The Hanover Insurance Group (THG)

Investor Presentation

KBW Insurance Conference

September 6, 2017

The Hanover Insurance Group®

Forward-looking statements and non-GAAP financial measures

Forward-Looking Statements: Certain statements in this presentation, including responses to questions, contain or may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Use of the words "believes," "anticipates," "expects," "projections" or "forecast" ("F"), "outlook," "should," "plan," "confident," "guidance," "on track or target to," "promise," "line of sight," "will," "on the right path to," "our objective", "aspirations" and similar expressions are intended to identify forward-looking statements. In particular, this presentation includes or may include forward-looking statements with respect to the achievability of our "Hanover 2021" goals, including with respect to premium and earnings growth, ROE, book value per share, expense, stability of loss ratio and sources of growth. They also include the ability to continue to improve our underwriting profitability and financial performance; underlying loss and combined ratio trends; forecast for 2017 and beyond; the potential efficacy of Return on Equity (ROE) levers; confidence in ability to achieve top-quartile returns; embedded earnings power of our business; outlook on the market and economic conditions; agency penetration to achieve above-industry growth; Personal and Commercial Lines profitability improvement; the pricing environment; price adequacy; the company's ability to increase rates in domestic P&C and in Lloyd's businesses; the impact of foreign exchange fluctuations; competitive and growing position, including with respect to agents; net premiums written growth and retention (including the impact of exposure management, profitability improvement and rate actions); new business growth; continued Personal Lines momentum driven by new business; Platinum and success in near-affluent market; Specialty business as a driver of growth and improved margin; future prior year reserve development and reserve adequacy; the future impact of frequency and severity trends and anticipated improvements in the quality of business and reductions to catastrophe-prone businesses; the impact of various agency and exposure management actions on net premiums written; operating income; margin improvement; reduction in volatility; Generally Accepted Accounting Principles (GAAP) and accident year loss and combined ratios; expense ratio and expense improvements; the ability to improve profitability, earnings growth and returns; the ability to deliver on strategic and ROE goals; product margins and margin improvement; expected combined ratio and growth of Chaucer Holdings Limited ("Chaucer"); ability to navigate the Lloyd's market conditions and preserve margins; net investment income and the effect of yields and capital returns on future net investment income; product- geographic- and account- based mix changes on future growth, margin improvement and target returns.

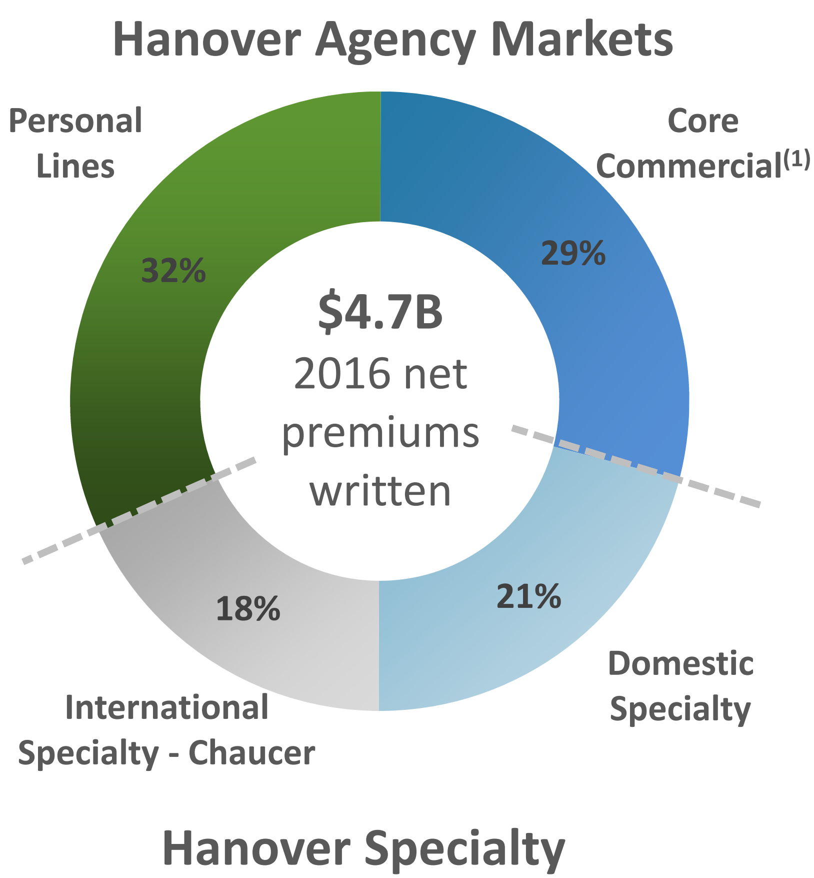
The company cautions investors that neither historical results and trends nor forward-looking statements are guarantees of or necessarily indicate future performance, and actual results could differ materially. Investors are directed to consider the risks and uncertainties in our business that may affect future performance and that are discussed in readily available documents, including the company's earnings press release dated August 2, 2017 and the Annual Report, Form 10-Q and other documents filed by The Hanover with the Securities and Exchange Commission, which are available at www.hanover.com under "Investors." We assume no obligation to update this presentation, which, unless otherwise noted, reflects information as of YE 2016 and as of June 30, 2017.

