



FINANCIAL SUPPLEMENT  
FIRST QUARTER 2016

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

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**THE HANOVER INSURANCE GROUP**  
**BASIS OF PRESENTATION**

Prior periods were restated for the effect of the Company's adoption of ASC Update No 2015-03, (Subtopic 835-30) *Interest - Imputation of Interest: Simplify the Presentation of Debt Issuance Costs*, 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 and war business coverages. It also includes aviation coverages that insure airline hull and liability, general aviation, refuellers, aviation products and satellite.

*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. The Company exited this business effective June 30, 2015.

*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 a discontinued voluntary pools business.

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

(In millions, except earnings per share)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
<b>PREMIUMS</b>					
Gross premiums written	\$ 1,456.0	\$ 1,434.5	\$ 1,379.7	\$ 1,174.3	\$ 1,375.0
Net premiums written <sup>(1)</sup>	1,215.1	1,293.4	1,199.6	1,046.1	1,144.3
Net premiums earned	1,211.0	1,205.8	1,150.1	1,137.9	1,151.3
<b>EARNINGS</b>					
Operating income before interest and taxes	\$ 100.4	\$ 119.5	\$ 122.6	\$ 123.6	\$ 120.4
Operating income after taxes	57.1	70.4	72.2	80.3	71.5
Income from continuing operations	54.9	120.9	77.2	77.8	78.1
Net income	54.9	120.7	78.3	77.6	78.2
<b>PER SHARE DATA (DILUTED)</b>					
Operating income after taxes	\$ 1.27	\$ 1.56	\$ 1.61	\$ 1.82	\$ 1.64
Income from continuing operations	1.22	2.69	1.72	1.76	1.79
Net income	1.22	2.68	1.74	1.76	1.80
Weighted average shares outstanding	45.1	45.0	44.9	44.1	43.5

**BALANCE SHEET**

(In millions, except per share data)	March 31 2015	June 30 2015	September 30 2015	December 31 2015	March 31 2016
Total assets	\$ 13,915.4	\$ 14,134.6	\$ 14,031.2	\$ 13,781.2	\$ 14,027.7
Total loss and loss adjustment expense reserves	6,483.6	6,591.3	6,606.3	6,574.4	6,722.3
Total shareholders' equity	2,899.9	2,908.5	2,877.5	2,844.4	2,957.0
Total shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax <sup>(2)</sup>	2,572.2	2,675.5	2,679.6	2,694.5	2,710.6
U.S. Property and Casualty Companies					
Statutory surplus	\$ 2,088.2	\$ 2,126.6	\$ 2,129.4	\$ 2,192.8	\$ 2,276.7
Premium to surplus ratio	1.74:1	1.72:1	1.74:1	1.70:1	1.65:1
Book value per share	\$ 65.92	\$ 66.28	\$ 66.55	\$ 66.21	\$ 69.30
Book value per share, excluding net unrealized appreciation (depreciation) on investments, net of tax <sup>(2)</sup>	\$ 58.47	\$ 60.96	\$ 61.97	\$ 62.72	\$ 63.52
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 59.12	\$ 59.79	\$ 60.05	\$ 59.58	\$ 62.70
Shares outstanding	44.0	43.9	43.2	43.0	42.7
Total debt/equity	28.7 %	28.4 %	27.9 %	28.2 %	27.2 %
Total debt/total capital	22.3 %	22.1 %	21.8 %	22.0 %	21.4 %

<sup>(1)</sup> Net premiums written for Chaucer do not reflect the June 30, 2015 transfer of \$137.4 million of unearned premium reserves previously written by the U.K. motor business. This transfer of unearned premium reserves is part of the disposal of the U.K. motor business and has no impact on net premiums earned.

<sup>(2)</sup> Net unrealized appreciation (depreciation) on investments, net of tax, as reported in the consolidated statements of shareholders' equity in THG's Form 10Q and Form 10K, which includes benefits related to tax planning strategies implemented in prior years.

