.6)%	(6.0)%	(3.0)%
Retention	79.0 %	81.8 %	N/M	80.6 %	78.5 %	81.7 %	N/M	80.3%

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

**PERSONAL LINES**

**Nine Months ended September 30**

(In millions, except percentage data)	2012				2011			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 699.6	\$ 380.5	\$ 32.1	\$ 1,112.2	\$ 694.4	\$ 379.2	\$ 32.7	\$ 1,106.3
Net premiums earned	\$ 681.5	\$ 380.6	\$ 32.0	\$ 1,094.1	\$ 686.8	\$ 368.0	\$ 31.7	\$ 1,086.5
Losses and LAE:								
Current accident year, excluding catastrophe losses	498.3	193.7	12.9	704.9	504.2	217.2	12.8	734.2
Prior year (favorable) unfavorable reserve development	10.0	4.2	1.0	15.2	(28.8)	(1.4)	1.7	(28.5)
Catastrophe losses	9.1	72.3	1.7	83.1	9.0	135.8	3.2	148.0
Total losses and LAE	517.4	270.2	15.6	803.2	484.4	351.6	17.7	853.7
Policy acquisition and other underwriting expenses				305.5				302.5
<b>GAAP underwriting loss</b>				<b>(14.6)</b>				<b>(69.7)</b>
Net investment income				64.5				68.5
Other income				10.2				9.8
Other operating expenses				(5.6)				(6.1)
Segment income before income taxes				<u>\$ 54.5</u>				<u>\$ 2.5</u>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	73.1 %	50.9 %	40.4 %	64.4 %	73.4 %	59.1 %	40.3 %	67.6 %
Prior year (favorable) unfavorable reserve development	1.5 %	1.1 %	3.1 %	1.4 %	(4.2)%	(0.4)%	5.4 %	(2.6)%
Catastrophe losses	1.3 %	19.0 %	5.3 %	7.6 %	1.3 %	36.9 %	10.1 %	13.6 %
Total loss and LAE ratio	75.9 %	71.0 %	48.8 %	73.4 %	70.5 %	95.6 %	55.8 %	78.6 %
Expense ratio				27.1 %				27.0 %
Combined ratio				<u>100.5 %</u>				<u>105.6 %</u>
Change in policies in force	(1.8)%	(2.5)%	(8.1)%	(2.4)%	(5.0)%	(0.6)%	(6.0)%	(3.0)%
Retention	79.0 %	81.8 %	N/M	80.6 %	78.5 %	81.7 %	N/M	80.3%

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

**PERSONAL LINES**

(In millions, except percentage data)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Sep-YTD 2011	Sep-YTD 2012
Gross premiums written	\$ 415.1	\$ 380.0	\$ 373.2	\$ 414.3	\$ 430.3	\$ 1,181.3	\$ 1,217.8
Net premiums written	\$ 390.3	\$ 354.9	\$ 347.4	\$ 371.1	\$ 393.7	\$ 1,106.3	\$ 1,112.2
Net premiums earned	\$ 363.7	\$ 364.0	\$ 363.3	\$ 364.3	\$ 366.5	\$ 1,086.5	\$ 1,094.1
Losses and LAE:							
Current accident year, excluding catastrophe losses	253.3	254.0	229.9	233.5	241.5	734.2	704.9
Prior year (favorable) unfavorable reserve development	(8.5)	(4.5)	3.8	7.8	3.6	(28.5)	15.2
Catastrophe losses	46.2	15.7	23.0	32.4	27.7	148.0	83.1
Total losses and LAE	291.0	265.2	256.7	273.7	272.8	853.7	803.2
Policy acquisition and other underwriting expenses	101.8	101.7	102.4	101.0	102.1	302.5	305.5
GAAP underwriting profit (loss)	\$ (29.1)	\$ (2.9)	\$ 4.2	\$ (10.4)	\$ (8.4)	\$ (69.7)	\$ (14.6)
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	69.6 %	69.7 %	63.4 %	64.1 %	65.8 %	67.6 %	64.4 %
Prior year (favorable) unfavorable reserve development	(2.3)%	(1.2)%	1.0 %	2.1 %	1.0 %	(2.6)%	1.4 %
Catastrophe losses	12.7 %	4.3 %	6.3 %	8.9 %	7.6 %	13.6 %	7.6 %
Total loss and LAE ratio	80.0 %	72.8 %	70.7 %	75.1 %	74.4 %	78.6 %	73.4 %
Expense ratio	27.1 %	27.1 %	27.3 %	26.9 %	27.0 %	27.0 %	27.1 %
Combined ratio	107.1 %	99.9 %	98.0 %	102.0 %	101.4 %	105.6 %	100.5 %
Combined ratio, excluding catastrophe losses	94.4 %	95.6 %	91.7 %	93.1 %	93.8 %	92.0 %	92.9 %
Current accident year combined ratio, excluding catastrophe losses	96.7 %	96.8 %	90.7 %	91.0 %	92.8 %	94.6 %	91.5 %

