



FINANCIAL SUPPLEMENT  
FOURTH QUARTER 2014

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

---

**TABLE OF CONTENTS**

<b>Business Description</b> .....	1
<b>Financial Highlights</b> .....	2
<b>Consolidated Financial Statements</b>	
Income Statements.....	3
Balance Sheets.....	4
<b>GAAP Underwriting Results</b>	
Consolidated.....	5-7
Commercial Lines.....	8-10
Personal Lines.....	11-13
Chaucer.....	14-16
<b>Investments</b>	
Net Investment Income and Yields.....	17
Investment Portfolio.....	18
Credit Quality and Duration of Fixed Maturities.....	19
Top 10 Corporate and Municipal Fixed Maturity Holdings.....	20
<b>Reconciliation of Operating Income (Loss) to Net Income (Loss)</b> .....	21
<b>Other Information</b>	
Non-GAAP Financial Measures.....	22
Corporate Information.....	23
Market and Dividend Information.....	23
Financial Strength and Debt Ratings.....	23

**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.

**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**

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 voluntary pools business which is in run-off.

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

(In millions, except earnings per share)	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Dec-YTD 2013	Dec-YTD 2014
<b>PREMIUMS</b>							
Gross premiums written	\$ 1,175.4	\$ 1,408.1	\$ 1,423.6	\$ 1,388.2	\$ 1,245.5	\$ 5,201.7	\$ 5,465.4
Net premiums written	1,051.5	1,172.3	1,276.2	1,244.8	1,116.8	4,552.7	4,810.1
Net premiums earned	1,140.7	1,163.0	1,174.7	1,184.0	1,188.6	4,450.5	4,710.3
<b>EARNINGS</b>							
Operating income before interest and taxes	\$ 102.9	\$ 85.0	\$ 102.2	\$ 86.4	\$ 132.6	\$ 393.4	\$ 406.2
Operating income after taxes	59.6	47.0	58.4	47.7	79.6	227.2	232.7
Income from continuing operations	64.9	54.7	82.5	55.0	90.1	245.7	282.3
Net income	70.1	54.6	82.6	54.9	89.9	251.0	282.0
<b>PER SHARE DATA (DILUTED)</b>							
Operating income after taxes	\$ 1.33	\$ 1.05	\$ 1.30	\$ 1.06	\$ 1.77	\$ 5.06	\$ 5.19
Income from continuing operations	1.45	1.22	1.84	1.22	2.01	5.47	6.29
Net income	1.57	1.22	1.84	1.22	2.00	5.59	6.28
Weighted average shares outstanding	44.8	44.8	44.9	44.9	45.0	44.9	44.9

**BALANCE SHEET**

(In millions, except per share data)	December 31 2013	March 31 2014	June 30 2014	September 30 2014	December 31 2014
Total assets	\$ 13,378.7	\$ 13,643.0	\$ 13,964.8	\$ 13,960.2	\$ 13,759.7
Total loss and loss adjustment expense reserves	6,231.5	6,323.4	6,448.0	6,435.0	6,391.7
Total shareholders' equity	2,594.5	2,681.1	2,795.1	2,771.9	2,844.0
U.S. Property and Casualty Companies					
Statutory surplus	\$ 1,834.3	\$ 1,900.4	\$ 1,974.9	\$ 1,998.6	\$ 2,052.0
Premium to surplus ratio	1.87:1	1.83: 1	1.77:1	1.77:1	1.75:1
Book value per share	\$ 59.43	\$ 61.24	\$ 63.65	\$ 63.37	\$ 64.85
Book value per share, excluding net unrealized investment gains and losses, net of tax	\$ 56.07	\$ 56.70	\$ 58.16	\$ 59.04	\$ 60.07
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 52.22	\$ 54.06	\$ 56.47	\$ 56.30	\$ 57.91
Shares outstanding	43.7	43.8	43.9	43.7	43.9
Total debt/equity	34.8 %	33.7 %	32.3 %	32.6 %	31.8 %
Total debt/total capital	25.8 %	25.2 %	24.4 %	24.6 %	24.1 %

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

(In millions)	Three Months ended December 31			Year ended December 31		
	2014	2013	% Change	2014	2013	% Change
<b>REVENUES</b>						
Premiums earned	\$ 1,188.6	\$ 1,140.7	4.2	\$ 4,710.3	\$ 4,450.5	5.8
Net investment income	68.8	68.1	1.0	270.3	269.0	0.5
Net realized investment gains	18.6	10.7	73.8	50.1	33.5	49.6
Fees and other income	9.1	9.5	(4.2)	36.9	40.7	(9.3)
Total revenues	<u>1,285.1</u>	<u>1,229.0</u>	<u>4.6</u>	<u>5,067.6</u>	<u>4,793.7</u>	<u>5.7</u>
<b>LOSSES AND EXPENSES</b>						
Losses and loss adjustment expenses	695.9	689.7	0.9	2,927.5	2,761.1	6.0
Amortization of deferred acquisition costs	266.7	251.9	5.9	1,040.0	971.0	7.1
Interest expense	16.3	16.6	(1.8)	65.2	65.3	(0.2)
Other operating expenses	183.3	182.6	0.4	656.9	667.2	(1.5)
Total losses and expenses	<u>1,162.2</u>	<u>1,140.8</u>	<u>1.9</u>	<u>4,689.6</u>	<u>4,464.6</u>	<u>5.0</u>
Income from continuing operations before income taxes	122.9	88.2	39.3	378.0	329.1	14.9
Income tax expense	32.8	23.3	40.8	95.7	83.4	14.7
Income from continuing operations	<u>90.1</u>	<u>64.9</u>	<u>38.8</u>	<u>282.3</u>	<u>245.7</u>	<u>14.9</u>
Discontinued operations	<u>(0.2)</u>	<u>5.2</u>	<u>N/M</u>	<u>(0.3)</u>	<u>5.3</u>	<u>N/M</u>
Net income	<u>\$ 89.9</u>	<u>\$ 70.1</u>	<u>28.2</u>	<u>\$ 282.0</u>	<u>\$ 251.0</u>	<u>12.4</u>