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

(In millions)	<b>Three Months ended March 31</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
<b>REVENUES</b>			
Premiums earned	\$ 1,151.3	\$ 1,211.0	(4.9)
Net investment income	68.3	70.1	(2.6)
Net realized investment gains	1.5	9.4	(84.0)
Fees and other income	6.5	8.2	(20.7)
Total revenues	<u>1,227.6</u>	<u>1,298.7</u>	<u>(5.5)</u>
<b>LOSSES AND EXPENSES</b>			
Losses and loss adjustment expenses	699.6	773.1	(9.5)
Amortization of deferred acquisition costs	259.1	260.6	(0.6)
Interest expense	14.7	16.1	(8.7)
Other operating expenses	146.1	171.9	(15.0)
Total losses and expenses	<u>1,119.5</u>	<u>1,221.7</u>	<u>(8.4)</u>
Income from continuing operations before income taxes	108.1	77.0	40.4
Income tax expense	30.0	22.1	35.7
Income from continuing operations	78.1	54.9	42.3
Discontinued operations	0.1	-	N/M
Net income	<u>\$ 78.2</u>	<u>\$ 54.9</u>	<u>42.4</u>

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

(In millions, except per share data)	March 31 2016	December 31 2015	% Change
<b>ASSETS</b>			
Investments:			
Fixed maturities, at fair value (amortized cost of \$6,863.3 and \$6,934.0)	\$ 7,062.8	\$ 6,983.4	1.1
Equity securities, at fair value (cost of \$483.8 and \$528.5)	536.0	576.6	(7.0)
Other investments	411.1	393.4	4.5
Total investments	<u>8,009.9</u>	<u>7,953.4</u>	<u>0.7</u>
Cash and cash equivalents	406.7	338.8	20.0
Accrued investment income	62.8	62.9	(0.2)
Premiums and accounts receivable, net	1,447.1	1,391.7	4.0
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,725.0	2,635.0	3.4
Deferred acquisition costs	509.8	508.8	0.2
Deferred income taxes	82.1	137.9	(40.5)
Goodwill	185.7	186.0	(0.2)
Other assets	512.9	483.7	6.0
Assets of discontinued operations	85.7	83.0	3.3
Total assets	<u>\$ 14,027.7</u>	<u>\$ 13,781.2</u>	<u>1.8</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Loss and loss adjustment expense reserves	\$ 6,722.3	\$ 6,574.4	2.2
Unearned premiums	2,560.5	2,540.8	0.8
Expenses and taxes payable	594.1	724.9	(18.0)
Reinsurance premiums payable	301.6	205.2	47.0
Debt	803.4	803.1	0.0
Liabilities of discontinued operations	88.8	88.4	0.5
Total liabilities	<u>11,070.7</u>	<u>10,936.8</u>	<u>1.2</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	1,829.7	1,833.5	(0.2)
Accumulated other comprehensive income	151.4	53.9	180.9
Retained earnings	1,860.4	1,803.5	3.2
Treasury stock at cost (17.8 and 17.5 million shares)	(885.1)	(847.1)	4.5
Total shareholders' equity	<u>2,957.0</u>	<u>2,844.4</u>	<u>4.0</u>
Total liabilities and shareholders' equity	<u>\$ 14,027.7</u>	<u>\$ 13,781.2</u>	<u>1.8</u>