These uncertainties include the uncertain U.S. and global economic and political environment, the possibility of adverse catastrophe experience (including terrorism) and severe weather, the uncertainties in estimating catastrophe and non-catastrophe weather-related losses, such as those resulting from Hurricane Harvey in August 2017, the uncertainties in estimating property and casualty losses, accident year picks, and incurred but not reported loss and LAE reserves, the ability to increase or maintain certain property and casualty insurance rates in excess of loss trends, the impact of new product introductions, adverse loss and LAE development for prior years, changes in frequency and loss trends, the ability to improve renewal rates and increase new property and casualty policy counts, adverse selection in underwriting activities, investment impairments and returns, the impact of competition (including rate pressure), adverse and evolving state, federal and, with respect to Chaucer, international, legislation or regulation, adverse regulatory or litigation actions, financial ratings actions, and those risks inherent in Chaucer's business.

Non-GAAP Measures: The discussion in this presentation of The Hanover's financial performance includes reference to certain financial measures that are not derived from generally accepted accounting principles, or GAAP, such as operating income, operating income before taxes (and interest expense), combined ratios and loss ratios, excluding catastrophes and/or prior-year development and accident year loss ratios, excluding catastrophes, book value per share excluding net unrealized gains and losses and operating ROE. A reconciliation of non-GAAP measures to the closest GAAP measure is included in the end notes to this presentation, the press release dated August 2, 2017 or the financial supplement, which are posted on our website. The reconciliation of accident year loss ratio and combined ratio excluding catastrophes to the most directly comparable GAAP measure, total loss ratio and combined ratio, is found in the end notes of this presentation. Operating income (operating income per diluted share) is a non-GAAP measure. It is defined as net income excluding the after-tax impact of net realized investment gains and losses, as well as results from discontinued operations divided by, in the case of per share reported figures, the average number of diluted shares of common stock. Book value per share, excluding net unrealized gains and losses, is calculated as total shareholders' equity excluding the after-tax effect of unrealized investment gains and losses, divided by the number of common shares outstanding. The definition of other financial measures and terms can be found in the 2016 Annual Report on pages 77-80.

The Hanover overview – Growing from a strong foundation

National insurance company with a global reach



- One of the most respected franchises in the independent agency space
- Distinguished global specialty capabilities through Chaucer
- Significant opportunity for premium and earnings growth

NYSE: THG

Market capitalization (as of 8.24.17)	$4.1 billion
Annual dividend per share (as of 8.24.17)	$2.00 yield: 2.0%
GAAP equity (as of 6.30.17)	$3.0 billion