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

(In millions, except per share data)	December 31 2014	December 31 2013	% Change
<b>ASSETS</b>			
Investments:			
Fixed maturities, at fair value (amortized cost of \$7,145.7 and \$6,815.2)	\$ 7,378.1	\$ 6,970.6	5.8
Equity securities, at fair value (cost of \$506.6 and \$366.5)	580.8	430.2	35.0
Other investments	291.4	192.5	51.4
Total investments	<u>8,250.3</u>	<u>7,593.3</u>	8.7
Cash and cash equivalents	373.3	486.2	(23.2)
Accrued investment income	66.9	68.0	(1.6)
Premiums and accounts receivable, net	1,360.9	1,324.6	2.7
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,268.2	2,335.0	(2.9)
Deferred acquisition costs	525.7	506.0	3.9
Deferred income taxes	131.2	239.7	(45.3)
Goodwill	184.6	184.9	(0.2)
Other assets	486.6	526.1	(7.5)
Assets of discontinued operations	112.0	114.9	(2.5)
Total assets	<u>\$ 13,759.7</u>	<u>\$ 13,378.7</u>	2.8
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Loss and loss adjustment expense reserves	\$ 6,391.7	\$ 6,231.5	2.6
Unearned premiums	2,583.9	2,515.8	2.7
Expenses and taxes payable	695.4	637.2	9.1
Reinsurance premiums payable	226.8	374.7	(39.5)
Debt	903.5	903.9	0.0
Liabilities of discontinued operations	114.4	121.1	(5.5)
Total liabilities	<u>10,915.7</u>	<u>10,784.2</u>	1.2
<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	1,830.7	1,830.1	0.03
Accumulated other comprehensive income	206.4	177.6	16.2
Retained earnings	1,558.7	1,349.1	15.5
Treasury stock at cost (16.6 and 16.8 million shares)	(752.4)	(762.9)	(1.4)
Total shareholders' equity	<u>2,844.0</u>	<u>2,594.5</u>	9.6
Total liabilities and shareholders' equity	<u>\$ 13,759.7</u>	<u>\$ 13,378.7</u>	2.8

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

**CONSOLIDATED**

Three Months ended December 31

	2014					2013				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 575.7	\$ 376.5	\$ 293.3	\$ -	\$ 1,245.5	\$ 541.8	\$ 368.2	\$ 265.4	\$ -	\$ 1,175.4
Net premiums written	\$ 499.0	\$ 353.7	\$ 264.1	\$ -	\$ 1,116.8	\$ 471.6	\$ 342.9	\$ 237.0	\$ -	\$ 1,051.5
Net premiums earned	\$ 529.2	\$ 353.6	\$ 305.8	\$ -	\$ 1,188.6	\$ 503.3	\$ 355.3	\$ 282.1	\$ -	\$ 1,140.7
Losses and LAE:										
Current accident year, excluding catastrophe losses	311.8	214.1	177.0	-	702.9	300.2	221.2	159.2	0.1	680.7
Prior year unfavorable (favorable) reserve development	5.7	(1.2)	(33.2)	0.4	(28.3)	0.3	3.2	(22.8)	0.4	(18.9)
Catastrophe losses	10.2	9.2	1.9	-	21.3	7.7	12.7	7.5	-	27.9
Total losses and LAE	327.7	222.1	145.7	0.4	695.9	308.2	237.1	143.9	0.5	689.7
Amortization of deferred acquisition costs and other underwriting expense:	201.7	102.7	123.6	0.6	428.6	196.3	108.4	109.0	0.6	414.3
<b>GAAP underwriting profit (loss)</b>	<b>(0.2)</b>	<b>28.8</b>	<b>36.5</b>	<b>(1.0)</b>	<b>64.1</b>	<b>(1.2)</b>	<b>9.8</b>	<b>29.2</b>	<b>(1.1)</b>	<b>36.7</b>
Net investment income	37.5	18.0	12.0	1.3	68.8	36.1	19.1	11.3	1.6	68.1
Other income	2.0	3.1	3.2	0.8	9.1	1.7	3.0	4.0	0.8	9.5
Other operating expenses	(2.8)	(1.9)	(0.8)	(3.9)	(9.4)	(1.9)	(1.4)	(4.3)	(3.8)	(11.4)
<b>Operating income (loss) before income taxes</b>	<b>\$ 36.5</b>	<b>\$ 48.0</b>	<b>\$ 50.9</b>	<b>\$ (2.8)</b>	<b>\$ 132.6</b>	<b>\$ 34.7</b>	<b>\$ 30.5</b>	<b>\$ 40.2</b>	<b>\$ (2.5)</b>	<b>\$ 102.9</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	58.9 %	60.5 %	58.0 %	N/M	59.1 %	59.7 %	62.2 %	56.4 %	N/M	59.8 %
Prior year unfavorable (favorable) reserve development	1.1 %	(0.3)%	(10.9)%	N/M	(2.4)%	0.1 %	0.9 %	(8.1)%	N/M	(1.7)%
Catastrophe losses	1.9 %	2.6 %	0.6 %	N/M	1.8 %	1.5 %	3.6 %	2.7 %	N/M	2.4 %
Total loss and LAE ratio	61.9 %	62.8 %	47.7 %	N/M	58.5 %	61.3 %	66.7 %	51.0 %	N/M	60.5 %
Expense ratio	37.9 %	28.3 %	40.4 %	N/M	35.8 %	38.8 %	29.8 %	38.6 %	N/M	36.0 %
<b>Combined ratio</b>	<b>99.8 %</b>	<b>91.1 %</b>	<b>88.1 %</b>	<b>N/M</b>	<b>94.3 %</b>	<b>100.1 %</b>	<b>96.5 %</b>	<b>89.6 %</b>	<b>N/M</b>	<b>96.5 %</b>

