



FINANCIAL SUPPLEMENT  
FOURTH 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 marine and aviation, property, energy, casualty and other and U.K. motor coverages.

*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.

*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.

*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.

*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.

*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.

#### **OTHER**

Included in *Other* are Opus, which provides investment advisory services to affiliates and also manages assets for unaffiliated institutions such as insurance companies, retirement plans and foundations; earnings on holding company assets; and a discontinued voluntary pools business.

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

| (In millions, except earnings per share)           | Q4<br>2015 | Q1<br>2016 | Q2<br>2016 | Q3<br>2016 | Q4<br>2016 | Dec-YTD<br>2015 | Dec-YTD<br>2016 |
|--|------------|------------|------------|------------|------------|-----------------|-----------------|
| <b>PREMIUMS</b>                                    |            |            |            |            |            |                 |                 |
| Gross premiums written                             | \$ 1,174.3 | \$ 1,375.0 | \$ 1,402.0 | \$ 1,402.2 | \$ 1,218.2 | \$ 5,444.5      | \$ 5,397.4      |
| Net premiums written <sup>(1)</sup>                | 1,046.1    | 1,144.3    | 1,221.6    | 1,250.9    | 1,082.0    | 4,754.2         | 4,698.8         |
| Net premiums earned                                | 1,137.9    | 1,151.3    | 1,145.5    | 1,160.9    | 1,170.4    | 4,704.8         | 4,628.1         |
| <b>EARNINGS</b>                                    |            |            |            |            |            |                 |                 |
| Operating income (loss) before interest and taxes  | \$ 123.6   | \$ 120.4   | \$ 94.7    | \$ 129.8   | \$ (22.1)  | \$ 466.1        | \$ 322.8        |
| Operating income (loss) after taxes                | 80.3       | 71.5       | 54.0       | 78.6       | (19.7)     | 280.0           | 184.4           |
| Income (loss) from continuing operations           | 77.8       | 78.1       | 1.9        | 88.3       | (12.2)     | 330.8           | 156.1           |
| Net income (loss)                                  | 77.6       | 78.2       | 2.0        | 88.4       | (13.5)     | 331.5           | 155.1           |
| <b>PER SHARE DATA (DILUTED)</b>                    |            |            |            |            |            |                 |                 |
| Operating income (loss) after taxes                | \$ 1.82    | \$ 1.64    | \$ 1.24    | \$ 1.83    | \$ (0.46)  | \$ 6.25         | \$ 4.27         |
| Income (loss) from continuing operations           | 1.76       | 1.79       | 0.04       | 2.06       | (0.29)     | 7.39            | 3.61            |
| Net income (loss)                                  | 1.76       | 1.80       | 0.05       | 2.06       | (0.32)     | 7.40            | 3.59            |
| Weighted average shares outstanding <sup>(2)</sup> | 44.1       | 43.5       | 43.4       | 43.0       | 42.5       | 44.8            | 43.2            |

**BALANCE SHEET**

| (In millions, except per share data)   | December 31<br>2015 | March 31<br>2016 | June 30<br>2016 | September 30<br>2016 | December 31<br>2016 |
|--|---------------------|------------------|-----------------|----------------------|---------------------|
| Total assets   | \$ 13,781.2         | \$ 14,027.7      | \$ 14,163.6     | \$ 14,363.7          | \$ 14,220.4         |
| Total loss and loss adjustment expense reserves  | 6,574.4             | 6,722.3          | 6,778.0         | 6,802.3              | 6,949.4             |
| Total shareholders' equity   | 2,844.4             | 2,957.0          | 3,009.7         | 3,045.7              | 2,857.5             |
| Total shareholders' equity, excluding net unrealized appreciation<br>depreciation on investments, net of tax | 2,694.5             | 2,710.6          | 2,686.2         | 2,724.3              | 2,671.5             |
| U.S. Property and Casualty Companies   |                     |                  |                 |                      |                     |
| Statutory surplus  | \$ 2,192.8          | \$ 2,276.7       | \$ 2,152.6      | \$ 2,218.5           | \$ 2,173.4          |
| Premium to surplus ratio   | 1.70:1              | 1.65:1           | 1.76:1          | 1.73:1               | 1.79:1              |
| Book value per share   | \$ 66.21            | \$ 69.30         | \$ 70.58        | \$ 72.08             | \$ 67.40            |
| Book value per share, excluding net unrealized appreciation<br>depreciation on investments, net of tax       | \$ 62.72            | \$ 63.52         | \$ 62.99        | \$ 64.48             | \$ 63.01            |
| Tangible book value per share (total book value excluding goodwill<br>and intangibles)                       | \$ 59.68            | \$ 62.70         | \$ 64.11        | \$ 65.74             | \$ 61.17            |
| Shares outstanding   | 43.0                | 42.7             | 42.7            | 42.3                 | 42.4                |
| Total debt/equity  | 28.2 %              | 27.2 %           | 26.5 %          | 26.2 %               | 27.5 %              |
| Total debt/total capital   | 22.0 %              | 21.4 %           | 21.0 %          | 20.8 %               | 21.6 %              |

<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> Weighted average shares outstanding and per diluted share amounts in the fourth quarter of 2016 exclude common stock equivalents, as the impact of these instruments was anti-dilutive.

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

| (In millions)  | Three Months ended December 31 |                |                | Year ended December 31 |                 |               |
|--|--------------------------------|----------------|----------------|------------------------|-----------------|---------------|
|  | 2016                           | 2015           | % Change       | 2016                   | 2015            | % Change      |
| <b>REVENUES</b>  |                                |                |                |                        |                 |               |
| Premiums earned  | \$ 1,170.4                     | \$ 1,137.9     | 2.9            | \$ 4,628.1             | \$ 4,704.8      | (1.6)         |
| Net investment income  | 74.2                           | 70.0           | 6.0            | 279.4                  | 279.1           | 0.1           |
| Net realized investment gains (losses)                       | 3.6                            | (10.5)         | (134.3)        | 8.6                    | 19.5            | (55.9)        |
| Fees and other income  | 6.8                            | 7.3            | (6.8)          | 29.7                   | 30.6            | (2.9)         |
| Total revenues   | <u>1,255.0</u>                 | <u>1,204.7</u> | <u>4.2</u>     | <u>4,945.8</u>         | <u>5,034.0</u>  | <u>(1.8)</u>  |
| <b>LOSSES AND EXPENSES</b>                                   |                                |                |                |                        |                 |               |
| Losses and loss adjustment expenses                          | 843.4                          | 675.4          | 24.9           | 2,964.7                | 2,884.1         | 2.8           |
| Amortization of deferred acquisition costs                   | 263.8                          | 251.6          | 4.8            | 1,035.2                | 1,033.2         | 0.2           |
| Interest expense   | 12.1                           | 14.7           | (17.7)         | 54.9                   | 60.6            | (9.4)         |
| Loss (Gain) on disposal of U.K. motor business               | 0.2                            | (0.7)          | N/M            | (1.1)                  | (38.4)          | N/M           |
| Net loss from repayment of debt                              | 2.2                            | -              | N/M            | 88.3                   | 24.1            | N/M           |
| Other operating expenses                                     | 166.1                          | 164.3          | 1.1            | 611.5                  | 631.0           | (3.1)         |
| Total losses and expenses                                    | <u>1,287.8</u>                 | <u>1,105.3</u> | <u>16.5</u>    | <u>4,753.5</u>         | <u>4,594.6</u>  | <u>3.5</u>    |
| Income (loss) from continuing operations before income taxes | (32.8)                         | 99.4           | (133.0)        | 192.3                  | 439.4           | (56.2)        |
| Income tax expense (benefit)                                 | (20.6)                         | 21.6           | (195.4)        | 36.2                   | 108.6           | (66.7)        |
| Income (loss) from continuing operations                     | (12.2)                         | 77.8           | (115.7)        | 156.1                  | 330.8           | (52.8)        |
| Discontinued operations                                      | (1.3)                          | (0.2)          | N/M            | (1.0)                  | 0.7             | N/M           |
| Net income (loss)  | <u>\$ (13.5)</u>               | <u>\$ 77.6</u> | <u>(117.4)</u> | <u>\$ 155.1</u>        | <u>\$ 331.5</u> | <u>(53.2)</u> |