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

**CONSOLIDATED**

Three Months ended March 31

	2016					2015				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 680.1	\$ 356.8	\$ 338.1	\$ -	\$ 1,375.0	\$ 656.2	\$ 349.1	\$ 450.7	\$ -	\$ 1,456.0
Net premiums written	\$ 604.3	\$ 337.0	\$ 203.0	\$ -	\$ 1,144.3	\$ 581.9	\$ 326.4	\$ 306.8	\$ -	\$ 1,215.1
Net premiums earned	\$ 571.4	\$ 358.6	\$ 221.3	\$ -	\$ 1,151.3	\$ 546.2	\$ 352.9	\$ 311.9	\$ -	\$ 1,211.0
Losses and LAE:										
Current accident year, excluding catastrophe losses	320.8	215.7	141.9	-	678.4	318.7	226.0	191.3	-	736.0
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	20.1	(0.7)	(29.7)	0.3	(10.0)	0.9	(2.2)	(24.2)	0.3	(25.2)
Current accident year catastrophe losses	19.2	10.5	10.2	-	39.9	39.4	22.9	3.2	-	65.5
Prior accident year unfavorable (favorable) catastrophe loss development	(0.3)	1.3	(9.7)	-	(8.7)	(5.5)	2.6	(0.3)	-	(3.2)
Total losses and LAE	359.8	226.8	112.7	0.3	699.6	353.5	249.3	170.0	0.3	773.1
Amortization of deferred acquisition costs and other underwriting expenses	207.9	103.2	86.1	0.4	397.6	198.6	100.2	106.3	0.4	405.5
<b>GAAP underwriting profit (loss)</b>	3.7	28.6	22.5	(0.7)	54.1	(5.9)	3.4	35.6	(0.7)	32.4
Net investment income	39.4	17.4	10.7	0.8	68.3	38.6	17.9	12.3	1.3	70.1
Other income	1.9	2.8	1.1	0.7	6.5	1.9	3.2	2.3	0.8	8.2
Other operating expenses	(2.3)	(1.7)	(0.6)	(3.9)	(8.5)	(3.4)	(2.2)	(1.0)	(3.7)	(10.3)
<b>Operating income (loss) before income taxes</b>	<b>\$ 42.7</b>	<b>\$ 47.1</b>	<b>\$ 33.7</b>	<b>\$ (3.1)</b>	<b>\$ 120.4</b>	<b>\$ 31.2</b>	<b>\$ 22.3</b>	<b>\$ 49.2</b>	<b>\$ (2.3)</b>	<b>\$ 100.4</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	56.2 %	60.2 %	64.1 %	N/M	59.0 %	58.4 %	64.1 %	61.4 %	N/M	60.9 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	3.5 %	(0.2)%	(13.4)%	N/M	(0.9)%	0.2 %	(0.6)%	(7.8)%	N/M	(2.1)%
Current accident year catastrophe losses	3.4 %	2.9 %	4.6 %	N/M	3.5 %	7.2 %	6.5 %	1.0 %	N/M	5.4 %
Prior accident year unfavorable (favorable) catastrophe loss development	(0.1)%	0.4 %	(4.4)%	N/M	(0.8)%	(1.0)%	0.7 %	(0.1)%	N/M	(0.3)%
Total loss and LAE ratio	63.0 %	63.3 %	50.9 %	N/M	60.8 %	64.8 %	70.7 %	54.5 %	N/M	63.9 %
Expense ratio	36.2 %	28.1 %	38.9 %	N/M	34.2 %	36.2 %	27.7 %	34.1 %	N/M	33.2 %
<b>Combined ratio</b>	<b>99.2 %</b>	<b>91.4 %</b>	<b>89.8 %</b>	<b>N/M</b>	<b>95.0 %</b>	<b>101.0 %</b>	<b>98.4 %</b>	<b>88.6 %</b>	<b>N/M</b>	<b>97.1 %</b>

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

**CONSOLIDATED**

(In millions, except percentage data)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Gross premiums written	\$ 1,456.0	\$ 1,434.5	\$ 1,379.7	\$ 1,174.3	\$ <b>1,375.0</b>
Net premiums written <sup>(1)</sup>	\$ 1,215.1	\$ 1,293.4	\$ 1,199.6	\$ 1,046.1	\$ <b>1,144.3</b>
Net premiums earned	\$ 1,211.0	\$ 1,205.8	\$ 1,150.1	\$ 1,137.9	\$ <b>1,151.3</b>
Losses and LAE:					
Current accident year, excluding catastrophe losses	736.0	727.0	667.3	666.8	<b>678.4</b>
Prior accident year favorable reserve development, excluding catastrophe losses	(25.2)	(28.6)	(22.4)	(18.1)	<b>(10.0)</b>
Current accident year catastrophe losses	65.5	47.2	58.2	32.2	<b>39.9</b>
Prior accident year favorable catastrophe loss development	(3.2)	(0.7)	(12.4)	(5.5)	<b>(8.7)</b>
Total losses and LAE	773.1	744.9	690.7	675.4	<b>699.6</b>
Amortization of deferred acquisition costs and other underwriting expenses	405.5	412.6	404.5	409.2	<b>397.6</b>
<b>GAAP underwriting profit</b>	<b>\$ 32.4</b>	<b>\$ 48.3</b>	<b>\$ 54.9</b>	<b>\$ 53.3</b>	<b>\$ 54.1</b>
Loss and LAE ratio:					
Current accident year, excluding catastrophe losses	60.9 %	60.3 %	58.0 %	58.7 %	<b>59.0 %</b>
Prior accident year favorable reserve development, excluding catastrophe losses	(2.1)%	(2.4)%	(1.9)%	(1.6)%	<b>(0.9)%</b>
Current accident year catastrophe losses	5.4 %	3.9 %	5.1 %	2.8 %	<b>3.5 %</b>
Prior accident year favorable catastrophe loss development	(0.3)%	-	(1.1)%	(0.5)%	<b>(0.8)%</b>
Total loss and LAE ratio	63.9 %	61.8 %	60.1 %	59.4 %	<b>60.8 %</b>
Expense ratio	33.2 %	33.9 %	34.8 %	35.6 %	<b>34.2 %</b>
<b>Combined ratio</b>	<b>97.1 %</b>	<b>95.7 %</b>	<b>94.9 %</b>	<b>95.0 %</b>	<b>95.0 %</b>
Combined ratio, excluding catastrophe losses	92.0 %	91.8 %	90.9 %	92.7 %	92.3 %
Current accident year combined ratio, excluding catastrophe losses	94.1 %	94.2 %	92.8 %	94.3 %	93.2 %

(1) Net premiums written for Chaucer do not reflect the June 30, 2015 transfer of \$137.4 million of unearned premium reserves previously written by the U.K. motor business. This transfer of unearned premium reserves is part of the disposal of the U.K. motor business and has no impact on net premiums earned.