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

**CONSOLIDATED**

Year ended December 31

	2014					2013				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 2,442.5	\$ 1,517.3	\$ 1,505.6	\$ -	\$ 5,465.4	\$ 2,295.9	\$ 1,531.6	\$ 1,374.2	\$ -	\$ 5,201.7
Net premiums written	\$ 2,155.9	\$ 1,422.8	\$ 1,231.4	\$ -	\$ 4,810.1	\$ 2,007.2	\$ 1,428.0	\$ 1,117.5	\$ -	\$ 4,552.7
Net premiums earned	\$ 2,081.4	\$ 1,407.1	\$ 1,221.8	\$ -	\$ 4,710.3	\$ 1,958.4	\$ 1,454.2	\$ 1,037.9	\$ -	\$ 4,450.5
Losses and LAE:										
Current accident year, excluding catastrophe losses	1,216.1	878.0	709.5	-	2,803.6	1,179.9	919.1	598.4	-	2,697.4
Prior year unfavorable (favorable) reserve development	9.2	(5.1)	(104.6)	1.4	(99.1)	3.3	13.7	(94.6)	1.3	(76.3)
Catastrophe losses	87.8	106.4	28.8	-	223.0	38.7	66.9	34.4	-	140.0
Total losses and LAE	1,313.1	979.3	633.7	1.4	2,927.5	1,221.9	999.7	538.2	1.3	2,761.1
Amortization of deferred acquisition costs and other underwriting expense:	776.6	405.7	465.6	1.7	1,649.6	747.5	416.9	392.0	2.1	1,558.5
<b>GAAP underwriting profit (loss)</b>	<b>(8.3)</b>	<b>22.1</b>	<b>122.5</b>	<b>(3.1)</b>	<b>133.2</b>	<b>(11.0)</b>	<b>37.6</b>	<b>107.7</b>	<b>(3.4)</b>	<b>130.9</b>
Net investment income	149.4	71.9	44.2	4.8	270.3	143.5	75.8	42.7	7.0	269.0
Other income	8.2	12.0	13.7	3.0	36.9	7.6	12.5	17.6	3.0	40.7
Other operating expenses	(9.4)	(7.0)	(2.8)	(15.0)	(34.2)	(7.7)	(7.3)	(17.6)	(14.6)	(47.2)
<b>Operating income (loss) before income taxes</b>	<b>\$ 139.9</b>	<b>\$ 99.0</b>	<b>\$ 177.6</b>	<b>\$ (10.3)</b>	<b>\$ 406.2</b>	<b>\$ 132.4</b>	<b>\$ 118.6</b>	<b>\$ 150.4</b>	<b>\$ (8.0)</b>	<b>\$ 393.4</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	58.5 %	62.4 %	58.1 %	N/M	59.6 %	60.2 %	63.3 %	57.6 %	N/M	60.6 %
Prior year unfavorable (favorable) reserve development	0.4 %	(0.4)%	(8.6)%	N/M	(2.1)%	0.2 %	0.9 %	(9.1)%	N/M	(1.7)%
Catastrophe losses	4.2 %	7.6 %	2.4 %	N/M	4.7 %	2.0 %	4.6 %	3.3 %	N/M	3.1 %
Total loss and LAE ratio	63.1 %	69.6 %	51.9 %	N/M	62.2 %	62.4 %	68.8 %	51.8 %	N/M	62.0 %
Expense ratio	37.1 %	28.1 %	38.1 %	N/M	34.7 %	38.0 %	27.9 %	37.8 %	N/M	34.7 %
<b>Combined ratio</b>	<b>100.2 %</b>	<b>97.7 %</b>	<b>90.0 %</b>	<b>N/M</b>	<b>96.9 %</b>	<b>100.4 %</b>	<b>96.7 %</b>	<b>89.6 %</b>	<b>N/M</b>	<b>96.7 %</b>



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

**CONSOLIDATED**

(In millions, except percentage data)	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Dec-YTD 2013	Dec-YTD 2014
Gross premiums written	\$ 1,175.4	\$ 1,408.1	\$ 1,423.6	\$ 1,388.2	\$ 1,245.5	\$ 5,201.7	\$ 5,465.4
Net premiums written	\$ 1,051.5	\$ 1,172.3	\$ 1,276.2	\$ 1,244.8	\$ 1,116.8	\$ 4,552.7	\$ 4,810.1
Net premiums earned	\$ 1,140.7	\$ 1,163.0	\$ 1,174.7	\$ 1,184.0	\$ 1,188.6	\$ 4,450.5	\$ 4,710.3
Losses and LAE:							
Current accident year, excluding catastrophe losses	680.7	712.3	699.0	689.4	702.9	2,697.4	2,803.6
Prior year favorable reserve development	(18.9)	(19.7)	(29.2)	(21.9)	(28.3)	(76.3)	(99.1)
Catastrophe losses	27.9	57.9	55.7	88.1	21.3	140.0	223.0
Total losses and LAE	689.7	750.5	725.5	755.6	695.9	2,761.1	2,927.5
Amortization of deferred acquisition costs and other underwriting expenses	414.3	395.7	414.9	410.4	428.6	1,558.5	1,649.6
<b>GAAP underwriting profit</b>	<b>\$ 36.7</b>	<b>\$ 16.8</b>	<b>\$ 34.3</b>	<b>\$ 18.0</b>	<b>\$ 64.1</b>	<b>\$ 130.9</b>	<b>\$ 133.2</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	59.8 %	61.3 %	59.6 %	58.2 %	59.1 %	60.6 %	59.6 %
Prior year favorable reserve development	(1.7)%	(1.7)%	(2.5)%	(1.8)%	(2.4)%	(1.7)%	(2.1)%
Catastrophe losses	2.4 %	5.0 %	4.7 %	7.4 %	1.8 %	3.1 %	4.7 %
Total loss and LAE ratio	60.5 %	64.6 %	61.8 %	63.8 %	58.5 %	62.0 %	62.2 %
Expense ratio	36.0 %	33.7 %	35.0 %	34.4 %	35.8 %	34.7 %	34.7 %
<b>Combined ratio</b>	<b>96.5 %</b>	<b>98.3 %</b>	<b>96.8 %</b>	<b>98.2 %</b>	<b>94.3 %</b>	<b>96.7 %</b>	<b>96.9 %</b>
Combined ratio, excluding catastrophe losses	94.1 %	93.3 %	92.1 %	90.8 %	92.5 %	93.6 %	92.2 %
Current accident year combined ratio, excluding catastrophe losses	95.8 %	95.0 %	94.6 %	92.6 %	94.9 %	95.3 %	94.3 %