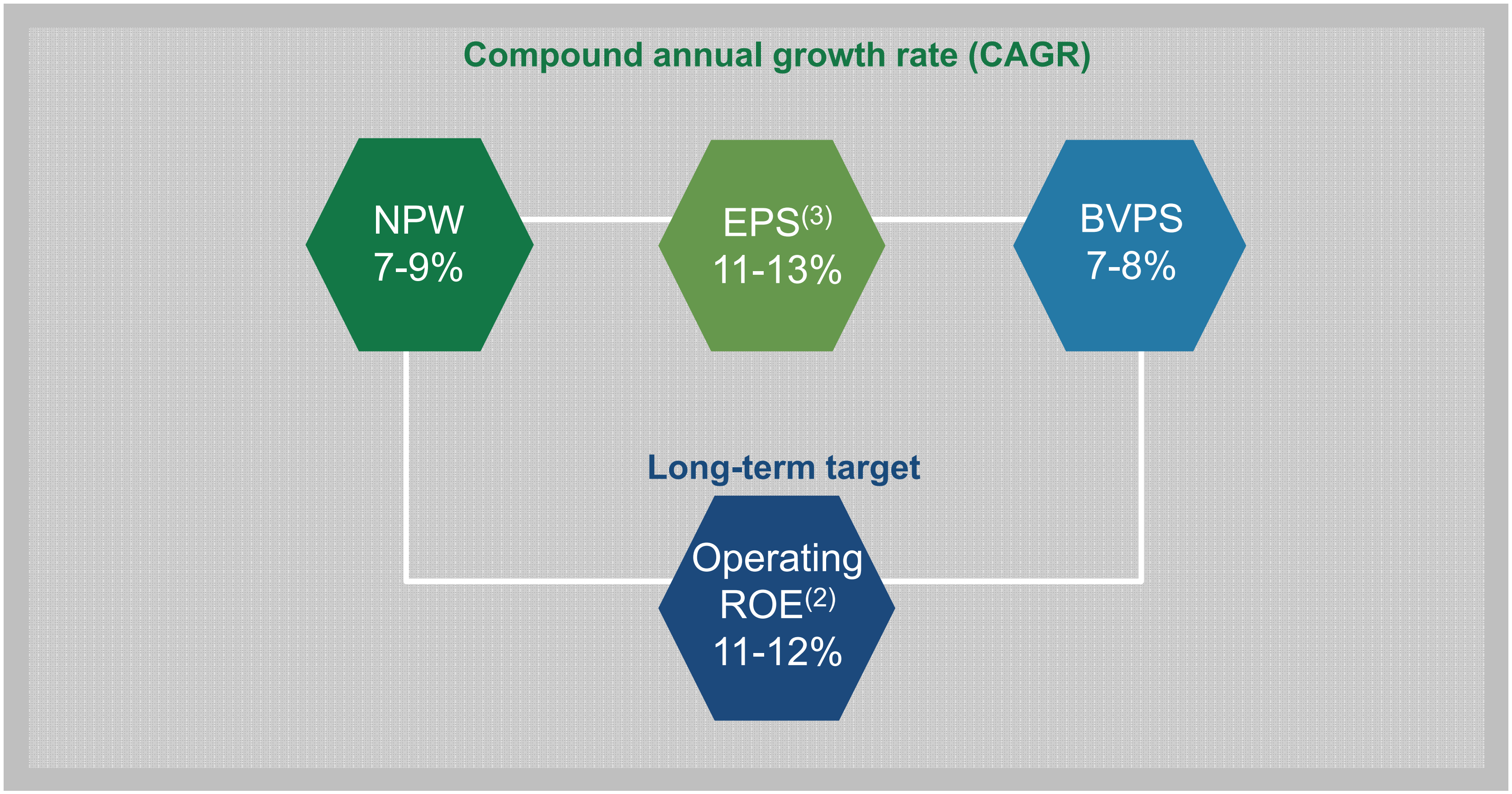
The Hanover Insurance Group®

The Hanover investor value proposition

Clear strategy and financial path to top-quartile growth and returns

Leverage the strength of our agency business	With modest investments, our strategy is to substantially grow market share with independent agents. As successful as we have been in the past, we still have significant headroom within our agency footprint.
Expand and grow our specialty capability	Our Domestic Specialty business is under-penetrated within the independent agency channel. Our strategy is to responsibly expand our risk appetite, approach the wholesale channel more aggressively and expand Chaucer's global footprint.
Growth through innovation	Our strategy is to develop new business models to capture premium by helping our distribution partners find new customers, access different risk pools, and select and manage risk more efficiently, enabled by an advanced IT rent-to-own model.
Rigorous financial management	Our strategy is highly focused on book value growth and return on equity (ROE[2]) expansion through expense leverage. Enterprise risk management (ERM) and disciplined capital management will be foundational.
Talent to win	We are organized to win around the customer, market and strategy. We have assembled a world class team and will continue to attract world class talent.