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

| (In millions, except per share data)   | December 31<br>2016 | December 31<br>2015 | % Change   |
|--|---------------------|---------------------|------------|
| <b>ASSETS</b>  |                     |                     |            |
| Investments:   |                     |                     |            |
| Fixed maturities, at fair value (amortized cost of \$7,235.1 and \$6,934.0)                              | \$ 7,331.3          | \$ 6,983.4          | 5.0        |
| Equity securities, at fair value (cost of \$498.4 and \$528.5)   | 584.4               | 576.6               | 1.4        |
| Other investments  | 533.8               | 393.4               | 35.7       |
| Total investments  | <u>8,449.5</u>      | <u>7,953.4</u>      | <u>6.2</u> |
| Cash and cash equivalents  | 282.6               | 338.8               | (16.6)     |
| Accrued investment income  | 61.7                | 62.9                | (1.9)      |
| Premiums and accounts receivable, net  | 1,438.1             | 1,391.7             | 3.3        |
| Reinsurance recoverable on paid and unpaid losses and unearned premiums                                  | 2,611.8             | 2,635.0             | (0.9)      |
| Deferred acquisition costs   | 517.5               | 508.8               | 1.7        |
| Deferred income taxes  | 115.1               | 137.9               | (16.5)     |
| Goodwill   | 184.8               | 186.0               | (0.6)      |
| Other assets   | 479.8               | 483.7               | (0.8)      |
| Assets of discontinued operations  | 79.5                | 83.0                | (4.2)      |
| Total assets   | <u>\$ 14,220.4</u>  | <u>\$ 13,781.2</u>  | <u>3.2</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                     |                     |            |
| <b>LIABILITIES</b>   |                     |                     |            |
| Loss and loss adjustment expense reserves  | \$ 6,949.4          | \$ 6,574.4          | 5.7        |
| Unearned premiums  | 2,561.0             | 2,540.8             | 0.8        |
| Expenses and taxes payable   | 728.0               | 724.9               | 0.4        |
| Reinsurance premiums payable   | 251.9               | 205.2               | 22.8       |
| Debt   | 786.4               | 803.1               | (2.1)      |
| Liabilities of discontinued operations   | 86.2                | 88.4                | (2.5)      |
| Total liabilities  | <u>11,362.9</u>     | <u>10,936.8</u>     | <u>3.9</u> |
| <b>SHAREHOLDERS' EQUITY</b>  |                     |                     |            |
| Preferred stock, par value \$0.01 per share;<br>20.0 million shares authorized; none issued              | -                   | -                   | -          |
| Common stock, par value \$0.01 per share; 300.0 million shares<br>authorized; 60.5 million shares issued | 0.6                 | 0.6                 | -          |
| Additional paid-in capital   | 1,846.7             | 1,833.5             | 0.7        |
| Accumulated other comprehensive income   | 62.8                | 53.9                | 16.5       |
| Retained earnings  | 1,875.6             | 1,803.5             | 4.0        |
| Treasury stock at cost (18.1 and 17.5 million shares)  | (928.2)             | (847.1)             | 9.6        |
| Total shareholders' equity   | <u>2,857.5</u>      | <u>2,844.4</u>      | <u>0.5</u> |
| Total liabilities and shareholders' equity   | <u>\$ 14,220.4</u>  | <u>\$ 13,781.2</u>  | <u>3.2</u> |

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

**CONSOLIDATED**

Three Months ended December 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  | \$ 613.2         | \$ 402.5       | \$ 202.5       | \$ -             | \$ 1,218.2       | \$ 592.4         | \$ 376.6       | \$ 205.3       | \$ -            | \$ 1,174.3      |
| Net premiums written  | \$ 530.0         | \$ 381.4       | \$ 170.6       | \$ -             | \$ 1,082.0       | \$ 513.3         | \$ 357.6       | \$ 175.2       | \$ -            | \$ 1,046.1      |
| Net premiums earned   | \$ 584.7         | \$ 376.7       | \$ 209.0       | \$ -             | \$ 1,170.4       | \$ 563.4         | \$ 358.4       | \$ 216.1       | \$ -            | \$ 1,137.9      |
| Losses and LAE:   |                  |                |                |                  |                  |                  |                |                |                 |                 |
| Current accident year, excluding catastrophe losses   | 338.4            | 220.9          | 124.7          | -                | 684.0            | 330.7            | 217.6          | 118.5          | -               | 666.8           |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 161.5            | 5.2            | (30.7)         | 7.4              | 143.4            | 26.5             | (13.1)         | (30.8)         | (0.7)           | (18.1)          |
| Current accident year catastrophe losses  | 11.6             | 9.7            | 8.9            | -                | 30.2             | 13.4             | 8.5            | 10.3           | -               | 32.2            |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | (4.0)            | 2.0            | (12.2)         | -                | (14.2)           | 4.4              | 0.8            | (10.7)         | -               | (5.5)           |
| Total losses and LAE  | 507.5            | 237.8          | 90.7           | 7.4              | 843.4            | 375.0            | 213.8          | 87.3           | (0.7)           | 675.4           |
| Amortization of deferred acquisition costs and other underwriting expenses                    | 211.6            | 116.3          | 91.8           | 1.3              | 421.0            | 212.0            | 106.9          | 90.0           | 0.3             | 409.2           |
| <b>GAAP underwriting profit (loss)</b>  | <b>(134.4)</b>   | <b>22.6</b>    | <b>26.5</b>    | <b>(8.7)</b>     | <b>(94.0)</b>    | <b>(23.6)</b>    | <b>37.7</b>    | <b>38.8</b>    | <b>0.4</b>      | <b>53.3</b>     |
| Net investment income   | 41.0             | 17.9           | 13.4           | 1.9              | 74.2             | 39.6             | 18.3           | 11.1           | 1.0             | 70.0            |
| Other income  | 2.1              | 3.0            | 1.1            | 0.6              | 6.8              | 2.0              | 3.2            | 1.4            | 0.7             | 7.3             |
| Other operating expenses  | (2.0)            | (1.3)          | (1.8)          | (4.0)            | (9.1)            | (1.2)            | (1.5)          | -              | (4.3)           | (7.0)           |
| <b>Operating income (loss) before income taxes</b>  | <b>\$ (93.3)</b> | <b>\$ 42.2</b> | <b>\$ 39.2</b> | <b>\$ (10.2)</b> | <b>\$ (22.1)</b> | <b>\$ 16.8</b>   | <b>\$ 57.7</b> | <b>\$ 51.3</b> | <b>\$ (2.2)</b> | <b>\$ 123.6</b> |
| Loss and LAE ratio:   |                  |                |                |                  |                  |                  |                |                |                 |                 |
| Current accident year, excluding catastrophe losses   | 57.9 %           | 58.7 %         | 59.7 %         | N/M              | 58.3 %           | 58.7 %           | 60.8 %         | 54.9 %         | N/M             | 58.7 %          |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 27.6 %           | 1.4 %          | (14.7)%        | N/M              | 12.3 %           | 4.7 %            | (3.7)%         | (14.3)%        | N/M             | (1.6)%          |
| Current accident year catastrophe losses  | 2.0 %            | 2.6 %          | 4.2 %          | N/M              | 2.6 %            | 2.4 %            | 2.4 %          | 4.8 %          | N/M             | 2.8 %           |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | (0.7)%           | 0.5 %          | (5.8)%         | N/M              | (1.2)%           | 0.8 %            | 0.2 %          | (5.0)%         | N/M             | (0.5)%          |
| Total loss and LAE ratio  | 86.8 %           | 63.2 %         | 43.4 %         | N/M              | 72.0 %           | 66.6 %           | 59.7 %         | 40.4 %         | N/M             | 59.4 %          |
| Expense ratio   | 36.0 %           | 30.2 %         | 43.9 %         | N/M              | 35.7 %           | 37.4 %           | 29.1 %         | 41.6 %         | N/M             | 35.6 %          |
| <b>Combined ratio</b>   | <b>122.8 %</b>   | <b>93.4 %</b>  | <b>87.3 %</b>  | <b>N/M</b>       | <b>107.7 %</b>   | <b>104.0 %</b>   | <b>88.8 %</b>  | <b>82.0 %</b>  | <b>N/M</b>      | <b>95.0 %</b>   |