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

**COMMERCIAL LINES**

Three Months ended December 31

	2014					2013				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 161.0	\$ 70.7	\$ 54.2	\$ 213.1	\$ 499.0	\$ 149.0	\$ 74.0	\$ 53.0	\$ 195.6	\$ 471.6
Net premiums earned	\$ 176.0	\$ 76.0	\$ 59.7	\$ 217.5	\$ 529.2	\$ 160.9	\$ 75.9	\$ 57.8	\$ 208.7	\$ 503.3
Losses and LAE:										
Current accident year, excluding catastrophe losses	90.2	54.6	40.7	126.3	311.8	85.4	52.6	37.5	124.7	300.2
Prior year unfavorable (favorable) reserve development	(0.1)	4.5	(1.4)	2.7	5.7	(2.0)	2.6	(4.4)	4.1	0.3
Catastrophe losses	9.6	(0.5)	-	1.1	10.2	4.3	0.1	-	3.3	7.7
Total losses and LAE	99.7	58.6	39.3	130.1	327.7	87.7	55.3	33.1	132.1	308.2
Amortization of deferred acquisition costs and other underwriting expenses					201.7					196.3
<b>GAAP underwriting loss</b>					<b>(0.2)</b>					<b>(1.2)</b>
Net investment income					37.5					36.1
Other income					2.0					1.7
Other operating expenses					(2.8)					(1.9)
<b>Operating income before income taxes</b>					<b>\$ 36.5</b>					<b>\$ 34.7</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	51.2 %	71.9 %	68.1 %	58.1 %	58.9 %	53.0 %	69.4 %	64.9 %	59.7 %	59.7 %
Prior year unfavorable (favorable) reserve development	(0.1)%	5.9 %	(2.3)%	1.2 %	1.1 %	(1.2)%	3.4 %	(7.6)%	2.0 %	0.1 %
Catastrophe losses	5.5 %	(0.7)%	-	0.5 %	1.9 %	2.7 %	0.1 %	-	1.6 %	1.5 %
Total loss and LAE ratio	56.6 %	77.1 %	65.8 %	59.8 %	61.9 %	54.5 %	72.9 %	57.3 %	63.3 %	61.3 %
Expense ratio					37.9 %					38.8 %
<b>Combined ratio</b>					<b>99.8 %</b>					<b>100.1 %</b>
Change in policies in force	4.3 %	0.1 %	8.3 %	4.5 %	4.3 %	2.2 %	6.3 %	14.0 %	0.9 %	3.6%
Retention	83.9 %	79.8 %	79.4 %	N/M	82.0 %	85.7 %	82.4 %	77.4 %	N/M	83.8%

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

**COMMERCIAL LINES**

Year ended December 31

	2014					2013				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 705.1	\$ 302.6	\$ 247.8	\$ 900.4	\$ 2,155.9	\$ 651.7	\$ 304.7	\$ 229.6	\$ 821.2	\$ 2,007.2
Net premiums earned	\$ 685.6	\$ 302.6	\$ 238.1	\$ 855.1	\$ 2,081.4	\$ 628.2	\$ 290.8	\$ 219.6	\$ 819.8	\$ 1,958.4
Losses and LAE:										
Current accident year, excluding catastrophe losses	359.4	215.5	167.5	473.7	1,216.1	337.6	205.2	151.8	485.3	1,179.9
Prior year unfavorable (favorable) reserve development	(4.9)	15.1	(5.6)	4.6	9.2	(6.0)	10.5	(15.4)	14.2	3.3
Catastrophe losses	71.6	1.1	-	15.1	87.8	28.8	0.7	-	9.2	38.7
Total losses and LAE	426.1	231.7	161.9	493.4	1,313.1	360.4	216.4	136.4	508.7	1,221.9
Amortization of deferred acquisition costs and other underwriting expenses					776.6					747.5
<b>GAAP underwriting loss</b>					<b>(8.3)</b>					<b>(11.0)</b>
Net investment income					149.4					143.5
Other income					8.2					7.6
Other operating expenses					(9.4)					(7.7)
<b>Operating income before income taxes</b>					<b>\$ 139.9</b>					<b>\$ 132.4</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	52.5 %	71.2 %	70.4 %	55.4 %	58.5 %	53.8 %	70.6 %	69.1 %	59.3 %	60.2 %
Prior year unfavorable (favorable) reserve development	(0.7)%	5.0 %	(2.4)%	0.5 %	0.4 %	(1.0)%	3.6 %	(7.0)%	1.7 %	0.2 %
Catastrophe losses	10.4 %	0.4 %	-	1.8 %	4.2 %	4.6 %	0.2 %	-	1.1 %	2.0 %
Total loss and LAE ratio	62.2 %	76.6 %	68.0 %	57.7 %	63.1 %	57.4 %	74.4 %	62.1 %	62.1 %	62.4 %
Expense ratio					37.1 %					38.0 %
<b>Combined ratio</b>					<b>100.2 %</b>					<b>100.4 %</b>
Change in policies in force	4.3 %	0.1 %	8.3 %	4.5 %	4.3 %	2.2 %	6.3 %	14.0 %	0.9 %	3.6%
Retention	85.0 %	79.5 %	78.2 %	N/M	82.7 %	83.9 %	80.7 %	78.2 %	N/M	82.1%

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

**COMMERCIAL LINES**

(In millions, except percentage data)	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Dec-YTD 2013	Dec-YTD 2014
Gross premiums written	\$ 541.8	\$ 597.8	\$ 613.0	\$ 656.0	\$ 575.7	\$ 2,295.9	\$ 2,442.5
Net premiums written	\$ 471.6	\$ 539.3	\$ 541.0	\$ 576.6	\$ 499.0	\$ 2,007.2	\$ 2,155.9
Net premiums earned	\$ 503.3	\$ 512.7	\$ 517.6	\$ 521.9	\$ 529.2	\$ 1,958.4	\$ 2,081.4
Losses and LAE:							
Current accident year, excluding catastrophe losses	300.2	303.6	300.8	299.9	311.8	1,179.9	1,216.1
Prior year unfavorable reserve development	0.3	0.6	1.8	1.1	5.7	3.3	9.2
Catastrophe losses	7.7	40.2	17.0	20.4	10.2	38.7	87.8
Total losses and LAE	308.2	344.4	319.6	321.4	327.7	1,221.9	1,313.1
Amortization of deferred acquisition costs and other underwriting expenses	196.3	189.6	190.7	194.6	201.7	747.5	776.6
<b>GAAP underwriting profit (loss)</b>	<b>\$ (1.2)</b>	<b>\$ (21.3)</b>	<b>\$ 7.3</b>	<b>\$ 5.9</b>	<b>\$ (0.2)</b>	<b>\$ (11.0)</b>	<b>\$ (8.3)</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	59.7 %	59.3 %	58.2 %	57.5 %	58.9 %	60.2 %	58.5 %
Prior year unfavorable reserve development	0.1 %	0.1 %	0.3 %	0.2 %	1.1 %	0.2 %	0.4 %
Catastrophe losses	1.5 %	7.8 %	3.3 %	3.9 %	1.9 %	2.0 %	4.2 %
Total loss and LAE ratio	61.3 %	67.2 %	61.8 %	61.6 %	61.9 %	62.4 %	63.1 %
Expense ratio	38.8 %	36.8 %	36.6 %	37.1 %	37.9 %	38.0 %	37.1 %
<b>Combined ratio</b>	<b>100.1 %</b>	<b>104.0 %</b>	<b>98.4 %</b>	<b>98.7 %</b>	<b>99.8 %</b>	<b>100.4 %</b>	<b>100.2 %</b>
Combined ratio, excluding catastrophe losses	98.6 %	96.2 %	95.1 %	94.8 %	97.9 %	98.4 %	96.0 %
Current accident year combined ratio, excluding catastrophe losses	98.5 %	96.1 %	94.8 %	94.6 %	96.8 %	98.2 %	95.6 %