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

**CHAUCER**

Three Months ended September 30

(In millions, except percentage data)	2012						2011					
	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total	Property	Marine & Aviation	Energy	UK Motor	Casualty and Other	Total
Gross premiums written	\$ 41.6	\$ 67.8	\$ 42.2	\$ 89.7	\$ 48.7	\$ 290.0	\$ 52.6	\$ 69.4	\$ 43.3	\$ 71.7	\$ 44.9	\$ 281.9
Net premiums written	\$ 29.7	\$ 52.4	\$ 36.1	\$ 78.3	\$ 29.9	\$ 226.4	\$ 39.6	\$ 56.2	\$ 29.7	\$ 63.0	\$ 33.8	\$ 222.3
Net premiums earned	\$ 43.6	\$ 56.9	\$ 52.1	\$ 60.6	\$ 29.7	\$ 242.9	\$ 52.4	\$ 60.1	\$ 41.1	\$ 59.8	\$ 31.4	\$ 244.8
Losses and LAE:												
Current accident year, excluding catastrophe losses						128.0						140.0
Prior year favorable reserve development						(17.1)						(16.6)
Catastrophe losses						7.2						13.6
Total losses and LAE						118.1						137.0
Policy acquisition and other underwriting expenses						94.1						95.7
<b>GAAP underwriting profit</b>						30.7						12.1
Net investment income						10.2						8.6
Other income						6.1						4.1
Other operating expenses						(5.0)						(4.9)
Segment income before income taxes						<u>\$ 42.0</u>						<u>\$ 19.9</u>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						52.7 %						57.2 %
Prior year favorable reserve development						(7.0)%						(6.8)%
Catastrophe losses						3.0 %						5.6 %
Total loss and LAE ratio						48.7 %						56.0 %
Expense ratio						38.7 %						39.1 %
Combined ratio						<u>87.4 %</u>						<u>95.1 %</u>



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

**CHAUCER**

**Nine Months ended September 30**

	2012					
(In millions, except percentage data)	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 221.4	\$ 260.3	\$ 241.2	\$ 232.9	\$ 154.5	\$ 1,110.3
Net premiums written	\$ 137.1	\$ 177.0	\$ 147.3	\$ 191.1	\$ 103.9	\$ 756.4
Net premiums earned	\$ 134.8	\$ 169.4	\$ 135.7	\$ 182.4	\$ 94.1	\$ 716.4
Losses and LAE:						
Current accident year, excluding catastrophe losses						410.6
Prior year (favorable) unfavorable reserve development						(43.9)
Catastrophe losses						17.0
Total losses and LAE						383.7
Policy acquisition and other underwriting expenses						268.1
<b>GAAP underwriting profit</b>						<b>64.6</b>
Net investment income						29.8
Other income						16.5
Other operating expenses						(13.6)
Segment income before income taxes						\$ 97.3
Loss and LAE ratio:						
Current accident year, excluding catastrophe losses						57.3 %
Prior year (favorable) unfavorable reserve development						(6.1)%
Catastrophe losses						2.4 %
Total loss and LAE ratio						53.6 %
Expense ratio						37.4 %
Combined ratio						91.0 %