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

**CONSOLIDATED**

Year ended December 31

|   | 2016             |                |               |            |               | 2015             |                |               |            |               |
|---|------------------|----------------|---------------|------------|---------------|------------------|----------------|---------------|------------|---------------|
|   | Commercial Lines | Personal Lines | Chaucer       | Other      | Total         | Commercial Lines | Personal Lines | Chaucer       | Other      | Total         |
| (In millions, except percentage data)   |                  |                |               |            |               |                  |                |               |            |               |
| Gross premiums written  | \$ 2,686.2       | \$ 1,604.6     | \$ 1,106.6    | \$ -       | \$ 5,397.4    | \$ 2,592.5       | \$ 1,530.5     | \$ 1,321.5    | \$ -       | \$ 5,444.5    |
| Net premiums written <sup>(1)</sup>   | \$ 2,361.5       | \$ 1,521.2     | \$ 816.1      | \$ -       | \$ 4,698.8    | \$ 2,281.9       | \$ 1,445.6     | \$ 1,026.7    | \$ -       | \$ 4,754.2    |
| Net premiums earned   | \$ 2,318.0       | \$ 1,471.5     | \$ 838.6      | \$ -       | \$ 4,628.1    | \$ 2,227.0       | \$ 1,426.6     | \$ 1,051.2    | \$ -       | \$ 4,704.8    |
| Losses and LAE:   |                  |                |               |            |               |                  |                |               |            |               |
| Current accident year, excluding catastrophe losses   | 1,308.1          | 884.5          | 506.6         | 0.1        | 2,699.3       | 1,291.2          | 885.8          | 620.0         | 0.1        | 2,797.1       |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 223.0            | 4.3            | (95.3)        | 8.3        | 140.3         | 45.2             | (19.7)         | (120.1)       | 0.3        | (94.3)        |
| Current accident year catastrophe losses  | 73.8             | 40.7           | 45.5          | -          | 160.0         | 86.7             | 66.7           | 49.7          | -          | 203.1         |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | (3.7)            | 6.3            | (37.5)        | -          | (34.9)        | 2.0              | 9.1            | (32.9)        | -          | (21.8)        |
| Total losses and LAE  | 1,601.2          | 935.8          | 419.3         | 8.4        | 2,964.7       | 1,425.1          | 941.9          | 516.7         | 0.4        | 2,884.1       |
| Amortization of deferred acquisition costs and other underwriting expenses                    | 838.8            | 431.9          | 339.0         | 2.4        | 1,612.1       | 814.6            | 412.7          | 403.0         | 1.5        | 1,631.8       |
| <b>GAAP underwriting profit (loss)</b>  | (122.0)          | 103.8          | 80.3          | (10.8)     | 51.3          | (12.7)           | 72.0           | 131.5         | (1.9)      | 188.9         |
| Net investment income   | 158.5            | 69.5           | 45.7          | 5.7        | 279.4         | 156.3            | 72.5           | 45.9          | 4.4        | 279.1         |
| Other income  | 8.5              | 11.4           | 7.1           | 2.7        | 29.7          | 8.4              | 12.2           | 7.0           | 3.0        | 30.6          |
| Other operating expenses  | (9.1)            | (6.3)          | (6.3)         | (15.9)     | (37.6)        | (8.7)            | (7.4)          | (0.7)         | (15.7)     | (32.5)        |
| <b>Operating income (loss) before income taxes</b>  | \$ 35.9          | \$ 178.4       | \$ 126.8      | \$ (18.3)  | \$ 322.8      | \$ 143.3         | \$ 149.3       | \$ 183.7      | \$ (10.2)  | \$ 466.1      |
| Loss and LAE ratio:   |                  |                |               |            |               |                  |                |               |            |               |
| Current accident year, excluding catastrophe losses   | 56.5 %           | 60.1 %         | 60.4 %        | N/M        | 58.4 %        | 58.0 %           | 62.1 %         | 59.0 %        | N/M        | 59.4 %        |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 9.6 %            | 0.3 %          | (11.4)%       | N/M        | 3.0 %         | 2.0 %            | (1.4)%         | (11.4)%       | N/M        | (2.0)%        |
| Current accident year catastrophe losses  | 3.2 %            | 2.8 %          | 5.5 %         | N/M        | 3.5 %         | 3.9 %            | 4.7 %          | 4.7 %         | N/M        | 4.4 %         |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | (0.2)%           | 0.4 %          | (4.5)%        | N/M        | (0.8)%        | 0.1 %            | 0.6 %          | (3.1)%        | N/M        | (0.5)%        |
| Total loss and LAE ratio  | 69.1 %           | 63.6 %         | 50.0 %        | N/M        | 64.1 %        | 64.0 %           | 66.0 %         | 49.2 %        | N/M        | 61.3 %        |
| Expense ratio   | 36.0 %           | 28.7 %         | 40.4 %        | N/M        | 34.5 %        | 36.4 %           | 28.2 %         | 38.3 %        | N/M        | 34.4 %        |
| <b>Combined ratio</b>   | <b>105.1 %</b>   | <b>92.3 %</b>  | <b>90.4 %</b> | <b>N/M</b> | <b>98.6 %</b> | <b>100.4 %</b>   | <b>94.2 %</b>  | <b>87.5 %</b> | <b>N/M</b> | <b>95.7 %</b> |

(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 INFORMATION AND RELATED RATIOS**

**CONSOLIDATED**

| (In millions, except percentage data)   | Q4<br>2015     | Q1<br>2016     | Q2<br>2016     | Q3<br>2016     | Q4<br>2016       | Dec-YTD<br>2015 | Dec-YTD<br>2016 |
|---|----------------|----------------|----------------|----------------|------------------|-----------------|-----------------|
| Gross premiums written  | \$ 1,174.3     | \$ 1,375.0     | \$ 1,402.0     | \$ 1,402.2     | \$ 1,218.2       | \$ 5,444.5      | \$ 5,397.4      |
| Net premiums written <sup>(1)</sup>   | \$ 1,046.1     | \$ 1,144.3     | \$ 1,221.6     | \$ 1,250.9     | \$ 1,082.0       | \$ 4,754.2      | \$ 4,698.8      |
| Net premiums earned   | \$ 1,137.9     | \$ 1,151.3     | \$ 1,145.5     | \$ 1,160.9     | \$ 1,170.4       | \$ 4,704.8      | \$ 4,628.1      |
| Losses and LAE:   |                |                |                |                |                  |                 |                 |
| Current accident year, excluding catastrophe losses   | 666.8          | 678.4          | 663.7          | 673.2          | 684.0            | 2,797.1         | 2,699.3         |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | (18.1)         | (10.0)         | 15.0           | (8.1)          | 143.4            | (94.3)          | 140.3           |
| Current accident year catastrophe losses  | 32.2           | 39.9           | 62.3           | 27.6           | 30.2             | 203.1           | 160.0           |
| Prior accident year favorable catastrophe loss development                                    | (5.5)          | (8.7)          | (11.3)         | (0.7)          | (14.2)           | (21.8)          | (34.9)          |
| Total losses and LAE  | 675.4          | 699.6          | 729.7          | 692.0          | 843.4            | 2,884.1         | 2,964.7         |
| Amortization of deferred acquisition costs and other underwriting expenses                    | 409.2          | 397.6          | 388.5          | 405.0          | 421.0            | 1,631.8         | 1,612.1         |
| <b>GAAP underwriting profit</b>   | <b>\$ 53.3</b> | <b>\$ 54.1</b> | <b>\$ 27.3</b> | <b>\$ 63.9</b> | <b>\$ (94.0)</b> | <b>\$ 188.9</b> | <b>\$ 51.3</b>  |
| Loss and LAE ratio:   |                |                |                |                |                  |                 |                 |
| Current accident year, excluding catastrophe losses   | 58.7 %         | 59.0 %         | 57.9 %         | 58.0 %         | 58.3 %           | 59.4 %          | 58.4 %          |
| Prior accident year reserve unfavorable (favorable) development, excluding catastrophe losses | (1.6)%         | (0.9)%         | 1.3 %          | (0.7)%         | 12.3 %           | (2.0)%          | 3.0 %           |
| Current accident year catastrophe losses  | 2.8 %          | 3.5 %          | 5.5 %          | 2.4 %          | 2.6 %            | 4.4 %           | 3.5 %           |
| Prior accident year favorable catastrophe loss development                                    | (0.5)%         | (0.8)%         | (1.0)%         | (0.1)%         | (1.2)%           | (0.5)%          | (0.8)%          |
| Total loss and LAE ratio  | 59.4 %         | 60.8 %         | 63.7 %         | 59.6 %         | 72.0 %           | 61.3 %          | 64.1 %          |
| Expense ratio   | 35.6 %         | 34.2 %         | 33.6 %         | 34.6 %         | 35.7 %           | 34.4 %          | 34.5 %          |
| <b>Combined ratio</b>   | <b>95.0 %</b>  | <b>95.0 %</b>  | <b>97.3 %</b>  | <b>94.2 %</b>  | <b>107.7 %</b>   | <b>95.7 %</b>   | <b>98.6 %</b>   |
| Combined ratio, excluding catastrophe losses  | 92.7 %         | 92.3 %         | 92.8 %         | 91.9 %         | 106.3 %          | 91.8 %          | 95.9 %          |
| Current accident year combined ratio, excluding catastrophe losses                            | 94.3 %         | 93.2 %         | 91.5 %         | 92.6 %         | 94.0 %           | 93.8 %          | 92.9 %          |

(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 December 31

|   | 2016              |         |                  |          |                  | 2015              |         |                  |          |                |
|---|-------------------|---------|------------------|----------|------------------|-------------------|---------|------------------|----------|----------------|
|   | Multiple<br>Peril | Auto    | Workers'<br>Comp | Other    | Total            | Multiple<br>Peril | Auto    | Workers'<br>Comp | Other    | Total          |
| (In millions, except percentage data)   |                   |         |                  |          |                  |                   |         |                  |          |                |
| Net premiums written  | \$ 174.0          | \$ 68.2 | \$ 63.2          | \$ 224.6 | \$ 530.0         | \$ 165.8          | \$ 68.4 | \$ 60.3          | \$ 218.8 | \$ 513.3       |
| Net premiums earned   | \$ 196.7          | \$ 77.4 | \$ 70.5          | \$ 240.1 | \$ 584.7         | \$ 187.9          | \$ 76.9 | \$ 66.2          | \$ 232.4 | \$ 563.4       |
| Losses and LAE:   |                   |         |                  |          |                  |                   |         |                  |          |                |
| Current accident year, excluding catastrophe losses   | 114.1             | 49.9    | 47.2             | 127.2    | 338.4            | 98.4              | 53.8    | 45.2             | 133.3    | 330.7          |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 43.7              | 18.4    | (32.0)           | 131.4    | 161.5            | 7.4               | 16.9    | (35.4)           | 37.6     | 26.5           |
| Current accident year catastrophe losses  | 6.9               | (0.1)   | -                | 4.8      | 11.6             | 9.9               | -       | -                | 3.5      | 13.4           |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | (5.0)             | -       | -                | 1.0      | (4.0)            | 1.6               | -       | -                | 2.8      | 4.4            |
| Total losses and LAE  | 159.7             | 68.2    | 15.2             | 264.4    | 507.5            | 117.3             | 70.7    | 9.8              | 177.2    | 375.0          |
| Amortization of deferred acquisition costs and other underwriting expenses                    |                   |         |                  |          | 211.6            |                   |         |                  |          | 212.0          |
| <b>GAAP underwriting loss</b>   |                   |         |                  |          | <b>(134.4)</b>   |                   |         |                  |          | <b>(23.6)</b>  |
| Net investment income   |                   |         |                  |          | 41.0             |                   |         |                  |          | 39.6           |
| Other income  |                   |         |                  |          | 2.1              |                   |         |                  |          | 2.0            |
| Other operating expenses  |                   |         |                  |          | (2.0)            |                   |         |                  |          | (1.2)          |
| <b>Operating income (loss) before income taxes</b>  |                   |         |                  |          | <b>\$ (93.3)</b> |                   |         |                  |          | <b>\$ 16.8</b> |
| Loss and LAE ratio:   |                   |         |                  |          |                  |                   |         |                  |          |                |
| Current accident year, excluding catastrophe losses   | 58.0 %            | 64.5 %  | 66.9 %           | 53.0 %   | 57.9 %           | 52.4 %            | 70.0 %  | 68.3 %           | 57.3 %   | 58.7 %         |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 22.2 %            | 23.8 %  | (45.4)%          | 54.7 %   | 27.6 %           | 3.9 %             | 22.0 %  | (53.5)%          | 16.2 %   | 4.7 %          |
| Current accident year catastrophe losses  | 3.5 %             | (0.1)%  | -                | 2.0 %    | 2.0 %            | 5.2 %             | -       | -                | 1.5 %    | 2.4 %          |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | (2.5)%            | -       | -                | 0.4 %    | (0.7)%           | 0.9 %             | -       | -                | 1.2 %    | 0.8 %          |
| Total loss and LAE ratio  | 81.2 %            | 88.2 %  | 21.5 %           | 110.1 %  | 86.8 %           | 62.4 %            | 92.0 %  | 14.8 %           | 76.2 %   | 66.6 %         |
| Expense ratio   |                   |         |                  |          | 36.0 %           |                   |         |                  |          | 37.4 %         |
| <b>Combined ratio</b>   |                   |         |                  |          | <b>122.8 %</b>   |                   |         |                  |          | <b>104.0 %</b> |
| Change in policies in force   | 5.2%              | (2.4)%  | 9.4%             | 5.5%     | 4.9%             | 6.5 %             | (3.4)%  | (13.9)%          | 4.2 %    | 1.5%           |
| Retention   | 87.3%             | 80.5%   | 82.5%            | N/M      | 85.3%            | 85.0 %            | 79.0 %  | 77.3 %           | N/M      | 82.1%          |