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

**PERSONAL LINES**

Three Months ended December 31

	2014				2013			
	Auto	Home	Other	Total	Auto	Home	Other	Total
(In millions, except percentage data)								
Net premiums written	\$ 215.9	\$ 128.1	\$ 9.7	\$ 353.7	\$ 209.5	\$ 123.4	\$ 10.0	\$ 342.9
Net premiums earned	\$ 218.8	\$ 124.7	\$ 10.1	\$ 353.6	\$ 220.0	\$ 124.9	\$ 10.4	\$ 355.3
Losses and LAE:								
Current accident year, excluding catastrophe losses	163.5	47.3	3.3	214.1	171.0	46.7	3.5	221.2
Prior year unfavorable (favorable) reserve development	(1.4)	0.3	(0.1)	(1.2)	3.2	-	-	3.2
Catastrophe losses	(0.9)	10.0	0.1	9.2	1.0	11.4	0.3	12.7
Total losses and LAE	161.2	57.6	3.3	222.1	175.2	58.1	3.8	237.1
Amortization of deferred acquisition costs and other underwriting expenses				102.7				108.4
<b>GAAP underwriting profit</b>				<b>28.8</b>				<b>9.8</b>
Net investment income				18.0				19.1
Other income				3.1				3.0
Other operating expenses				(1.9)				(1.4)
<b>Operating income before income taxes</b>				<b>\$ 48.0</b>				<b>\$ 30.5</b>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	74.7 %	38.0 %	32.6 %	60.5 %	77.6 %	37.4 %	33.6 %	62.2 %
Prior year unfavorable (favorable) reserve development	(0.6)%	0.2 %	(1.0)%	(0.3)%	1.5 %	-	-	0.9 %
Catastrophe losses	(0.4)%	8.0 %	1.0 %	2.6 %	0.5 %	9.1 %	2.9 %	3.6 %
Total loss and LAE ratio	73.7 %	46.2 %	32.6 %	62.8 %	79.6 %	46.5 %	36.5 %	66.7 %
Expense ratio				28.3 %				29.8 %
<b>Combined ratio</b>				<b>91.1 %</b>				<b>96.5 %</b>
Change in policies in force	(3.5)%	(5.3)%	(12.8)%	(4.7)%	(11.0)%	(11.7)%	(13.9)%	(11.5)%
Retention	77.0 %	77.4 %	N/M	77.4 %	73.6 %	74.7 %	N/M	74.4%

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

**PERSONAL LINES**

Year ended December 31

	2014				2013			
	Auto	Home	Other	Total	Auto	Home	Other	Total
(In millions, except percentage data)								
Net premiums written	\$ 884.1	\$ 499.0	\$ 39.7	\$ 1,422.8	\$ 890.3	\$ 496.7	\$ 41.0	\$ 1,428.0
Net premiums earned	\$ 868.7	\$ 498.0	\$ 40.4	\$ 1,407.1	\$ 903.2	\$ 509.1	\$ 41.9	\$ 1,454.2
Losses and LAE:								
Current accident year, excluding catastrophe losses	627.0	236.0	15.0	878.0	668.6	234.4	16.1	919.1
Prior year unfavorable (favorable) reserve development	(5.9)	1.3	(0.5)	(5.1)	13.6	-	0.1	13.7
Catastrophe losses	8.5	96.9	1.0	106.4	3.6	61.2	2.1	66.9
Total losses and LAE	629.6	334.2	15.5	979.3	685.8	295.6	18.3	999.7
Amortization of deferred acquisition costs and other underwriting expenses				405.7				416.9
<b>GAAP underwriting profit</b>				<b>22.1</b>				<b>37.6</b>
Net investment income				71.9				75.8
Other income				12.0				12.5
Other operating expenses				(7.0)				(7.3)
<b>Operating income before income taxes</b>				<b>\$ 99.0</b>				<b>\$ 118.6</b>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	72.2 %	47.3 %	37.0 %	62.4 %	74.0 %	46.0 %	38.5 %	63.3 %
Prior year unfavorable (favorable) reserve development	(0.7)%	0.3 %	(1.2)%	(0.4)%	1.5 %	-	0.2 %	0.9 %
Catastrophe losses	1.0 %	19.5 %	2.5 %	7.6 %	0.4 %	12.0 %	5.0 %	4.6 %
Total loss and LAE ratio	72.5 %	67.1 %	38.3 %	69.6 %	75.9 %	58.0 %	43.7 %	68.8 %
Expense ratio				28.1 %				27.9 %
<b>Combined ratio</b>				<b>97.7 %</b>				<b>96.7 %</b>
Change in policies in force	(3.5)%	(5.3)%	(12.8)%	(4.7)%	(11.0)%	(11.7)%	(13.9)%	(11.5)%
Retention	77.0 %	77.4 %	N/M	77.4 %	73.6 %	74.7 %	N/M	74.4%