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

**COMMERCIAL LINES**

Three Months ended March 31

	2016					2015				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 198.0	\$ 79.2	\$ 82.1	\$ 245.0	\$ 604.3	\$ 185.8	\$ 79.1	\$ 79.4	\$ 237.6	\$ 581.9
Net premiums earned	\$ 188.0	\$ 76.2	\$ 66.6	\$ 240.6	\$ 571.4	\$ 178.2	\$ 76.2	\$ 66.0	\$ 225.8	\$ 546.2
Losses and LAE:										
Current accident year, excluding catastrophe losses	94.2	53.8	44.2	128.6	320.8	96.1	55.0	44.8	122.8	318.7
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	7.5	3.0	(4.4)	14.0	20.1	(1.1)	3.0	(4.4)	3.4	0.9
Current accident year catastrophe losses	13.8	0.5	-	4.9	19.2	29.8	-	-	9.6	39.4
Prior accident year unfavorable (favorable) catastrophe loss development	(1.8)	-	-	1.5	(0.3)	(5.3)	(0.1)	-	(0.1)	(5.5)
Total losses and LAE	113.7	57.3	39.8	149.0	359.8	119.5	57.9	40.4	135.7	353.5
Amortization of deferred acquisition costs and other underwriting expenses					207.9					198.6
<b>GAAP underwriting income (loss)</b>					3.7					(5.9)
Net investment income					39.4					38.6
Other income					1.9					1.9
Other operating expenses					(2.3)					(3.4)
<b>Operating income before income taxes</b>					<u>\$ 42.7</u>					<u>\$ 31.2</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	50.1 %	70.6 %	66.4 %	53.5 %	56.2 %	53.9 %	72.2 %	68.0 %	54.4 %	58.4 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	4.0 %	3.9 %	(6.6)%	5.8 %	3.5 %	(0.6)%	3.9 %	(6.7)%	1.5 %	0.2 %
Current accident year catastrophe losses	7.4 %	0.7 %	-	2.1 %	3.4 %	16.7 %	-	-	4.2 %	7.2 %
Prior accident year unfavorable (favorable) catastrophe loss development	(1.0)%	-	-	0.6 %	(0.1)%	(3.0)%	(0.1)%	-	-	(1.0)%
Total loss and LAE ratio	60.5 %	75.2 %	59.8 %	62.0 %	63.0 %	67.0 %	76.0 %	61.3 %	60.1 %	64.8 %
Expense ratio					36.2 %					36.2 %
<b>Combined ratio</b>					<u>99.2 %</u>					<u>101.0 %</u>
Change in policies in force	5.7 %	(3.2)%	(9.7)%	3.8 %	1.7 %	5.5 %	(1.9)%	3.5 %	5.2 %	4.1%
Retention	85.9 %	79.8 %	76.7 %	N/M	82.7 %	86.2 %	81.4 %	78.7 %	N/M	83.6%

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

**COMMERCIAL LINES**

(In millions, except percentage data)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Gross premiums written	\$ 656.2	\$ 642.7	\$ 701.2	\$ 592.4	\$ 680.1
Net premiums written	\$ 581.9	\$ 569.1	\$ 617.6	\$ 513.3	\$ 604.3
Net premiums earned	\$ 546.2	\$ 557.0	\$ 560.4	\$ 563.4	\$ 571.4
Losses and LAE:					
Current accident year, excluding catastrophe losses	318.7	317.2	324.6	330.7	320.8
Prior accident year unfavorable reserve development, excluding catastrophe losses	0.9	6.0	11.8	26.5	20.1
Current accident year catastrophe losses	39.4	23.8	10.0	13.4	19.2
Prior accident year unfavorable (favorable) catastrophe loss development	(5.5)	(0.6)	3.8	4.4	(0.3)
Total losses and LAE	353.5	346.4	350.2	375.0	359.8
Amortization of deferred acquisition costs and other underwriting expenses	198.6	202.1	201.9	212.0	207.9
<b>GAAP underwriting profit (loss)</b>	<b>\$ (5.9)</b>	<b>\$ 8.5</b>	<b>\$ 8.3</b>	<b>\$ (23.6)</b>	<b>\$ 3.7</b>
Loss and LAE ratio:					
Current accident year, excluding catastrophe losses	58.4 %	56.9 %	57.9 %	58.7 %	56.2 %
Prior accident year unfavorable reserve development, excluding catastrophe losses	0.2 %	1.1 %	2.1 %	4.7 %	3.5 %
Current accident year catastrophe losses	7.2 %	4.3 %	1.8 %	2.4 %	3.4 %
Prior accident year unfavorable (favorable) catastrophe loss development	(1.0)%	(0.1)%	0.7 %	0.8 %	(0.1)%
Total loss and LAE ratio	64.8 %	62.2 %	62.5 %	66.6 %	63.0 %
Expense ratio	36.2 %	36.1 %	35.8 %	37.4 %	36.2 %
<b>Combined ratio</b>	<b>101.0 %</b>	<b>98.3 %</b>	<b>98.3 %</b>	<b>104.0 %</b>	<b>99.2 %</b>
Combined ratio, excluding catastrophe losses	94.8 %	94.1 %	95.8 %	100.8 %	95.9 %
Current accident year combined ratio, excluding catastrophe losses	94.6 %	93.0 %	93.7 %	96.1 %	92.4 %