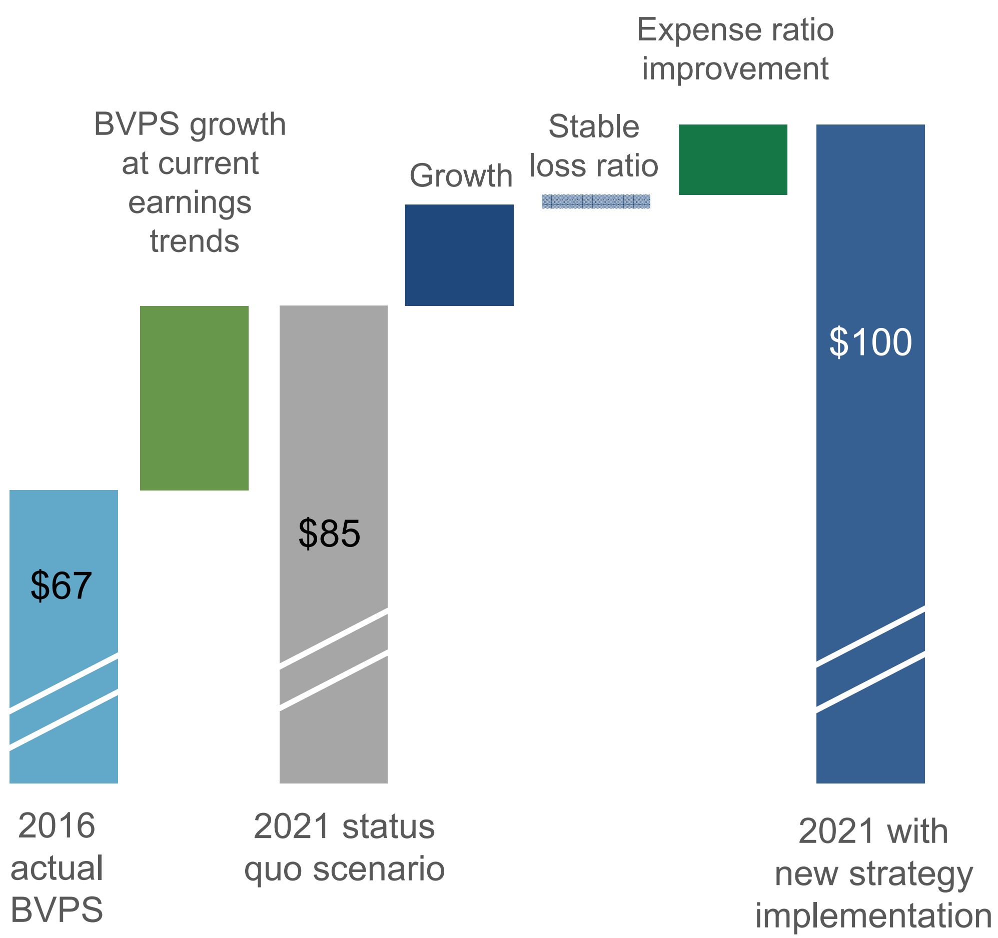
Five-year aspirational goals



The Hanover Insurance Group®

Path to reach $100 BVPS by 2021 - Five-year CAGR 7-8%

Book value per share goal

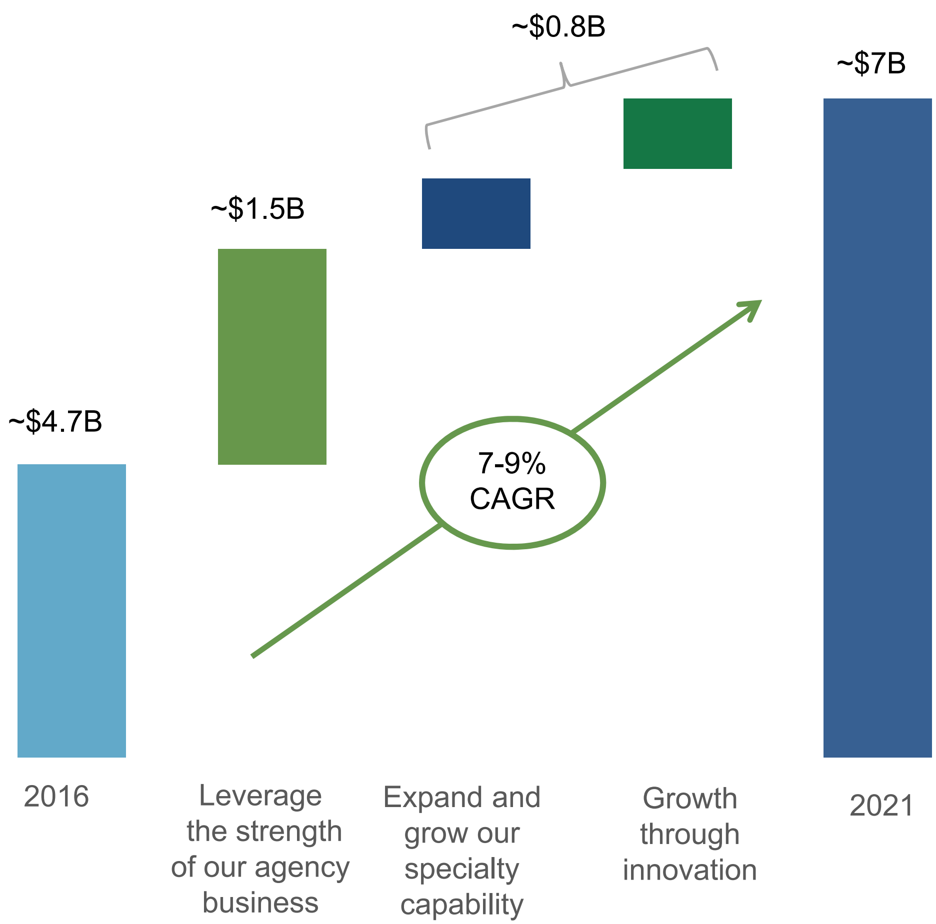


Strategy execution

- Current premium and earnings trends would provide book value growth of ~$18 per share in five years
- New strategy would add an additional $15 per share driven by:
    - Premium growth
    - Stable loss ratio
    - Expense ratio(4) leverage
- Operating ROE(2) improvement to 12% should primarily come from expense leverage and to a lesser extent, higher investment yield
- Assumes no reduction in tax rate