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

**PERSONAL LINES**

(In millions, except percentage data)	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Dec-YTD 2013	Dec-YTD 2014
Gross premiums written	\$ 368.2	\$ 343.3	\$ 395.2	\$ 402.3	\$ 376.5	\$ 1,531.6	\$ 1,517.3
Net premiums written	\$ 342.9	\$ 319.2	\$ 370.8	\$ 379.1	\$ 353.7	\$ 1,428.0	\$ 1,422.8
Net premiums earned	\$ 355.3	\$ 350.2	\$ 350.3	\$ 353.0	\$ 353.6	\$ 1,454.2	\$ 1,407.1
Losses and LAE:							
Current accident year, excluding catastrophe losses	221.2	230.6	219.8	213.5	214.1	919.1	878.0
Prior year unfavorable (favorable) reserve development	3.2	(1.0)	(2.2)	(0.7)	(1.2)	13.7	(5.1)
Catastrophe losses	12.7	18.4	27.2	51.6	9.2	66.9	106.4
Total losses and LAE	237.1	248.0	244.8	264.4	222.1	999.7	979.3
Amortization of deferred acquisition costs and other underwriting expenses	108.4	100.1	101.9	101.0	102.7	416.9	405.7
<b>GAAP underwriting profit (loss)</b>	<b>\$ 9.8</b>	<b>\$ 2.1</b>	<b>\$ 3.6</b>	<b>\$ (12.4)</b>	<b>\$ 28.8</b>	<b>\$ 37.6</b>	<b>\$ 22.1</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	62.2 %	65.8 %	62.7 %	60.5 %	60.5 %	63.3 %	62.4 %
Prior year unfavorable (favorable) reserve development	0.9 %	(0.3)%	(0.6)%	(0.2)%	(0.3)%	0.9 %	(0.4)%
Catastrophe losses	3.6 %	5.3 %	7.8 %	14.6 %	2.6 %	4.6 %	7.6 %
Total loss and LAE ratio	66.7 %	70.8 %	69.9 %	74.9 %	62.8 %	68.8 %	69.6 %
Expense ratio	29.8 %	27.9 %	28.4 %	27.9 %	28.3 %	27.9 %	28.1 %
<b>Combined ratio</b>	<b>96.5 %</b>	<b>98.7 %</b>	<b>98.3 %</b>	<b>102.8 %</b>	<b>91.1 %</b>	<b>96.7 %</b>	<b>97.7 %</b>
Combined ratio, excluding catastrophe losses	92.9 %	93.4 %	90.5 %	88.2 %	88.5 %	92.1 %	90.1 %
Current accident year combined ratio, excluding catastrophe losses	92.0 %	93.7 %	91.1 %	88.4 %	88.8 %	91.2 %	90.5%

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

**CHAUCER**

Three Months ended December 31

(In millions, except percentage data)	2014						2013					
	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 23.6	\$ 83.1	\$ 50.0	\$ 68.3	\$ 68.3	\$ 293.3	\$ 20.6	\$ 71.1	\$ 48.1	\$ 75.7	\$ 49.9	\$ 265.4
Net premiums written	\$ 22.1	\$ 75.8	\$ 40.4	\$ 68.6	\$ 57.2	\$ 264.1	\$ 23.2	\$ 57.1	\$ 41.4	\$ 75.8	\$ 39.5	\$ 237.0
Net premiums earned	\$ 46.0	\$ 74.9	\$ 50.1	\$ 70.7	\$ 64.1	\$ 305.8	\$ 49.0	\$ 65.2	\$ 48.7	\$ 75.9	\$ 43.3	\$ 282.1
Losses and LAE:												
Current accident year, excluding catastrophe losses						177.0						159.2
Prior year favorable reserve development						(33.2)						(22.8)
Catastrophe losses						1.9						7.5
Total losses and LAE						145.7						143.9
Amortization of deferred acquisition costs and other underwriting expenses						123.6						109.0
<b>GAAP underwriting profit</b>						<b>36.5</b>						<b>29.2</b>
Net investment income						12.0						11.3
Other income						3.2						4.0
Other operating expenses						(0.8)						(4.3)
<b>Operating income before income taxes</b>						<b>\$ 50.9</b>						<b>\$ 40.2</b>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						58.0 %						56.4 %
Prior year favorable reserve development						(10.9)%						(8.1)%
Catastrophe losses						0.6 %						2.7 %
Total loss and LAE ratio						47.7 %						51.0 %
Expense ratio						40.4 %						38.6 %
<b>Combined ratio</b>						<b>88.1 %</b>						<b>89.6 %</b>



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

**CHAUCER**

Year ended December 31

(In millions, except percentage data)	2014						2013					
	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 245.4	\$ 374.6	\$ 247.2	\$ 319.1	\$ 319.3	\$ 1,505.6	\$ 254.6	\$ 348.0	\$ 233.3	\$ 319.4	\$ 218.9	\$ 1,374.2
Net premiums written	\$ 179.2	\$ 304.8	\$ 173.0	\$ 297.7	\$ 276.7	\$ 1,231.4	\$ 191.9	\$ 277.1	\$ 174.2	\$ 300.5	\$ 173.8	\$ 1,117.5
Net premiums earned	\$ 187.6	\$ 284.1	\$ 200.0	\$ 305.9	\$ 244.2	\$ 1,221.8	\$ 183.6	\$ 250.0	\$ 169.6	\$ 284.2	\$ 150.5	\$ 1,037.9
Losses and LAE:												
Current accident year, excluding catastrophe losses						709.5						598.4
Prior year favorable reserve development						(104.6)						(94.6)
Catastrophe losses						28.8						34.4
Total losses and LAE						633.7						538.2
Amortization of deferred acquisition costs and other underwriting expenses						465.6						392.0
<b>GAAP underwriting profit</b>						122.5						107.7
Net investment income						44.2						42.7
Other income						13.7						17.6
Other operating expenses						(2.8)						(17.6)
<b>Operating income before income taxes</b>						<u>\$ 177.6</u>						<u>\$ 150.4</u>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						58.1 %						57.6 %
Prior year favorable reserve development						(8.6)%						(9.1)%
Catastrophe losses						2.4 %						3.3 %
Total loss and LAE ratio						51.9 %						51.8 %
Expense ratio						38.1 %						37.8 %
<b>Combined ratio</b>						<u>90.0 %</u>						<u>89.6 %</u>