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

**COMMERCIAL LINES**

Year ended December 31

| (In millions, except percentage data)   | 2016              |          |                  |          |                | 2015              |          |                  |          |                 |
|---|-------------------|----------|------------------|----------|----------------|-------------------|----------|------------------|----------|-----------------|
|   | Multiple<br>Peril | Auto     | Workers'<br>Comp | Other    | Total          | Multiple<br>Peril | Auto     | Workers'<br>Comp | Other    | Total           |
| Net premiums written  | \$ 792.9          | \$ 307.1 | \$ 285.6         | \$ 975.9 | \$ 2,361.5     | \$ 752.6          | \$ 306.0 | \$ 267.8         | \$ 955.5 | \$ 2,281.9      |
| Net premiums earned   | \$ 771.9          | \$ 306.3 | \$ 274.9         | \$ 964.9 | \$ 2,318.0     | \$ 731.5          | \$ 305.3 | \$ 263.0         | \$ 927.2 | \$ 2,227.0      |
| Losses and LAE:   |                   |          |                  |          |                |                   |          |                  |          |                 |
| Current accident year, excluding catastrophe losses   | 396.4             | 210.8    | 185.9            | 515.0    | 1,308.1        | 382.4             | 215.1    | 180.0            | 513.7    | 1,291.2         |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 74.2              | 27.5     | (46.7)           | 168.0    | 223.0          | 15.0              | 23.4     | (46.9)           | 53.7     | 45.2            |
| Current accident year catastrophe losses  | 49.8              | 2.5      | -                | 21.5     | 73.8           | 57.3              | 0.6      | -                | 28.8     | 86.7            |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | (5.4)             | -        | -                | 1.7      | (3.7)          | (3.4)             | (0.1)    | -                | 5.5      | 2.0             |
| Total losses and LAE  | 515.0             | 240.8    | 139.2            | 706.2    | 1,601.2        | 451.3             | 239.0    | 133.1            | 601.7    | 1,425.1         |
| Amortization of deferred acquisition costs and other underwriting expenses                    |                   |          |                  |          | 838.8          |                   |          |                  |          | 814.6           |
| <b>GAAP underwriting loss</b>   |                   |          |                  |          | <b>(122.0)</b> |                   |          |                  |          | <b>(12.7)</b>   |
| Net investment income   |                   |          |                  |          | 158.5          |                   |          |                  |          | 156.3           |
| Other income  |                   |          |                  |          | 8.5            |                   |          |                  |          | 8.4             |
| Other operating expenses  |                   |          |                  |          | (9.1)          |                   |          |                  |          | (8.7)           |
| <b>Operating income before income taxes</b>   |                   |          |                  |          | <b>\$ 35.9</b> |                   |          |                  |          | <b>\$ 143.3</b> |
| Loss and LAE ratio:   |                   |          |                  |          |                |                   |          |                  |          |                 |
| Current accident year, excluding catastrophe losses   | 51.3 %            | 68.8 %   | 67.6 %           | 53.4 %   | 56.5 %         | 52.2 %            | 70.3 %   | 68.4 %           | 55.4 %   | 58.0 %          |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 9.6 %             | 9.0 %    | (17.0)%          | 17.4 %   | 9.6 %          | 2.1 %             | 7.7 %    | (17.8)%          | 5.8 %    | 2.0 %           |
| Current accident year catastrophe losses  | 6.5 %             | 0.8 %    | -                | 2.2 %    | 3.2 %          | 7.9 %             | 0.2 %    | -                | 3.1 %    | 3.9 %           |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | (0.7)%            | -        | -                | 0.2 %    | (0.2)%         | (0.5)%            | -        | -                | 0.6 %    | 0.1 %           |
| Total loss and LAE ratio  | 66.7 %            | 78.6 %   | 50.6 %           | 73.2 %   | 69.1 %         | 61.7 %            | 78.2 %   | 50.6 %           | 64.9 %   | 64.0 %          |
| Expense ratio   |                   |          |                  |          | 36.0 %         |                   |          |                  |          | 36.4 %          |
| <b>Combined ratio</b>   |                   |          |                  |          | <b>105.1 %</b> |                   |          |                  |          | <b>100.4 %</b>  |
| Change in policies in force   | 5.2%              | (2.4)%   | 9.4%             | 5.5%     | 4.9%           | 6.5 %             | (3.4)%   | (13.9)%          | 4.2 %    | 1.5%            |
| Retention   | 86.9%             | 81.2%    | 80.8%            | N/M      | 84.6%          | 86.1 %            | 80.7 %   | 77.3 %           | N/M      | 83.3%           |

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

**COMMERCIAL LINES**

| (In millions, except percentage data)   | Q4<br>2015       | Q1<br>2016    | Q2<br>2016    | Q3<br>2016    | Q4<br>2016        | Dec-YTD<br>2015  | Dec-YTD<br>2016   |
|---|------------------|---------------|---------------|---------------|-------------------|------------------|-------------------|
| Gross premiums written  | \$ 592.4         | \$ 680.1      | \$ 662.9      | \$ 730.0      | \$ 613.2          | \$ 2,592.5       | \$ 2,686.2        |
| Net premiums written  | \$ 513.3         | \$ 604.3      | \$ 579.9      | \$ 647.3      | \$ 530.0          | \$ 2,281.9       | \$ 2,361.5        |
| Net premiums earned   | \$ 563.4         | \$ 571.4      | \$ 574.7      | \$ 587.2      | \$ 584.7          | \$ 2,227.0       | \$ 2,318.0        |
| Losses and LAE:   |                  |               |               |               |                   |                  |                   |
| Current accident year, excluding catastrophe losses                               | 330.7            | 320.8         | 312.9         | 336.0         | 338.4             | 1,291.2          | 1,308.1           |
| Prior accident year unfavorable reserve development, excluding catastrophe losses | 26.5             | 20.1          | 22.1          | 19.3          | 161.5             | 45.2             | 223.0             |
| Current accident year catastrophe losses  | 13.4             | 19.2          | 26.6          | 16.4          | 11.6              | 86.7             | 73.8              |
| Prior accident year unfavorable (favorable) catastrophe loss development          | 4.4              | (0.3)         | (0.7)         | 1.3           | (4.0)             | 2.0              | (3.7)             |
| Total losses and LAE  | 375.0            | 359.8         | 360.9         | 373.0         | 507.5             | 1,425.1          | 1,601.2           |
| Amortization of deferred acquisition costs and other underwriting expenses        | 212.0            | 207.9         | 208.7         | 210.6         | 211.6             | 814.6            | 838.8             |
| <b>GAAP underwriting profit (loss)</b>  | <b>\$ (23.6)</b> | <b>\$ 3.7</b> | <b>\$ 5.1</b> | <b>\$ 3.6</b> | <b>\$ (134.4)</b> | <b>\$ (12.7)</b> | <b>\$ (122.0)</b> |
| Loss and LAE ratio:   |                  |               |               |               |                   |                  |                   |
| Current accident year, excluding catastrophe losses                               | 58.7 %           | 56.2 %        | 54.5 %        | 57.2 %        | 57.9 %            | 58.0 %           | 56.5 %            |
| Prior accident year unfavorable reserve development, excluding catastrophe losses | 4.7 %            | 3.5 %         | 3.8 %         | 3.3 %         | 27.6 %            | 2.0 %            | 9.6 %             |
| Current accident year catastrophe losses  | 2.4 %            | 3.4 %         | 4.6 %         | 2.8 %         | 2.0 %             | 3.9 %            | 3.2 %             |
| Prior accident year unfavorable (favorable) catastrophe loss development          | 0.8 %            | (0.1)%        | (0.1)%        | 0.2 %         | (0.7)%            | 0.1 %            | (0.2)%            |
| Total loss and LAE ratio  | 66.6 %           | 63.0 %        | 62.8 %        | 63.5 %        | 86.8 %            | 64.0 %           | 69.1 %            |
| Expense ratio   | 37.4 %           | 36.2 %        | 36.1 %        | 35.7 %        | 36.0 %            | 36.4 %           | 36.0 %            |
| <b>Combined ratio</b>   | <b>104.0 %</b>   | <b>99.2 %</b> | <b>98.9 %</b> | <b>99.2 %</b> | <b>122.8 %</b>    | <b>100.4 %</b>   | <b>105.1 %</b>    |
| Combined ratio, excluding catastrophe losses                                      | 100.8 %          | 95.9 %        | 94.4 %        | 96.2 %        | 121.5 %           | 96.4 %           | 102.1 %           |
| Current accident year combined ratio, excluding catastrophe losses                | 96.1 %           | 92.4 %        | 90.6 %        | 92.9 %        | 93.9 %            | 94.4 %           | 92.5 %            |