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

**CHAUCER**

(In millions, except percentage data)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Sep-YTD 2012
Gross premiums written	\$ 281.9	\$ 277.7	\$ 381.7	\$ 438.6	\$ 290.0	\$ 1,110.3
Net premiums written	\$ 222.3	\$ 206.5	\$ 200.2	\$ 329.8	\$ 226.4	\$ 756.4
Net premiums earned	\$ 244.8	\$ 261.5	\$ 237.0	\$ 236.5	\$ 242.9	\$ 716.4
Losses and LAE:						
Current accident year, excluding catastrophe losses	140.0	159.2	151.6	131.0	128.0	410.6
Prior year favorable reserve development	(16.6)	(18.9)	(21.7)	(5.1)	(17.1)	(43.9)
Catastrophe losses	13.6	35.9	6.5	3.3	7.2	17.0
Total losses and LAE	137.0	176.2	136.4	129.2	118.1	383.7
Policy acquisition and other underwriting expenses	95.7	85.5	85.9	88.1	94.1	268.1
GAAP underwriting profit (loss)	<u>\$ 12.1</u>	<u>\$ (0.2)</u>	<u>\$ 14.7</u>	<u>\$ 19.2</u>	<u>\$ 30.7</u>	<u>\$ 64.6</u>
Loss and LAE ratio:						
Current accident year, excluding catastrophe losses	57.2 %	60.9 %	64.1 %	55.5 %	52.7 %	57.3 %
Prior year favorable reserve development	(6.8)%	(7.2)%	(9.2)%	(2.2)%	(7.0)%	(6.1)%
Catastrophe losses	5.6 %	13.7 %	2.7 %	1.4 %	3.0 %	2.4 %
Total loss and LAE ratio	56.0 %	67.4 %	57.6 %	54.7 %	48.7 %	53.6 %
Expense ratio	39.1 %	32.7 %	36.2 %	37.2 %	38.7 %	37.4 %
Combined ratio	<u>95.1 %</u>	<u>100.1 %</u>	<u>93.8 %</u>	<u>91.9 %</u>	<u>87.4 %</u>	<u>91.0 %</u>
Combined ratio, excluding catastrophe losses	89.5%	86.4%	91.1 %	90.5 %	84.4 %	88.6 %
Current accident year combined ratio, excluding catastrophe losses	96.3%	93.6%	100.3 %	92.7 %	91.4 %	94.7 %

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

(In millions, except yields)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q3 YTD 2011	Q3 YTD 2012
<b>Net Investment Income</b>							
Fixed maturities	\$ 66.1	\$ 67.3	\$ 65.9	\$ 66.5	\$ 66.3	\$ 187.0	\$ 198.7
Equity securities	1.5	2.6	3.4	2.8	4.0	4.2	10.2
Other investments	2.3	1.0	2.0	1.5	1.7	3.8	5.2
Investment expenses	(2.1)	(1.9)	(2.5)	(2.3)	(2.8)	(5.8)	(7.6)
Total	\$ 67.8	\$ 69.0	\$ 68.8	\$ 68.5	\$ 69.2	\$ 189.2	\$ 206.5
<b>Pre-tax Yields</b>							
Fixed maturities	4.49%	4.48%	4.38%	4.31%	4.23%	4.99%	4.31%
Total	3.96%	3.92%	3.90%	3.91%	3.88%	4.69%	3.90%

Pre-tax yields are calculated as annualized investment income divided by the average of investment balances at the end of each month during the period. Investment balances, for purposes of the pre-tax yield calculation, exclude unrealized capital gains and losses.

**THE HANOVER INSURANCE GROUP**  
**INVESTMENT PORTFOLIO**  
September 30, 2012

(In millions)

<b>Investment Type</b>	<b>Weighted Average Quality</b>	<b>Amortized Cost or Cost</b>	<b>Fair Value</b>	<b>% of Total</b>	<b>Net Unrealized Gain</b>	<b>Change in Net Unrealized During Q3 2012</b>	<b>Change in Net Unrealized YTD</b>
Fixed Maturities:							
U.S. Treasury and government agencies	AAA	\$ 214.3	\$ 223.5	2.8%	\$ 9.2	\$ 0.9	\$ 1.6
Foreign government	AAA	360.3	364.8	4.6%	4.5	2.7	4.6
Municipals:							
Taxable	AA	807.7	889.2	11.3%	81.5	5.8	23.1
Tax exempt	AA-	143.3	149.4	1.9%	6.1	1.1	1.0
Corporate:							
NAIC 1	A	1,853.9	1,976.3	25.0%	122.4	23.8	55.2
NAIC 2	BBB	1,341.7	1,462.0	18.5%	120.3	25.0	40.9
NAIC 3 and below	B+	314.5	334.9	4.2%	20.4	5.9	9.6
Total corporate	BBB+	<u>3,510.1</u>	<u>3,773.2</u>	<u>47.7%</u>	<u>263.1</u>	<u>54.7</u>	<u>105.7</u>
Asset backed:							
Residential mortgage backed	AA	792.5	832.4	10.5%	39.9	6.1	7.4
Commercial mortgage backed	AA	342.7	365.5	4.6%	22.8	6.0	8.8
Asset backed	AA+	192.7	196.9	2.5%	4.2	2.5	3.1
Total fixed maturities	A+	<u>6,363.6</u>	<u>6,794.9</u>	<u>85.9%</u>	<u>431.3</u>	<u>79.8</u>	<u>155.3</u>
Equity securities		363.0	392.8	5.0%	29.8	5.1	23.3
Total fixed maturities and equity securities		<u>6,726.6</u>	<u>7,187.7</u>	<u>90.9%</u>	<u>461.1</u>	<u>84.9</u>	<u>178.6</u>
Cash and cash equivalents		462.0	462.0	5.8%	-	-	-
Other investments		253.9	257.1	3.3%	3.2	0.3	0.3
Total		<u>\$ 7,442.5</u>	<u>\$ 7,906.8</u>	<u>100.0%</u>	<u>\$ 464.3</u>	<u>\$ 85.2</u>	<u>\$ 178.9</u>