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

**PERSONAL LINES**

**Three Months ended March 31**

	2016				2015			
	Auto	Home	Other	Total	Auto	Home	Other	Total
(In millions, except percentage data)								
Net premiums written	\$ 222.5	\$ 106.4	\$ 8.1	\$ 337.0	\$ 216.3	\$ 102.0	\$ 8.1	\$ 326.4
Net premiums earned	\$ 221.8	\$ 127.3	\$ 9.5	\$ 358.6	\$ 217.8	\$ 125.2	\$ 9.9	\$ 352.9
Losses and LAE:								
Current accident year, excluding catastrophe losses	159.4	52.4	3.9	215.7	160.1	62.3	3.6	226.0
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.8)	-	0.1	(0.7)	(1.0)	(1.4)	0.2	(2.2)
Current accident year catastrophe losses	0.5	9.9	0.1	10.5	0.1	22.6	0.2	22.9
Prior accident year unfavorable catastrophe loss development	0.1	1.2	-	1.3	-	2.6	-	2.6
Total losses and LAE	159.2	63.5	4.1	226.8	159.2	86.1	4.0	249.3
Amortization of deferred acquisition costs and other underwriting expenses				103.2				100.2
<b>GAAP underwriting profit</b>				<b>28.6</b>				<b>3.4</b>
Net investment income				17.4				17.9
Other income				2.8				3.2
Other operating expenses				(1.7)				(2.2)
<b>Operating income before income taxes</b>				<b>\$ 47.1</b>				<b>\$ 22.3</b>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	71.9 %	41.2 %	41.0 %	60.2 %	73.6 %	49.7 %	36.4 %	64.1 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.4)%	-	1.1 %	(0.2)%	(0.5)%	(1.1)%	2.0 %	(0.6)%
Current accident year catastrophe losses	0.3 %	7.8 %	1.1 %	2.9 %	-	18.0 %	2.0 %	6.5 %
Prior accident year unfavorable catastrophe loss development	-	0.9 %	-	0.4 %	-	2.1 %	-	0.7 %
Total loss and LAE ratio	71.8 %	49.9 %	43.2 %	63.3 %	73.1 %	68.7 %	40.4 %	70.7 %
Expense ratio				28.1 %				27.7 %
<b>Combined ratio</b>				<b>91.4 %</b>				<b>98.4 %</b>
Change in policies in force	(3.2)%	(1.7)%	(12.7)%	(2.8)%	(1.8)%	(2.9)%	(11.7)%	(2.7)%
Retention	84.4 %	81.2 %	N/M	83.1 %	84.4 %	79.8 %	N/M	82.6%