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

**PERSONAL LINES**

Three Months ended December 31

|   | 2016     |          |         |                | 2015     |          |         |                |
|---|----------|----------|---------|----------------|----------|----------|---------|----------------|
|   | Auto     | Home     | Other   | Total          | Auto     | Home     | Other   | Total          |
| <i>(In millions, except percentage data)</i>  |          |          |         |                |          |          |         |                |
| Net premiums written  | \$ 236.4 | \$ 135.7 | \$ 9.3  | \$ 381.4       | \$ 218.5 | \$ 129.6 | \$ 9.5  | \$ 357.6       |
| Net premiums earned   | \$ 235.0 | \$ 132.1 | \$ 9.6  | \$ 376.7       | \$ 222.1 | \$ 126.6 | \$ 9.7  | \$ 358.4       |
| Losses and LAE:   |          |          |         |                |          |          |         |                |
| Current accident year, excluding catastrophe losses   | 168.8    | 49.2     | 2.9     | 220.9          | 162.8    | 53.1     | 1.7     | 217.6          |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 8.2      | (3.5)    | 0.5     | 5.2            | (2.9)    | (10.7)   | 0.5     | (13.1)         |
| Current accident year catastrophe losses  | 0.3      | 8.6      | 0.8     | 9.7            | 0.9      | 7.5      | 0.1     | 8.5            |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | 0.1      | 2.0      | (0.1)   | 2.0            | -        | 0.8      | -       | 0.8            |
| Total losses and LAE  | 177.4    | 56.3     | 4.1     | 237.8          | 160.8    | 50.7     | 2.3     | 213.8          |
| Amortization of deferred acquisition costs and other underwriting expenses                    |          |          |         | 116.3          |          |          |         | 106.9          |
| <b>GAAP underwriting profit</b>   |          |          |         | <b>22.6</b>    |          |          |         | <b>37.7</b>    |
| Net investment income   |          |          |         | 17.9           |          |          |         | 18.3           |
| Other income  |          |          |         | 3.0            |          |          |         | 3.2            |
| Other operating expenses  |          |          |         | (1.3)          |          |          |         | (1.5)          |
| <b>Operating income before income taxes</b>   |          |          |         | <b>\$ 42.2</b> |          |          |         | <b>\$ 57.7</b> |
| Loss and LAE ratio:   |          |          |         |                |          |          |         |                |
| Current accident year, excluding catastrophe losses   | 71.8 %   | 37.2 %   | 30.2 %  | 58.7 %         | 73.3 %   | 42.0 %   | 17.5 %  | 60.8 %         |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 3.5 %    | (2.6)%   | 5.2 %   | 1.4 %          | (1.3)%   | (8.5)%   | 5.2 %   | (3.7)%         |
| Current accident year catastrophe losses  | 0.2 %    | 6.5 %    | 8.3 %   | 2.6 %          | 0.4 %    | 6.0 %    | 1.0 %   | 2.4 %          |
| Prior accident year unfavorable (favorable) catastrophe loss development                      | -        | 1.5 %    | (1.0)%  | 0.5 %          | -        | 0.6 %    | -       | 0.2 %          |
| Total loss and LAE ratio  | 75.5 %   | 42.6 %   | 42.7 %  | 63.2 %         | 72.4 %   | 40.1 %   | 23.7 %  | 59.7 %         |
| Expense ratio   |          |          |         | 30.2 %         |          |          |         | 29.1 %         |
| <b>Combined ratio</b>   |          |          |         | <b>93.4 %</b>  |          |          |         | <b>88.8 %</b>  |
| Change in policies in force   | 1.4 %    | 1.8 %    | (11.3)% | 1.1 %          | (3.2)%   | (1.9)%   | (12.6)% | (3.0)%         |
| Retention   | 84.8 %   | 82.8 %   | N/M     | 83.8 %         | 82.7 %   | 81.4 %   | N/M     | 82.0 %         |

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

**PERSONAL LINES**

Year ended December 31

|   | 2016     |          |         |                 | 2015     |          |         |                 |
|---|----------|----------|---------|-----------------|----------|----------|---------|-----------------|
|   | Auto     | Home     | Other   | Total           | Auto     | Home     | Other   | Total           |
| (In millions, except percentage data)   |          |          |         |                 |          |          |         |                 |
| Net premiums written  | \$ 953.6 | \$ 529.7 | \$ 37.9 | \$ 1,521.2      | \$ 900.0 | \$ 507.4 | \$ 38.2 | \$ 1,445.6      |
| Net premiums earned   | \$ 914.9 | \$ 518.5 | \$ 38.1 | \$ 1,471.5      | \$ 883.9 | \$ 503.9 | \$ 38.8 | \$ 1,426.6      |
| Losses and LAE:   |          |          |         |                 |          |          |         |                 |
| Current accident year, excluding catastrophe losses   | 650.0    | 221.4    | 13.1    | 884.5           | 631.8    | 242.1    | 11.9    | 885.8           |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 4.8      | (2.7)    | 2.2     | 4.3             | (7.2)    | (12.1)   | (0.4)   | (19.7)          |
| Current accident year catastrophe losses  | 5.6      | 34.0     | 1.1     | 40.7            | 4.2      | 61.5     | 1.0     | 66.7            |
| Prior accident year unfavorable catastrophe loss development                                  | -        | 6.3      | -       | 6.3             | -        | 9.1      | -       | 9.1             |
| Total losses and LAE  | 660.4    | 259.0    | 16.4    | 935.8           | 628.8    | 300.6    | 12.5    | 941.9           |
| Amortization of deferred acquisition costs and other underwriting expenses                    |          |          |         | 431.9           |          |          |         | 412.7           |
| <b>GAAP underwriting profit</b>   |          |          |         | <b>103.8</b>    |          |          |         | <b>72.0</b>     |
| Net investment income   |          |          |         | 69.5            |          |          |         | 72.5            |
| Other income  |          |          |         | 11.4            |          |          |         | 12.2            |
| Other operating expenses  |          |          |         | (6.3)           |          |          |         | (7.4)           |
| <b>Operating income before income taxes</b>   |          |          |         | <b>\$ 178.4</b> |          |          |         | <b>\$ 149.3</b> |
| Loss and LAE ratio:   |          |          |         |                 |          |          |         |                 |
| Current accident year, excluding catastrophe losses   | 71.1 %   | 42.6 %   | 34.4 %  | 60.1 %          | 71.4 %   | 48.1 %   | 30.6 %  | 62.1 %          |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | 0.5 %    | (0.5)%   | 5.8 %   | 0.3 %           | (0.8)%   | (2.4)%   | (1.0)%  | (1.4)%          |
| Current accident year catastrophe losses  | 0.6 %    | 6.6 %    | 2.9 %   | 2.8 %           | 0.5 %    | 12.2 %   | 2.6 %   | 4.7 %           |
| Prior accident year unfavorable catastrophe loss development                                  | -        | 1.2 %    | -       | 0.4 %           | -        | 1.8 %    | -       | 0.6 %           |
| Total loss and LAE ratio  | 72.2 %   | 49.9 %   | 43.1 %  | 63.6 %          | 71.1 %   | 59.7 %   | 32.2 %  | 66.0 %          |
| Expense ratio   |          |          |         | 28.7 %          |          |          |         | 28.2 %          |
| <b>Combined ratio</b>   |          |          |         | <b>92.3 %</b>   |          |          |         | <b>94.2 %</b>   |
| Change in policies in force   | 1.4%     | 1.8%     | (11.3)% | 1.1%            | (3.2)%   | (1.9)%   | (12.6)% | (3.0)%          |
| Retention   | 84.4%    | 82.2%    | N/M     | 83.4%           | 83.2 %   | 81.0 %   | N/M     | 82.2 %          |