**THE HANOVER INSURANCE GROUP**  
**CREDIT QUALITY AND DURATION OF FIXED MATURITIES**  
September 30, 2012

(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	\$ 4,573.7	\$ 4,859.8	71.5%
2	Baa	1,439.1	1,563.3	23.0%
3	Ba	147.3	159.7	2.3%
4	B	134.7	142.7	2.1%
5	Caa and lower	58.2	58.5	0.9%
6	In or near default	10.6	10.9	0.2%
Total fixed maturities		<u>\$ 6,363.6</u>	<u>\$ 6,794.9</u>	<u>100.0%</u>

**DURATION OF FIXED MATURITIES**

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 years	\$ 1,817.8	\$ 1,869.6	27.5%
2-4 years	1,975.5	2,095.3	30.8%
4-6 years	1,088.4	1,207.2	17.8%
6-8 years	954.3	1,051.3	15.5%
8-10 years	396.3	427.2	6.3%
10+ years	131.3	144.3	2.1%
Total fixed maturities	<u>\$ 6,363.6</u>	<u>\$ 6,794.9</u>	<u>100.0%</u>
Weighted Average Duration	<u>3.93</u>		

**THE HANOVER INSURANCE GROUP**  
**TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS**  
**September 30, 2012**

(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>S&amp;P Ratings</b>
Royal Bank of Scotland: (1)				
Term deposits (2)	\$ 165.8	\$ 168.8	2.13%	A
Notes	14.8	15.3	0.19%	A
Lloyds TSB Bank: (3)				
Term deposits (2)	83.9	85.2	1.08%	A
Notes	6.7	7.0	0.09%	A
GE Capital	37.3	39.5	0.50%	AA+
JP Morgan	29.1	30.4	0.38%	A
American Express	28.8	31.0	0.39%	A-
Wells Fargo	27.9	30.5	0.39%	A+
Citigroup	24.3	26.1	0.33%	A-
Metlife	24.0	25.9	0.33%	AA-
Morgan Stanley	23.5	24.7	0.31%	A-
Miller Brewing Co	22.5	24.4	0.31%	BBB+
<b>Top 10 Corporate and Municipal Fixed</b>	<b>\$ 488.6</b>	<b>\$ 508.8</b>	<b>6.43%</b>	

(1) UK government owns 83% of bank equity

(2) Weighted average duration is approximately 1 year

(3) UK government owns 40% of bank equity

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

	Three Months ended September 30				Nine Months ended September 30			
	2012		2011		2012		2011	
(In millions, except per share data)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)
<b>SEGMENT INCOME</b>								
Commercial Lines	\$ 8.1		\$ (22.5)		\$ 32.6		\$ (29.6)	
Personal Lines	14.7		(5.0)		54.5		2.5	
Chaucer	42.0		19.9		97.3		19.9	
Other Property and Casualty	(1.9)		(0.6)		(4.8)		1.5	
Total	<u>62.9</u>		<u>(8.2)</u>		<u>179.6</u>		<u>(5.7)</u>	
Interest expense	<u>(14.6)</u>		<u>(17.4)</u>		<u>(46.7)</u>		<u>(38.6)</u>	
Segment income (loss) before income taxes	48.3	\$ 1.07	(25.6)	\$ (0.56)	132.9	\$ 2.93	(44.3)	\$ (0.98)
Income tax benefit (expense) on segment income (loss)	<u>(15.8)</u>	<u>(0.35)</u>	6.8	0.15	<u>(44.4)</u>	<u>(0.98)</u>	13.0	0.29
Segment income (loss) after income taxes	32.5	0.72	(18.8)	(0.41)	88.5	1.95	(31.3)	(0.69)
Net realized investment gains	5.0	0.11	8.2	0.18	4.7	0.10	24.9	0.55
Loss from retirement of debt	-	-	(0.1)	-	-	-	(2.3)	(0.05)
Net costs related to acquired businesses	0.2	-	(1.9)	(0.04)	(2.2)	(0.05)	(15.7)	(0.35)
Loss on derivative instruments	-	-	(6.6)	(0.15)	-	-	(11.3)	(0.25)
Income tax benefit on non-segment income	3.5	0.08	2.5	0.05	10.7	0.24	14.1	0.31
Income (loss) from continuing operations	<u>40.9</u>	<u>0.90</u>	<u>(10.0)</u>	<u>(0.22)</u>	<u>101.4</u>	<u>2.23</u>	<u>(14.9)</u>	<u>(0.33)</u>
Discontinued operations, net of taxes	<u>(0.5)</u>	<u>(0.01)</u>	-	-	<u>9.5</u>	<u>0.21</u>	<u>2.0</u>	<u>0.05</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 40.4</u>	<u>\$ 0.89</u>	<u>\$ (10.0)</u>	<u>\$ (0.22)</u>	<u>\$ 110.9</u>	<u>\$ 2.44</u>	<u>\$ (12.9)</u>	<u>\$ (0.28)</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. These metrics include segment income before interest expense and taxes, total segment income after taxes, total segment 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 segment income and loss ratios excluding catastrophe losses and reserve development. After-tax segment income EPS (sometimes referred to as "after-tax segment income per share") is a non-GAAP measure. It is defined as net income (loss) excluding the after-tax impact of net realized investment gains (losses), as well as results from discontinued operations for a period divided by the average number of diluted shares of common stock.