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

**CHAUCER**

(In millions, except percentage data)	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Dec-YTD 2013	Dec-YTD 2014
Gross premiums written	\$ 265.4	\$ 467.0	\$ 415.4	\$ 329.9	\$ 293.3	\$ 1,374.2	\$ 1,505.6
Net premiums written	\$ 237.0	\$ 313.8	\$ 364.4	\$ 289.1	\$ 264.1	\$ 1,117.5	\$ 1,231.4
Net premiums earned	\$ 282.1	\$ 300.1	\$ 306.8	\$ 309.1	\$ 305.8	\$ 1,037.9	\$ 1,221.8
Losses and LAE:							
Current accident year, excluding catastrophe losses	159.2	178.1	178.4	176.0	177.0	598.4	709.5
Prior year favorable reserve development	(22.8)	(19.6)	(29.2)	(22.6)	(33.2)	(94.6)	(104.6)
Catastrophe losses	7.5	(0.7)	11.5	16.1	1.9	34.4	28.8
Total losses and LAE	143.9	157.8	160.7	169.5	145.7	538.2	633.7
Amortization of deferred acquisition costs and other underwriting expenses	109.0	105.8	121.8	114.4	123.6	392.0	465.6
<b>GAAP underwriting profit</b>	<b>\$ 29.2</b>	<b>\$ 36.5</b>	<b>\$ 24.3</b>	<b>\$ 25.2</b>	<b>\$ 36.5</b>	<b>\$ 107.7</b>	<b>\$ 122.5</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	56.4 %	59.2 %	58.2 %	56.9 %	58.0 %	57.6 %	58.1 %
Prior year favorable reserve development	(8.1)%	(6.5)%	(9.5)%	(7.3)%	(10.9)%	(9.1)%	(8.6)%
Catastrophe losses	2.7 %	(0.2)%	3.7 %	5.2 %	0.6 %	3.3 %	2.4 %
Total loss and LAE ratio	51.0 %	52.5 %	52.4 %	54.8 %	47.7 %	51.8 %	51.9 %
Expense ratio	38.6 %	35.3 %	39.7 %	37.0 %	40.4 %	37.8 %	38.1 %
<b>Combined ratio</b>	<b>89.6 %</b>	<b>87.8 %</b>	<b>92.1 %</b>	<b>91.8 %</b>	<b>88.1 %</b>	<b>89.6 %</b>	<b>90.0 %</b>
Combined ratio, excluding catastrophe losses	86.9%	88.0%	88.4 %	86.6 %	87.5 %	86.3 %	87.6 %
Current accident year combined ratio, excluding catastrophe losses	95.0%	94.5%	97.9 %	93.9 %	98.4 %	95.4 %	96.2 %

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

(In millions, except yields)	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	YTD 2013	YTD 2014
<b>Net Investment Income</b>							
Fixed maturities	\$ 64.5	\$ 64.7	\$ 63.2	\$ 63.4	\$ 64.5	\$ 254.8	\$ 255.8
Equity securities	3.6	3.4	4.4	4.5	4.2	15.6	16.5
Other investments	2.5	1.5	2.1	2.3	3.1	8.8	9.0
Investment expenses	(2.5)	(2.6)	(2.7)	(2.7)	(3.0)	(10.2)	(11.0)
<b>Total</b>	<b>\$ 68.1</b>	<b>\$ 67.0</b>	<b>\$ 67.0</b>	<b>\$ 67.5</b>	<b>\$ 68.8</b>	<b>\$ 269.0</b>	<b>\$ 270.3</b>
<b>Pre-tax Yields</b>							
Fixed maturities	3.86%	3.79%	3.74%	3.68%	3.65%	3.95%	3.71%
<b>Total</b>	<b>3.59%</b>	<b>3.47%</b>	<b>3.42%</b>	<b>3.39%</b>	<b>3.39%</b>	<b>3.63%</b>	<b>3.42%</b>

Pre-tax yields are calculated as annualized net investment income divided by the average of investment balances, excluding unrealized capital gains and losses, at the end of each month during the period.

**THE HANOVER INSURANCE GROUP**  
**INVESTMENT PORTFOLIO**  
December 31, 2014

(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 (Loss)</b>	<b>Change in Net Unrealized During Q4 2014</b>	<b>Change in Net Unrealized YTD</b>
Fixed maturities:							
U.S. Treasury and government agencies	AAA	\$ 516.3	\$ 520.4	6.0%	\$ 4.1	\$ 5.2	\$ 15.0
Foreign government	AAA	349.4	354.0	4.1%	4.6	2.7	4.1
Municipals:							
Taxable	AA	952.5	1,007.2	11.7%	54.7	7.6	36.8
Tax exempt	AA	127.1	130.8	1.5%	3.7	3.2	3.3
Corporate:							
NAIC 1	A	1,838.4	1,909.5	22.1%	71.1	4.4	14.8
NAIC 2	BBB	1,483.7	1,547.0	18.0%	63.3	(9.9)	2.5
NAIC 3 and below	B+	424.2	424.3	4.9%	0.1	(10.3)	(16.8)
Total corporate	BBB+	3,746.3	3,880.8	45.0%	134.5	(15.8)	0.5
Asset backed:							
Residential mortgage-backed	AA+	770.4	789.1	9.2%	18.7	5.9	12.7
Commercial mortgage-backed	AA+	516.7	527.8	6.1%	11.1	3.2	5.4
Asset-backed	AAA	167.0	168.0	2.0%	1.0	(0.2)	(0.8)
Total fixed maturities	A+	7,145.7	7,378.1	85.6%	232.4	11.8	77.0
Equity securities		506.6	580.8	6.7%	74.2	5.2	10.5
Other investments		287.8	291.4	3.4%	3.6	0.4	0.4
Total investments		7,940.1	8,250.3	95.7%	310.2	17.4	87.9
Cash and cash equivalents		373.3	373.3	4.3%	-	-	-
Total		\$ 8,313.4	\$ 8,623.6	100.0%	\$ 310.2	\$ 17.4	\$ 87.9

**THE HANOVER INSURANCE GROUP**  
**CREDIT QUALITY AND DURATION OF FIXED MATURITIES**  
December 31, 2014

(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	\$ 5,197.8	\$ 5,365.7	72.7%
2	Baa	1,516.7	1,580.9	21.4%
3	Ba	199.2	205.0	2.8%
4	B	197.4	194.2	2.6%
5	Caa and lower	30.1	27.7	0.4%
6	In or near default	4.5	4.6	0.1%
Total fixed maturities		<u>\$ 7,145.7</u>	<u>\$ 7,378.1</u>	<u>100.0%</u>