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

**PERSONAL LINES**

(In millions, except percentage data)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Gross premiums written	\$ 349.1	\$ 401.8	\$ 403.0	\$ 376.6	\$ 356.8
Net premiums written	\$ 326.4	\$ 378.3	\$ 383.3	\$ 357.6	\$ 337.0
Net premiums earned	\$ 352.9	\$ 356.7	\$ 358.6	\$ 358.4	\$ 358.6
Losses and LAE:					
Current accident year, excluding catastrophe losses	226.0	222.8	219.4	217.6	215.7
Prior accident year favorable reserve development, excluding catastrophe losses	(2.2)	(1.9)	(2.5)	(13.1)	(0.7)
Current accident year catastrophe losses	22.9	16.4	18.9	8.5	10.5
Prior accident year unfavorable catastrophe loss development	2.6	4.5	1.2	0.8	1.3
Total losses and LAE	249.3	241.8	237.0	213.8	226.8
Amortization of deferred acquisition costs and other underwriting expenses	100.2	101.9	103.7	106.9	103.2
<b>GAAP underwriting profit</b>	<b>\$ 3.4</b>	<b>\$ 13.0</b>	<b>\$ 17.9</b>	<b>\$ 37.7</b>	<b>\$ 28.6</b>
Loss and LAE ratio:					
Current accident year, excluding catastrophe losses	64.1 %	62.4 %	61.2 %	60.8 %	60.2 %
Prior accident year favorable reserve development, excluding catastrophe losses	(0.6)%	(0.5)%	(0.7)%	(3.7)%	(0.2)%
Current accident year catastrophe losses	6.5 %	4.6 %	5.3 %	2.4 %	2.9 %
Prior accident year unfavorable catastrophe loss development	0.7 %	1.3 %	0.3 %	0.2 %	0.4 %
Total loss and LAE ratio	70.7 %	67.8 %	66.1 %	59.7 %	63.3 %
Expense ratio	27.7 %	27.9 %	28.1 %	29.1 %	28.1 %
<b>Combined ratio</b>	<b>98.4 %</b>	<b>95.7 %</b>	<b>94.2 %</b>	<b>88.8 %</b>	<b>91.4 %</b>
Combined ratio, excluding catastrophe losses	91.2 %	89.8 %	88.6 %	86.2 %	88.1 %
Current accident year combined ratio, excluding catastrophe losses	91.8 %	90.3 %	89.3 %	89.9 %	88.3 %

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

**CHAUCER**

Three Months ended March 31

(In millions, except percentage data)	2016					2015					
	Property	Marine & Aviation	Energy	Casualty & Other	Total	Property	Marine & Aviation	Energy	UK Motor	Casualty & Other	Total
Gross premiums written	\$ 83.7	\$ 110.4	\$ 39.8	\$ 104.2	\$ 338.1	\$ 92.0	\$ 114.3	\$ 65.8	\$ 73.7	\$ 104.9	\$ 450.7
Net premiums written	\$ 31.6	\$ 71.8	\$ 12.3	\$ 87.3	\$ 203.0	\$ 46.0	\$ 84.4	\$ 30.9	\$ 52.4	\$ 93.1	\$ 306.8
Net premiums earned	\$ 34.5	\$ 65.5	\$ 45.0	\$ 76.3	\$ 221.3	\$ 40.2	\$ 72.9	\$ 55.8	\$ 70.2	\$ 72.8	\$ 311.9
Losses and LAE:											
Current accident year, excluding catastrophe losses					141.9						191.3
Prior accident year favorable reserve development, excluding catastrophe losses					(29.7)						(24.2)
Current accident year catastrophe losses					10.2						3.2
Prior accident year favorable catastrophe loss development					(9.7)						(0.3)
Total losses and LAE					112.7						170.0
Amortization of deferred acquisition costs and other underwriting expenses					86.1						106.3
<b>GAAP underwriting profit</b>					<b>22.5</b>						<b>35.6</b>
Net investment income					10.7						12.3
Other income					1.1						2.3
Other operating expenses					(0.6)						(1.0)
<b>Operating income before income taxes</b>					<b>\$ 33.7</b>						<b>\$ 49.2</b>
Loss and LAE ratio:											
Current accident year, excluding catastrophe losses					64.1 %						61.4 %
Prior accident year favorable reserve development, excluding catastrophe losses					(13.4)%						(7.8)%
Current accident year catastrophe losses					4.6 %						1.0 %
Prior accident year favorable catastrophe loss development					(4.4)%						(0.1)%
Total loss and LAE ratio					50.9 %						54.5 %
Expense ratio					38.9 %						34.1 %
<b>Combined ratio</b>					<b>89.8 %</b>						<b>88.6 %</b>