Segment income before interest expense and taxes is net income, excluding interest expense on debt, income taxes and net realized investment gains and losses, because fluctuations in these gains and losses are determined by interest rates, financial markets and the timing of sales. Segment 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. Segment income before interest expense and taxes is the sum of the segment income from: Commercial Lines, Personal Lines, Chaucer, and Other Property and Casualty. The Hanover believes that measures of segment income before interest expense and taxes provide investors with a valuable measure of the performance of the Company's ongoing businesses because they highlight net income attributable to the core operations of the business.

Book value per share is total shareholders' equity divided by the number of common shares outstanding. Book value per share excluding net unrealized gains and losses related to investments, net of tax is total shareholders' equity excluding the after-tax effect of unrealized investment gains and losses divided by the number of common shares outstanding. Tangible book value per share is total shareholders' equity, excluding goodwill, divided by the number of common shares outstanding.

The Hanover also provides measures of segment 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 segment 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.

Segment income before and after interest expense and taxes and measures of segment 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 segment income before interest expense and taxes and income from continuing operations per share to segment income after taxes per share for the three and nine months ended September 30, 2012 and 2011 is set forth on page 21 of this document. The presentation of loss ratios calculated excluding the effects of reserve development and/or catastrophe losses should not be construed as a substitute for loss ratios determined in accordance with GAAP.



**CORPORATE OFFICES AND PRINCIPAL SUBSIDIARIES**

**THE HANOVER INSURANCE GROUP, INC.**

440 Lincoln Street  
Worcester, MA 01653

**The Hanover Insurance Company**

440 Lincoln Street  
Worcester, MA 01653

**Citizens Insurance Company of America**

645 West Grand River  
Howell, MI 48843

**Chaucer Holdings PLC**

Plantation Place  
30 Fenchurch Street  
London  
EC3M 3AD

**MARKET AND DIVIDEND INFORMATION**

The following information shows trading activity for the Company for the periods indicated:

Quarter Ended	2012		
	Price Range		Dividends Per Share
	High	Low	
March 31	\$41.52	\$34.27	\$0.300
June 30	\$41.04	\$37.17	\$0.300
September 30	<b>\$39.69</b>	<b>\$33.99</b>	<b>\$0.300</b>

Quarter Ended	2011		
	Price Range		Dividends Per Share
	High	Low	
March 31	\$48.82	\$45.08	\$0.275
June 30	\$46.15	\$36.18	\$0.275
September 30	\$37.97	\$31.22	\$0.275
December 31	\$39.23	\$33.26	\$0.300

**INDUSTRY RATINGS AS OF OCTOBER 31, 2012**

Financial Strength Ratings	A.M. Best	Standard & Poor's	Moody's
	<b>Property and Casualty Insurance Companies:</b>		
The Hanover Insurance Company	A	A-	A3
Citizens Insurance Company of America	A	A-	-
<b>Debt Ratings</b>			
The Hanover Insurance Group, Inc. Senior Debt	bbb	BBB-	Baa3
The Hanover Insurance Group, Inc. Junior Subordinated Debentures	bb+	BB-	Ba1

**TRANSFER AGENT**

Computershare Limited  
PO Box 43076  
Providence, RI 02940-3076  
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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Investor Relations  
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**INVESTOR INFORMATION LINE**

Dial 1-800-407-5222 to receive additional printed information, fax-on-demand services or other prerecorded messages.

Please visit our internet site at [http:// www.Hanover.com](http://www.Hanover.com)