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

**PERSONAL LINES**

| (In millions, except percentage data)   | Q4<br>2015     | Q1<br>2016     | Q2<br>2016     | Q3<br>2016     | Q4<br>2016     | Dec-YTD<br>2015 | Dec-YTD<br>2016 |
|---|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| Gross premiums written  | \$ 376.6       | \$ 356.8       | \$ 416.6       | \$ 428.7       | \$ 402.5       | \$ 1,530.5      | \$ 1,604.6      |
| Net premiums written  | \$ 357.6       | \$ 337.0       | \$ 395.3       | \$ 407.5       | \$ 381.4       | \$ 1,445.6      | \$ 1,521.2      |
| Net premiums earned   | \$ 358.4       | \$ 358.6       | \$ 364.7       | \$ 371.5       | \$ 376.7       | \$ 1,426.6      | \$ 1,471.5      |
| Losses and LAE:   |                |                |                |                |                |                 |                 |
| Current accident year, excluding catastrophe losses   | 217.6          | 215.7          | 221.2          | 226.7          | 220.9          | 885.8           | 884.5           |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | (13.1)         | (0.7)          | 0.9            | (1.1)          | 5.2            | (19.7)          | 4.3             |
| Current accident year catastrophe losses  | 8.5            | 10.5           | 9.7            | 10.8           | 9.7            | 66.7            | 40.7            |
| Prior accident year unfavorable catastrophe loss development                                  | 0.8            | 1.3            | 1.5            | 1.5            | 2.0            | 9.1             | 6.3             |
| Total losses and LAE  | 213.8          | 226.8          | 233.3          | 237.9          | 237.8          | 941.9           | 935.8           |
| Amortization of deferred acquisition costs and other underwriting expenses                    | 106.9          | 103.2          | 102.1          | 110.3          | 116.3          | 412.7           | 431.9           |
| <b>GAAP underwriting profit</b>   | <b>\$ 37.7</b> | <b>\$ 28.6</b> | <b>\$ 29.3</b> | <b>\$ 23.3</b> | <b>\$ 22.6</b> | <b>\$ 72.0</b>  | <b>\$ 103.8</b> |
| Loss and LAE ratio:   |                |                |                |                |                |                 |                 |
| Current accident year, excluding catastrophe losses   | 60.8 %         | 60.2 %         | 60.7 %         | 61.1 %         | 58.7 %         | 62.1 %          | 60.1 %          |
| Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses | (3.7)%         | (0.2)%         | 0.2 %          | (0.3)%         | 1.4 %          | (1.4)%          | 0.3 %           |
| Current accident year catastrophe losses  | 2.4 %          | 2.9 %          | 2.7 %          | 2.9 %          | 2.6 %          | 4.7 %           | 2.8 %           |
| Prior accident year unfavorable catastrophe loss development                                  | 0.2 %          | 0.4 %          | 0.4 %          | 0.4 %          | 0.5 %          | 0.6 %           | 0.4 %           |
| Total loss and LAE ratio  | 59.7 %         | 63.3 %         | 64.0 %         | 64.1 %         | 63.2 %         | 66.0 %          | 63.6 %          |
| Expense ratio   | 29.1 %         | 28.1 %         | 27.3 %         | 29.0 %         | 30.2 %         | 28.2 %          | 28.7 %          |
| <b>Combined ratio</b>   | <b>88.8 %</b>  | <b>91.4 %</b>  | <b>91.3 %</b>  | <b>93.1 %</b>  | <b>93.4 %</b>  | <b>94.2 %</b>   | <b>92.3 %</b>   |
| Combined ratio, excluding catastrophe losses  | 86.2 %         | 88.1 %         | 88.2 %         | 89.8 %         | 90.3 %         | 88.9 %          | 89.1 %          |
| Current accident year combined ratio, excluding catastrophe losses                            | 89.9 %         | 88.3 %         | 88.0 %         | 90.1 %         | 88.9 %         | 90.3 %          | 88.8 %          |

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

**CHAUCER**

Three Months ended December 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  | \$ 15.4  | \$ 75.1           | \$ 27.0 | \$ 85.0          | \$ 202.5       | \$ 23.4  | \$ 76.6           | \$ 35.9 | \$ 1.6   | \$ 67.8          | \$ 205.3       |
| Net premiums written  | \$ 14.2  | \$ 63.5           | \$ 21.3 | \$ 71.6          | \$ 170.6       | \$ 23.7  | \$ 62.7           | \$ 29.1 | \$ -     | \$ 59.7          | \$ 175.2       |
| Net premiums earned   | \$ 34.2  | \$ 72.3           | \$ 24.7 | \$ 77.8          | \$ 209.0       | \$ 43.4  | \$ 63.6           | \$ 34.8 | \$ -     | \$ 74.3          | \$ 216.1       |
| Losses and LAE:   |          |                   |         |                  |                |          |                   |         |          |                  |                |
| Current accident year, excluding catastrophe losses                             |          |                   |         |                  | 124.7          |          |                   |         |          |                  | 118.5          |
| Prior accident year favorable reserve development, excluding catastrophe losses |          |                   |         |                  | (30.7)         |          |                   |         |          |                  | (30.8)         |
| Current accident year catastrophe losses  |          |                   |         |                  | 8.9            |          |                   |         |          |                  | 10.3           |
| Prior accident year favorable catastrophe loss development                      |          |                   |         |                  | (12.2)         |          |                   |         |          |                  | (10.7)         |
| Total losses and LAE  |          |                   |         |                  | 90.7           |          |                   |         |          |                  | 87.3           |
| Amortization of deferred acquisition costs and other underwriting expenses      |          |                   |         |                  | 91.8           |          |                   |         |          |                  | 90.0           |
| <b>GAAP underwriting profit</b>   |          |                   |         |                  | <b>26.5</b>    |          |                   |         |          |                  | <b>38.8</b>    |
| Net investment income   |          |                   |         |                  | 13.4           |          |                   |         |          |                  | 11.1           |
| Other income  |          |                   |         |                  | 1.1            |          |                   |         |          |                  | 1.4            |
| Other operating expenses  |          |                   |         |                  | (1.8)          |          |                   |         |          |                  | -              |
| <b>Operating income before income taxes</b>                                     |          |                   |         |                  | <b>\$ 39.2</b> |          |                   |         |          |                  | <b>\$ 51.3</b> |
| Loss and LAE ratio:   |          |                   |         |                  |                |          |                   |         |          |                  |                |
| Current accident year, excluding catastrophe losses                             |          |                   |         |                  | 59.7 %         |          |                   |         |          |                  | 54.9 %         |
| Prior accident year favorable reserve development, excluding catastrophe losses |          |                   |         |                  | (14.7)%        |          |                   |         |          |                  | (14.3)%        |
| Current accident year catastrophe losses  |          |                   |         |                  | 4.2 %          |          |                   |         |          |                  | 4.8 %          |
| Prior accident year favorable catastrophe loss development                      |          |                   |         |                  | (5.8)%         |          |                   |         |          |                  | (5.0)%         |
| Total loss and LAE ratio  |          |                   |         |                  | 43.4 %         |          |                   |         |          |                  | 40.4 %         |
| Expense ratio   |          |                   |         |                  | 43.9 %         |          |                   |         |          |                  | 41.6 %         |
| <b>Combined ratio</b>   |          |                   |         |                  | <b>87.3 %</b>  |          |                   |         |          |                  | <b>82.0 %</b>  |



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

**CHAUCER**

Year ended December 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  | \$ 230.1 | \$ 356.9          | \$ 158.7 | \$ 360.9         | \$ 1,106.6      | \$ 236.1 | \$ 354.2          | \$ 198.6 | \$ 187.5 | \$ 345.1         | \$ 1,321.5      |
| Net premiums written <sup>(1)</sup>   | \$ 141.8 | \$ 268.7          | \$ 97.5  | \$ 308.1         | \$ 816.1        | \$ 166.9 | \$ 286.9          | \$ 136.2 | \$ 129.1 | \$ 307.6         | \$ 1,026.7      |
| Net premiums earned   | \$ 144.1 | \$ 267.3          | \$ 125.5 | \$ 301.7         | \$ 838.6        | \$ 169.1 | \$ 277.6          | \$ 174.8 | \$ 135.4 | \$ 294.3         | \$ 1,051.2      |
| Losses and LAE:   |          |                   |          |                  |                 |          |                   |          |          |                  |                 |
| Current accident year, excluding catastrophe losses                             |          |                   |          |                  | 506.6           |          |                   |          |          |                  | 620.0           |
| Prior accident year favorable reserve development, excluding catastrophe losses |          |                   |          |                  | (95.3)          |          |                   |          |          |                  | (120.1)         |
| Current accident year catastrophe losses  |          |                   |          |                  | 45.5            |          |                   |          |          |                  | 49.7            |
| Prior accident year favorable catastrophe loss development                      |          |                   |          |                  | (37.5)          |          |                   |          |          |                  | (32.9)          |
| Total losses and LAE  |          |                   |          |                  | 419.3           |          |                   |          |          |                  | 516.7           |
| Amortization of deferred acquisition costs and other underwriting expenses      |          |                   |          |                  | 339.0           |          |                   |          |          |                  | 403.0           |
| <b>GAAP underwriting profit</b>   |          |                   |          |                  | <b>80.3</b>     |          |                   |          |          |                  | <b>131.5</b>    |
| Net investment income   |          |                   |          |                  | 45.7            |          |                   |          |          |                  | 45.9            |
| Other income  |          |                   |          |                  | 7.1             |          |                   |          |          |                  | 7.0             |
| Other operating expenses  |          |                   |          |                  | (6.3)           |          |                   |          |          |                  | (0.7)           |
| <b>Operating income before income taxes</b>                                     |          |                   |          |                  | <b>\$ 126.8</b> |          |                   |          |          |                  | <b>\$ 183.7</b> |
| Loss and LAE ratio:   |          |                   |          |                  |                 |          |                   |          |          |                  |                 |
| Current accident year, excluding catastrophe losses                             |          |                   |          |                  | 60.4 %          |          |                   |          |          |                  | 59.0 %          |
| Prior accident year favorable reserve development, excluding catastrophe losses |          |                   |          |                  | (11.4)%         |          |                   |          |          |                  | (11.4)%         |
| Current accident year catastrophe losses  |          |                   |          |                  | 5.5 %           |          |                   |          |          |                  | 4.7 %           |
| Prior accident year favorable catastrophe loss development                      |          |                   |          |                  | (4.5)%          |          |                   |          |          |                  | (3.1)%          |
| Total loss and LAE ratio  |          |                   |          |                  | 50.0 %          |          |                   |          |          |                  | 49.2 %          |
| Expense ratio   |          |                   |          |                  | 40.4 %          |          |                   |          |          |                  | 38.3 %          |
| <b>Combined ratio</b>   |          |                   |          |                  | <b>90.4 %</b>   |          |                   |          |          |                  | <b>87.5 %</b>   |