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

**CHAUCER**

(In millions, except percentage data)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Gross premiums written	\$ 450.7	\$ 390.0	\$ 275.5	\$ 205.3	\$ 338.1
Net premiums written <sup>(1)</sup>	\$ 306.8	\$ 346.0	\$ 198.7	\$ 175.2	\$ 203.0
Net premiums earned	\$ 311.9	\$ 292.1	\$ 231.1	\$ 216.1	\$ 221.3
Losses and LAE:					
Current accident year, excluding catastrophe losses	191.3	186.9	123.3	118.5	141.9
Prior accident year favorable reserve development, excluding catastrophe losses	(24.2)	(33.0)	(32.1)	(30.8)	(29.7)
Current accident year catastrophe losses	3.2	11.6	46.5	21.0	10.2
Prior accident year favorable catastrophe loss development	(0.3)	(9.2)	(34.6)	(21.4)	(9.7)
Total losses and LAE	170.0	156.3	103.1	87.3	112.7
Amortization of deferred acquisition costs and other underwriting expenses	106.3	108.3	98.4	90.0	86.1
<b>GAAP underwriting profit</b>	<b>\$ 35.6</b>	<b>\$ 27.5</b>	<b>\$ 29.6</b>	<b>\$ 38.8</b>	<b>\$ 22.5</b>
Loss and LAE ratio:					
Current accident year, excluding catastrophe losses	61.4 %	64.0 %	53.4 %	54.9 %	64.1 %
Prior accident year favorable reserve development, excluding catastrophe losses	(7.8)%	(11.3)%	(13.9)%	(14.3)%	(13.4)%
Current accident year catastrophe losses	1.0 %	4.0 %	20.1 %	9.7 %	4.6 %
Prior accident year favorable catastrophe loss development	(0.1)%	(3.2)%	(15.0)%	(9.9)%	(4.4)%
Total loss and LAE ratio	54.5 %	53.5 %	44.6 %	40.4 %	50.9 %
Expense ratio	34.1 %	37.1 %	42.6 %	41.6 %	38.9 %
<b>Combined ratio</b>	<b>88.6 %</b>	<b>90.6 %</b>	<b>87.2 %</b>	<b>82.0 %</b>	<b>89.8 %</b>
Combined ratio, excluding catastrophe losses	87.7%	89.8%	82.1%	82.2%	89.6%
Current accident year combined ratio, excluding catastrophe losses	95.5%	101.1%	96.0%	96.5%	103.0%

(1) Net premiums written for Chaucer do not reflect the June 30, 2015 transfer of \$137.4 million of unearned premium reserves previously written by the U.K. motor business. This transfer of unearned premium reserves is part of the disposal of the U.K. motor business and has no impact on net premiums earned.

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

(In millions, except yields)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
<b>Net Investment Income</b>					
Fixed maturities	\$ 64.7	\$ 63.6	\$ 62.5	\$ 63.0	\$ 61.1
Equity securities	3.9	4.8	4.2	4.6	4.3
Other investments	4.2	4.7	4.0	5.2	5.6
Investment expenses	(2.7)	(2.4)	(2.4)	(2.8)	(2.7)
<b>Total</b>	<b>\$ 70.1</b>	<b>\$ 70.7</b>	<b>\$ 68.3</b>	<b>\$ 70.0</b>	<b>\$ 68.3</b>
<b>Pre-tax Yields</b>					
Fixed maturities	3.64%	3.60%	3.64%	3.63%	3.57%
<b>Total</b>	<b>3.41%</b>	<b>3.48%</b>	<b>3.45%</b>	<b>3.47%</b>	<b>3.41%</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**  
**March 31, 2016**

(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 YTD</b>
Fixed maturities:						
U.S. Treasury and government agencies	AAA	\$ 426.6	\$ 436.7	5.2%	\$ 10.1	\$ 8.1
Foreign government	AA+	245.5	250.4	3.0%	4.9	3.8
Municipals:						
Taxable	AA	960.6	1,020.1	12.1%	59.5	16.6
Tax exempt	AA	112.6	116.1	1.4%	3.5	0.6
Corporate:						
NAIC 1	A	1,665.6	1,729.3	20.5%	63.7	31.8
NAIC 2	BBB	1,548.5	1,585.9	18.8%	37.4	38.8
NAIC 3 and below	B+	445.0	427.1	5.1%	(17.9)	21.5
Total corporate	BBB+	3,659.1	3,742.3	44.4%	83.2	92.1
Asset backed:						
Residential mortgage-backed	AA+	876.3	897.4	10.7%	21.1	12.6
Commercial mortgage-backed	AA+	503.6	520.5	6.2%	16.9	15.4
Asset-backed	AAA	79.0	79.3	0.9%	0.3	0.9
Total fixed maturities	A+	6,863.3	7,062.8	83.9%	199.5	150.1
Equity securities		483.8	536.0	6.4%	52.2	4.1
Other investments		407.7	411.1	4.9%	3.4	-
Total investments		7,754.8	8,009.9	95.2%	255.1	154.2
Cash and cash equivalents		406.7	406.7	4.8%	-	-
Total		\$ 8,161.5	\$ 8,416.6	100.0%	\$ 255.1	\$ 154.2