**DURATION OF FIXED MATURITIES**

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 years	\$ 1,666.0	\$ 1,705.6	23.1%
2-4 years	1,767.6	1,837.2	24.9%
4-6 years	2,013.7	2,085.2	28.3%
6-8 years	1,327.4	1,363.5	18.5%
8-10 years	301.7	310.3	4.2%
10+ years	69.3	76.3	1.0%
Total fixed maturities	<u>\$ 7,145.7</u>	<u>\$ 7,378.1</u>	<u>100.0%</u>
Weighted Average Duration	<u>4.22</u>		

**THE HANOVER INSURANCE GROUP**  
**TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS**  
December 31, 2014

(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>
Lloyds Bank: (1)				
Term deposit	\$ 48.8	\$ 48.5	0.56%	A
Notes	7.6	8.0	0.09%	A-
Citigroup	29.1	30.6	0.36%	A-
Verizon	29.0	29.3	0.34%	BBB+
Bank of America	28.0	29.9	0.35%	BBB+
JP Morgan	26.5	27.1	0.31%	A
Wells Fargo	26.2	27.5	0.32%	A+
Goldman Sachs	25.0	26.3	0.31%	A-
Metlife	24.8	25.8	0.30%	A+
GE Capital	24.2	25.8	0.30%	AA+
Kinder Morgan	23.7	24.4	0.28%	BBB-
Top 10 Corporate and Municipal Fixed	\$ 292.9	\$ 303.2	3.52%	

(1) UK government owns 25% of bank equity; term deposit matures in the third quarter of 2015.

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

	Three Months ended December 31				Year ended December 31			
	2014		2013		2014		2013	
	\$	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	\$ 36.5		\$ 34.7		\$ 139.9		\$ 132.4	
Personal Lines	48.0		30.5		99.0		118.6	
Chaucer	50.9		40.2		177.6		150.4	
Other	(2.8)		(2.5)		(10.3)		(8.0)	
Total	<u>132.6</u>		<u>102.9</u>		<u>406.2</u>		<u>393.4</u>	
Interest expense	<u>(16.3)</u>		<u>(16.6)</u>		<u>(65.2)</u>		<u>(65.3)</u>	
Operating income before income taxes	116.3	\$ 2.59	86.3	\$ 1.93	341.0	\$ 7.60	328.1	\$ 7.31
Income tax expense on operating income	<u>(36.7)</u>	<u>(0.82)</u>	<u>(26.7)</u>	<u>(0.60)</u>	<u>(108.3)</u>	<u>(2.41)</u>	<u>(100.9)</u>	<u>(2.25)</u>
Operating income after income taxes	79.6	1.77	59.6	1.33	232.7	5.19	227.2	5.06
Net realized investment gains	18.6	0.42	10.7	0.24	50.1	1.12	33.5	0.75
Loss from disposal of real estate	-	-	-	-	-	-	(4.7)	(0.11)
Loss from repayment of debt	-	-	(8.6)	(0.19)	(0.1)	-	(27.7)	(0.62)
Net costs related to acquired businesses	(0.1)	-	(0.1)	-	(1.2)	(0.03)	(0.1)	-
Loss from settlement of pension obligation	(12.1)	(0.28)	-	-	(12.1)	(0.28)	-	-
Net foreign exchange gains (losses)	0.2	0.01	(0.1)	-	0.3	0.01	-	-
Income tax benefit								
on non-operating items	<u>3.9</u>	<u>0.09</u>	<u>3.4</u>	<u>0.07</u>	<u>12.6</u>	<u>0.28</u>	<u>17.5</u>	<u>0.39</u>
Income from continuing operations, net of taxes	<u>90.1</u>	<u>2.01</u>	<u>64.9</u>	<u>1.45</u>	<u>282.3</u>	<u>6.29</u>	<u>245.7</u>	<u>5.47</u>
Discontinued operations, net of taxes	<u>(0.2)</u>	<u>(0.01)</u>	<u>5.2</u>	<u>0.12</u>	<u>(0.3)</u>	<u>(0.01)</u>	<u>5.3</u>	<u>0.12</u>
<b>NET INCOME</b>	<u>\$ 89.9</u>	<u>\$ 2.00</u>	<u>\$ 70.1</u>	<u>\$ 1.57</u>	<u>\$ 282.0</u>	<u>\$ 6.28</u>	<u>\$ 251.0</u>	<u>\$ 5.59</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 ratios excluding catastrophe losses 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 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 investment gains and losses, 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 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 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 twelve months ended December 31, 2014 and 2013 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**

808 North Highlander Way  
Howell, MI 48843

**Chaucer Holdings PLC**

Plantation Place  
30 Fenchurch Street  
London  
EC3M 3AD

**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 2014**

Quarter Ended	Price Range		Dividends
	High	Low	Per Share
March 31	\$61.44	\$53.14	\$0.370
June 30	\$64.00	\$58.23	\$0.370
September 30	\$63.82	\$57.81	\$0.370
December 31	<b>\$73.30</b>	<b>\$60.51</b>	<b>\$0.410</b>

**Quarter Ended 2013**

Quarter Ended	Price Range		Dividends
	High	Low	Per Share
March 31	\$49.68	\$39.19	\$0.330
June 30	\$51.66	\$46.73	\$0.330
September 30	\$56.06	\$48.67	\$0.330
December 31	\$60.99	\$54.83	\$0.370

**INDUSTRY RATINGS AS OF FEBRUARY 4, 2015**

<b>Financial Strength Ratings</b>	<b>A.M. Best</b>	<b>Standard &amp; Poor's</b>	<b>Moody's</b>
The Hanover Insurance Company	A	A	A3
Citizens Insurance Company of America	A	A	-

<b>Debt Ratings</b>	<b>A.M. Best</b>	<b>Standard &amp; Poor's</b>	<b>Moody's</b>
The Hanover Insurance Group, Inc.			
Senior Debt	bbb	BBB	Baa3
Subordinated Debentures	bb+	BB+	Ba1

**TRANSFER AGENT**

Computershare Investor Services  
PO Box 30170  
College Station, TX 77842-3170  
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**

Oksana Lukasheva  
Vice President  
Investor Relations  
(508) 855-2063  
olukasheva@hanover.com

**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)