(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 INFORMATION AND RELATED RATIOS**

**CHAUCER**

| (In millions, except percentage data)   | Q4<br>2015     | Q1<br>2016     | Q2<br>2016      | Q3<br>2016     | Q4<br>2016     | Dec-YTD<br>2015 | Dec-YTD<br>2016 |
|---|----------------|----------------|-----------------|----------------|----------------|-----------------|-----------------|
| Gross premiums written  | \$ 205.3       | \$ 338.1       | \$ 322.5        | \$ 243.5       | \$ 202.5       | \$ 1,321.5      | \$ 1,106.6      |
| Net premiums written <sup>(1)</sup>   | \$ 175.2       | \$ 203.0       | \$ 246.4        | \$ 196.1       | \$ 170.6       | \$ 1,026.7      | \$ 816.1        |
| Net premiums earned   | \$ 216.1       | \$ 221.3       | \$ 206.1        | \$ 202.2       | \$ 209.0       | \$ 1,051.2      | \$ 838.6        |
| Losses and LAE:   |                |                |                 |                |                |                 |                 |
| Current accident year, excluding catastrophe losses                             | 118.5          | 141.9          | 129.6           | 110.4          | 124.7          | 620.0           | 506.6           |
| Prior accident year favorable reserve development, excluding catastrophe losses | (30.8)         | (29.7)         | (8.3)           | (26.6)         | (30.7)         | (120.1)         | (95.3)          |
| Current accident year catastrophe losses  | 10.3           | 10.2           | 26.0            | 0.4            | 8.9            | 49.7            | 45.5            |
| Prior accident year favorable catastrophe loss development                      | (10.7)         | (9.7)          | (12.1)          | (3.5)          | (12.2)         | (32.9)          | (37.5)          |
| Total losses and LAE  | 87.3           | 112.7          | 135.2           | 80.7           | 90.7           | 516.7           | 419.3           |
| Amortization of deferred acquisition costs and other underwriting expenses      | 90.0           | 86.1           | 77.4            | 83.7           | 91.8           | 403.0           | 339.0           |
| <b>GAAP underwriting profit (loss)</b>  | <b>\$ 38.8</b> | <b>\$ 22.5</b> | <b>\$ (6.5)</b> | <b>\$ 37.8</b> | <b>\$ 26.5</b> | <b>\$ 131.5</b> | <b>\$ 80.3</b>  |
| Loss and LAE ratio:   |                |                |                 |                |                |                 |                 |
| Current accident year, excluding catastrophe losses                             | 54.9 %         | 64.1 %         | 62.9 %          | 54.6 %         | 59.7 %         | 59.0 %          | 60.4 %          |
| Prior accident year favorable reserve development, excluding catastrophe losses | (14.3)%        | (13.4)%        | (4.0)%          | (13.2)%        | (14.7)%        | (11.4)%         | (11.4)%         |
| Current accident year catastrophe losses  | 4.8 %          | 4.6 %          | 12.6 %          | 0.2 %          | 4.2 %          | 4.7 %           | 5.5 %           |
| Prior accident year favorable catastrophe loss development                      | (5.0)%         | (4.4)%         | (5.9)%          | (1.7)%         | (5.8)%         | (3.1)%          | (4.5)%          |
| Total loss and LAE ratio  | 40.4 %         | 50.9 %         | 65.6 %          | 39.9 %         | 43.4 %         | 49.2 %          | 50.0 %          |
| Expense ratio   | 41.6 %         | 38.9 %         | 37.6 %          | 41.4 %         | 43.9 %         | 38.3 %          | 40.4 %          |
| <b>Combined ratio</b>   | <b>82.0 %</b>  | <b>89.8 %</b>  | <b>103.2 %</b>  | <b>81.3 %</b>  | <b>87.3 %</b>  | <b>87.5 %</b>   | <b>90.4 %</b>   |
| Combined ratio, excluding catastrophe losses                                    | 82.2%          | 89.6%          | 96.5%           | 82.8%          | 88.9%          | 85.9%           | 89.4%           |
| Current accident year combined ratio, excluding catastrophe losses              | 96.5%          | 103.0%         | 100.5%          | 96.0%          | 103.6%         | 97.3%           | 100.8%          |

(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) | Q4<br>2015     | Q1<br>2016     | Q2<br>2016     | Q3<br>2016     | Q4<br>2016     | YTD<br>2015     | YTD<br>2016     |
|------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| <b>Net Investment Income</b> |                |                |                |                |                |                 |                 |
| Fixed maturities             | \$ 63.0        | \$ 61.1        | \$ 61.3        | \$ 59.8        | \$ 62.9        | \$ 253.8        | \$ 245.1        |
| Equity securities            | 4.6            | 4.3            | 4.8            | 4.4            | 5.1            | 17.5            | 18.6            |
| Other investments            | 5.2            | 5.6            | 5.7            | 6.4            | 9.0            | 18.1            | 26.7            |
| Investment expenses          | (2.8)          | (2.7)          | (2.7)          | (2.8)          | (2.8)          | (10.3)          | (11.0)          |
| <b>Total</b>                 | <b>\$ 70.0</b> | <b>\$ 68.3</b> | <b>\$ 69.1</b> | <b>\$ 67.8</b> | <b>\$ 74.2</b> | <b>\$ 279.1</b> | <b>\$ 279.4</b> |
| <b>Pre-tax Yields</b>        |                |                |                |                |                |                 |                 |
| Fixed maturities             | 3.63%          | 3.54%          | 3.56%          | 3.43%          | 3.44%          | 3.61%           | 3.51%           |
| <b>Total</b>                 | <b>3.47%</b>   | <b>3.40%</b>   | <b>3.39%</b>   | <b>3.31%</b>   | <b>3.40%</b>   | <b>3.44%</b>    | <b>3.38%</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, 2016

(In millions)

| Investment Type                       | Weighted<br>Average<br>Quality | Amortized<br>Cost or Cost | Fair<br>Value | % of<br>Total | Net<br>Unrealized<br>Gain | Change in<br>Net<br>Unrealized<br>During Q4 | Change in<br>Net<br>Unrealized<br>YTD |
|---------------------------------------|--------------------------------|---------------------------|---------------|---------------|---------------------------|---|---------------------------------------|
| Fixed maturities:                     |                                |                           |               |               |                           |   |                                       |
| U.S. Treasury and government agencies | AAA                            | \$ 342.5                  | \$ 341.1      | 3.9%          | \$ (1.4)                  | \$ (10.7)                                   | \$ (3.4)                              |
| Foreign government                    | AA+                            | 235.8                     | 240.7         | 2.8%          | 4.9                       | (3.3)                                       | 3.8                                   |
| Municipals:                           |                                |                           |               |               |                           |   |                                       |
| Taxable                               | AA                             | 964.2                     | 993.8         | 11.4%         | 29.6                      | (31.1)                                      | (13.3)                                |
| Tax exempt                            | AA                             | 101.6                     | 101.6         | 1.2%          | -                         | (3.9)                                       | (2.9)                                 |
| Corporate:                            |                                |                           |               |               |                           |   |                                       |
| NAIC 1                                | A                              | 1,655.8                   | 1,682.9       | 19.3%         | 27.1                      | (48.7)                                      | (4.8)                                 |
| NAIC 2                                | BBB                            | 1,929.6                   | 1,950.7       | 22.3%         | 21.1                      | (57.3)                                      | 22.5                                  |
| NAIC 3 and below                      | B+                             | 404.4                     | 420.2         | 4.8%          | 15.8                      | (0.8)                                       | 55.2                                  |
| Total corporate                       | BBB+                           | 3,989.8                   | 4,053.8       | 46.4%         | 64.0                      | (106.8)                                     | 72.9                                  |
| Asset backed:                         |                                |                           |               |               |                           |   |                                       |
| Residential mortgage-backed           | AAA                            | 978.2                     | 974.2         | 11.2%         | (4.0)                     | (26.5)                                      | (12.5)                                |
| Commercial mortgage-backed            | AA+                            | 550.6                     | 554.3         | 6.3%          | 3.7                       | (19.6)                                      | 2.2                                   |
| Asset-backed                          | AAA                            | 72.4                      | 71.8          | 0.8%          | (0.6)                     | (1.7)                                       | -                                     |
| Total fixed maturities                | A+                             | 7,235.1                   | 7,331.3       | 84.0%         | 96.2                      | (203.6)                                     | 46.8                                  |
| Equity securities                     |                                | 498.4                     | 584.4         | 6.7%          | 86.0                      | 7.1   | 37.9                                  |
| Other investments                     |                                | 529.9                     | 533.8         | 6.1%          | 3.9                       | 0.5   | 0.5                                   |
| Total investments                     |                                | 8,263.4                   | 8,449.5       | 96.8%         | 186.1                     | (196.0)                                     | 85.2                                  |
| Cash and cash equivalents             |                                | 282.6                     | 282.6         | 3.2%          | -                         | -   | -                                     |
| Total                                 |                                | \$ 8,546.0                | \$ 8,732.1    | 100.0%        | \$ 186.1                  | \$ (196.0)                                  | \$ 85.2                               |