**THE HANOVER INSURANCE GROUP**  
**CREDIT QUALITY AND DURATION OF FIXED MATURITIES**  
 March 31, 2016

(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	\$ 4,835.2	\$ 5,014.7	71.0%
2	Baa	1,580.1	1,617.6	22.9%
3	Ba	214.6	210.8	3.0%
4	B	209.9	198.8	2.8%
5	Caa and lower	18.5	15.5	0.2%
6	In or near default	5.0	5.4	0.1%
Total fixed maturities		<u>\$ 6,863.3</u>	<u>\$ 7,062.8</u>	<u>100.0%</u>

**DURATION OF FIXED MATURITIES**

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 Years	\$ 1,285.8	\$ 1,310.0	18.5%
2-4 Years	2,020.5	2,075.5	29.4%
4-6 Years	2,109.6	2,175.4	30.8%
6-8 Years	1,174.1	1,211.9	17.2%
8-10 Years	208.7	220.3	3.1%
10+ Years	64.6	69.7	1.0%
Total fixed maturities	<u>\$ 6,863.3</u>	<u>\$ 7,062.8</u>	<u>100.0%</u>
Weighted Average Duration	<u>4.18</u>		

**THE HANOVER INSURANCE GROUP**  
**TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS**  
**March 31, 2016**

(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>
Anheuser-Busch	\$ 30.3	\$ 31.3	0.37%	A-
JP Morgan	27.8	28.0	0.33%	A-
Bank of America	26.3	27.3	0.32%	BBB+
Glencore Funding	25.1	24.6	0.29%	BBB-
Wells Fargo	25.1	25.7	0.31%	A
Mitsubishi UFJ Financial Group	24.4	24.7	0.29%	A+
MetLife	24.1	24.8	0.30%	A+
PNC Bank	23.6	24.3	0.29%	A-
CVS Caremark	23.3	24.2	0.29%	BBB+
Capital One	23.3	23.6	0.28%	BBB
Top 10 Corporate and Municipal Fixed	\$ 253.3	\$ 258.5	3.07%	

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

	Three Months ended March 31			
	2016		2015	
(In millions, except per share data)	\$	Per Share (Diluted)	\$	Per Share (Diluted)
<b>OPERATING INCOME (LOSS)</b>				
Commercial Lines	\$ 42.7		\$ 31.2	
Personal Lines	47.1		22.3	
Chaucer	33.7		49.2	
Other	(3.1)		(2.3)	
Total	120.4		100.4	
Interest expense	(14.7)		(16.1)	
Operating income before income taxes	105.7	\$ 2.43	84.3	\$ 1.87
Income tax expense on operating income	(34.2)	(0.79)	(27.2)	(0.60)
Operating income after income taxes	71.5	1.64	57.1	1.27
Other non-operating items:				
Net realized investment gains	1.5	0.04	9.4	0.21
Loss from repurchase of debt	-	-	(16.7)	(0.37)
Other	0.7	0.01	-	-
Income tax benefit on other non-operating	4.4	0.10	5.1	0.11
Income from continuing operations, net of taxes	78.1	1.79	54.9	1.22
Discontinued operations, net of taxes	0.1	0.01	-	-
<b>NET INCOME</b>	<b>\$ 78.2</b>	<b>\$ 1.80</b>	<b>\$ 54.9</b>	<b>\$ 1.22</b>

## Non-GAAP Financial Measures

The Hanover uses non-GAAP financial measures as important measures of the Company's operating performance, which we believe provide investors with additional information regarding management's evaluation of our results of operations and financial performance. The Company's non-GAAP measures include operating income before interest expense and taxes, total operating income after taxes, total operating income after taxes per share, total book value per share, total book value per share excluding net unrealized gains and losses related to investments, net of tax, tangible book value per share and measures of operating income and loss and combined ratios excluding catastrophe losses (catastrophe losses as discussed here and in all other measures include catastrophe loss development) and reserve development. After-tax operating income EPS (sometimes referred to as "after-tax operating income per share") is a non-GAAP measure. It is defined as net income (loss) excluding the after-tax impact of net realized 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 three months ended March 31, 2016 and 2015 is set forth on page 17 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 Limited**

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	2016		Dividends Per Share
	Price Range		
	High	Low	
March 31	\$90.68	\$76.90	\$0.460

Quarter Ended	2015		Dividends Per Share
	Price Range		
	High	Low	
March 31	\$73.35	\$68.18	\$0.410
June 30	\$74.87	\$68.57	\$0.410
September 30	\$82.82	\$75.39	\$0.410
December 31	\$86.58	\$77.40	\$0.460

**INDUSTRY RATINGS AS OF MAY 4, 2016**

<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**

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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)