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

(In millions)

**CREDIT QUALITY OF FIXED MATURITIES**

| NAIC Designation       | Rating Agency<br>Equivalent Designation | Amortized<br>Cost | Fair<br>Value     | % of Total<br>Fair Value |
|------------------------|---|-------------------|-------------------|--------------------------|
| 1                      | Aaa/Aa/A                                | \$ 4,867.7        | \$ 4,927.6        | 67.2%                    |
| 2                      | Baa                                     | 1,955.4           | 1,975.8           | 26.9%                    |
| 3                      | Ba                                      | 203.2             | 210.8             | 2.9%                     |
| 4                      | B                                       | 195.9             | 203.7             | 2.8%                     |
| 5                      | Caa and lower                           | 11.8              | 11.9              | 0.2%                     |
| 6                      | In or near default                      | 1.1               | 1.5               | -                        |
| Total fixed maturities |   | <u>\$ 7,235.1</u> | <u>\$ 7,331.3</u> | <u>100.0%</u>            |

**DURATION OF FIXED MATURITIES**

|                           | Amortized<br>Cost | Fair<br>Value     | % of Total<br>Fair Value |
|---------------------------|-------------------|-------------------|--------------------------|
| 0-2 Years                 | \$ 1,168.6        | \$ 1,190.2        | 16.2%                    |
| 2-4 Years                 | 2,107.4           | 2,171.2           | 29.6%                    |
| 4-6 Years                 | 1,941.4           | 1,971.8           | 26.9%                    |
| 6-8 Years                 | 1,426.7           | 1,423.0           | 19.4%                    |
| 8-10 Years                | 515.1             | 498.4             | 6.8%                     |
| 10+ Years                 | 75.9              | 76.7              | 1.1%                     |
| Total fixed maturities    | <u>\$ 7,235.1</u> | <u>\$ 7,331.3</u> | <u>100.0%</u>            |
| Weighted Average Duration | <u>4.5</u>        |                   |                          |

**THE HANOVER INSURANCE GROUP**  
**TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS**  
December 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 InBev                 | \$ 29.1               | \$ 29.5           | 0.34%                                  | A-                     |
| AT&T                                 | 27.1                  | 26.5              | 0.30%                                  | BBB+                   |
| Enterprise Holdings                  | 26.9                  | 26.3              | 0.30%                                  | BBB+                   |
| Goldman Sachs                        | 26.1                  | 27.3              | 0.31%                                  | BBB                    |
| Bank of America                      | 25.8                  | 26.6              | 0.30%                                  | BBB+                   |
| Key Bank                             | 24.6                  | 24.7              | 0.28%                                  | BBB+                   |
| AvalonBay Communities                | 24.6                  | 24.0              | 0.28%                                  | A-                     |
| Morgan Stanley                       | 24.3                  | 24.3              | 0.28%                                  | BBB+                   |
| JP Morgan Chase                      | 24.3                  | 24.1              | 0.28%                                  | A-                     |
| AbbVie                               | 24.0                  | 24.0              | 0.28%                                  | A-                     |
| Top 10 Corporate and Municipal Fixed | \$ 256.8              | \$ 257.3          | 2.95%                                  |                        |

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

|  | Three Months ended December 31 |                                       |                |                        | Year ended December 31 |                        |                 |                        |
|--|--------------------------------|---------------------------------------|----------------|------------------------|------------------------|------------------------|-----------------|------------------------|
|  | 2016                           |                                       | 2015           |                        | 2016                   |                        | 2015            |                        |
| (In millions, except per share data)                   | \$                             | Per Share<br>(Diluted) <sup>(1)</sup> | \$             | Per Share<br>(Diluted) | \$                     | Per Share<br>(Diluted) | \$              | Per Share<br>(Diluted) |
| <b>OPERATING INCOME (LOSS)</b>                         |                                |                                       |                |                        |                        |                        |                 |                        |
| Commercial Lines                                       | \$ (93.3)                      |                                       | \$ 16.8        |                        | \$ 35.9                |                        | \$ 143.3        |                        |
| Personal Lines   | 42.2                           |                                       | 57.7           |                        | 178.4                  |                        | 149.3           |                        |
| Chaucer  | 39.2                           |                                       | 51.3           |                        | 126.8                  |                        | 183.7           |                        |
| Other  | (10.2)                         |                                       | (2.2)          |                        | (18.3)                 |                        | (10.2)          |                        |
| Total  | (22.1)                         |                                       | 123.6          |                        | 322.8                  |                        | 466.1           |                        |
| Interest expense                                       | (12.1)                         |                                       | (14.7)         |                        | (54.9)                 |                        | (60.6)          |                        |
| Operating income (loss) before income taxes            | (34.2)                         | \$ (0.81)                             | 108.9          | \$ 2.47                | 267.9                  | \$ 6.20                | 405.5           | \$ 9.05                |
| Income tax benefit (expense) on operating income       | 14.5                           | 0.35                                  | (28.6)         | (0.65)                 | (83.5)                 | (1.93)                 | (125.5)         | (2.80)                 |
| Operating income (loss) after income taxes             | (19.7)                         | (0.46)                                | 80.3           | 1.82                   | 184.4                  | 4.27                   | 280.0           | 6.25                   |
| Gain on disposal of U.K. motor business, net of tax    | -                              | -                                     | 0.3            | 0.01                   | 0.9                    | 0.02                   | 40.6            | 0.91                   |
| Other non-operating items:                             |                                |                                       |                |                        |                        |                        |                 |                        |
| Net realized investment gains (losses)                 | 3.6                            | 0.08                                  | (10.5)         | (0.24)                 | 8.6                    | 0.20                   | 19.5            | 0.43                   |
| Loss from repayment of debt                            | (2.2)                          | (0.05)                                | -              | -                      | (88.3)                 | (2.05)                 | (24.1)          | (0.54)                 |
| Other  | 0.2                            | -                                     | 0.3            | 0.01                   | 3.0                    | 0.07                   | 0.1             | 0.01                   |
| Income tax benefit on other non-operating items        | 5.9                            | 0.14                                  | 7.4            | 0.16                   | 47.5                   | 1.10                   | 14.7            | 0.33                   |
| Income (loss) from continuing operations, net of taxes | (12.2)                         | (0.29)                                | 77.8           | 1.76                   | 156.1                  | 3.61                   | 330.8           | 7.39                   |
| Discontinued operations, net of taxes                  | (1.3)                          | (0.03)                                | (0.2)          | -                      | (1.0)                  | (0.02)                 | 0.7             | 0.01                   |
| <b>NET INCOME (LOSS)</b>                               | <b>\$ (13.5)</b>               | <b>\$ (0.32)</b>                      | <b>\$ 77.6</b> | <b>\$ 1.76</b>         | <b>\$ 155.1</b>        | <b>\$ 3.59</b>         | <b>\$ 331.5</b> | <b>\$ 7.40</b>         |

<sup>(1)</sup> Per diluted share amounts exclude common stock equivalents, as the impact of these instruments was anti-dilutive.

## 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 and intangible assets, divided by the number of common shares outstanding.

The Hanover also provides measures of operating income and loss ratios that exclude the effects of catastrophe losses. A catastrophe is a severe loss, resulting from natural or manmade events, including risks such as fire, hurricane, earthquake, windstorm, explosion, terrorism or other similar events. Each catastrophe has unique characteristics. Catastrophes are not predictable as to timing or loss amount in advance. The Hanover believes that providing certain financial metrics and trends excluding the effects of catastrophes is meaningful for investors to understand the variability of periodic earnings and loss ratios.

Prior year reserve development, which can be favorable or unfavorable, represents changes in our estimate of the costs to pay claims from prior years. We believe that a discussion of operating income excluding prior year reserve development is helpful to investors since it provides insight into both our estimate of current year accident results and changes to prior-year reserve estimates.

Operating income before and after interest expense and taxes and measures of operating income that exclude the effects of catastrophe losses or reserve development should not be construed as substitutes for net income determined in accordance with GAAP. A reconciliation of income from continuing operations to operating income before interest expense and taxes and income from continuing operations per share to operating income after taxes per share for the three and twelve months ended December 31, 2016 and 2015 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 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**

| Quarter Ended | Price Range    |                | Dividends      |
|---------------|----------------|----------------|----------------|
|               | High           | Low            | Per Share      |
| March 31      | \$90.68        | \$76.90        | \$0.460        |
| June 30       | \$91.15        | \$80.41        | \$0.460        |
| September 30  | \$84.58        | \$74.10        | \$0.460        |
| December 31   | <b>\$91.66</b> | <b>\$74.88</b> | <b>\$0.500</b> |

**Quarter Ended 2015**

| Quarter Ended | Price Range |         | Dividends |
|---------------|-------------|---------|-----------|
|               | High        | Low     | Per Share |
| 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 FEBRUARY 2, 2017**

| <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)