Path to reach $7 billion goal in premium by 2021…

Net premiums written (NPW)



Key takeaways

- Drive greater agency penetration through product upgrades, data-driven agency business portfolio optimization solutions and footprint expansion
- Grow Specialty business by expanding distribution, pursuing inorganic growth, improving data analytics and hiring best-in-class talent
- Develop new business models to help our distribution partners attract new customers, use data analytics for advanced risk selection, and design new cost structures and pricing models

…while maintaining stable loss ratio and improving expense ratio

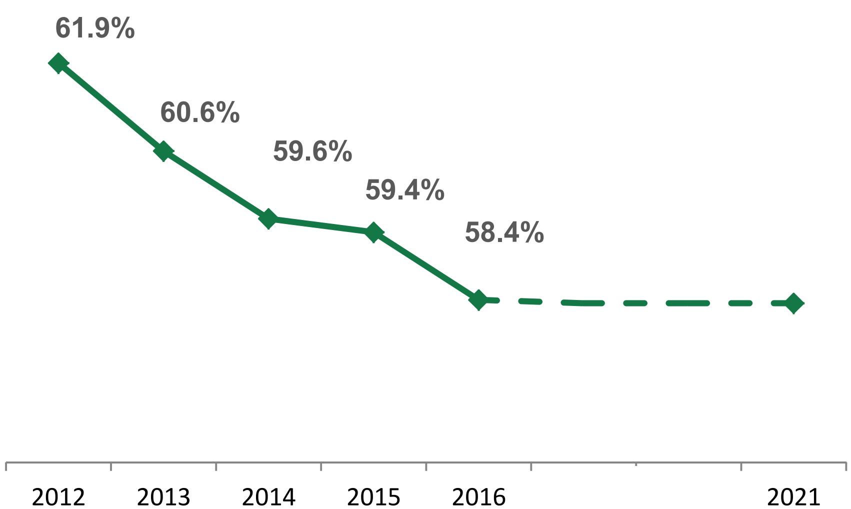
Maintain stable loss ratio:

- Starting with a high quality, appropriately priced portfolio mix
- Match pricing to loss trend
- Strategically select risk pools
- Underwriting rigor

Expense ratio - catalyst for ROE expansion:

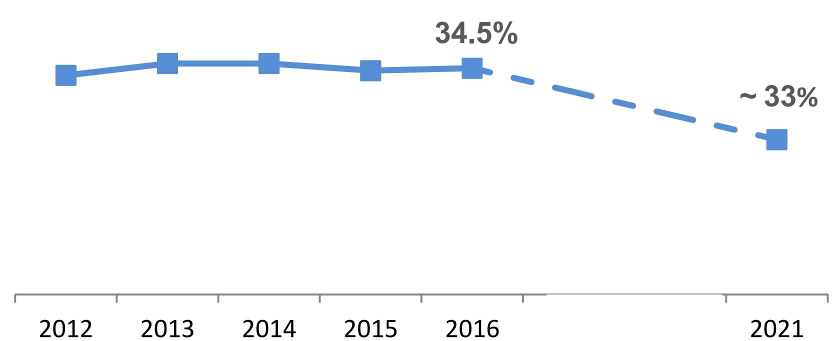
- Growth leverage is key to expense ratio improvement
- Offset business investments with cost optimization
- Based on recent view, we believe we can improve trajectory through identified cost reduction and increased rigor

Track record of loss ratio improvement



Current Accident Year Loss and LAE Ratio, Ex-cats[5]

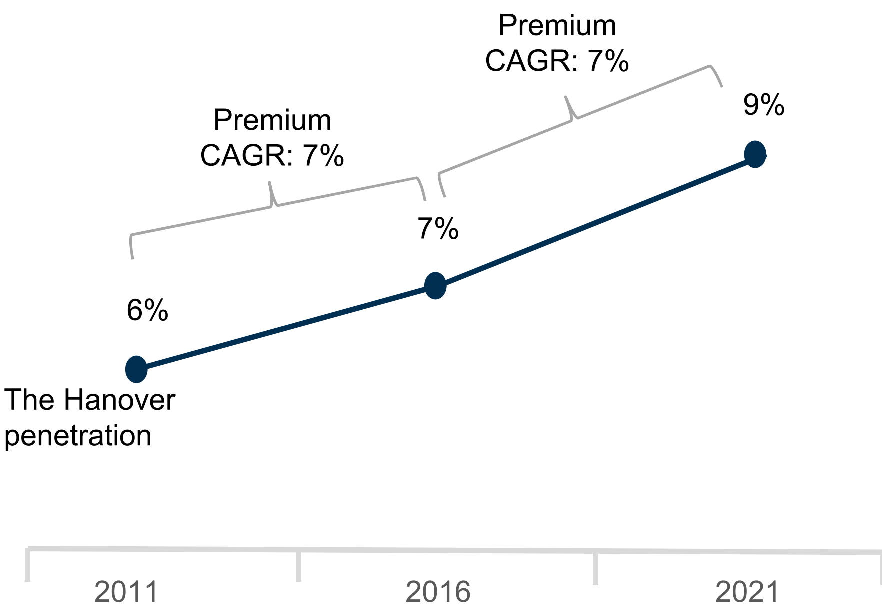
Expense ratio opportunity



We have a unique and effective distribution strategy, which we will leverage for profitable growth

We have significant headroom in our existing agency footprint

Our agency penetration*



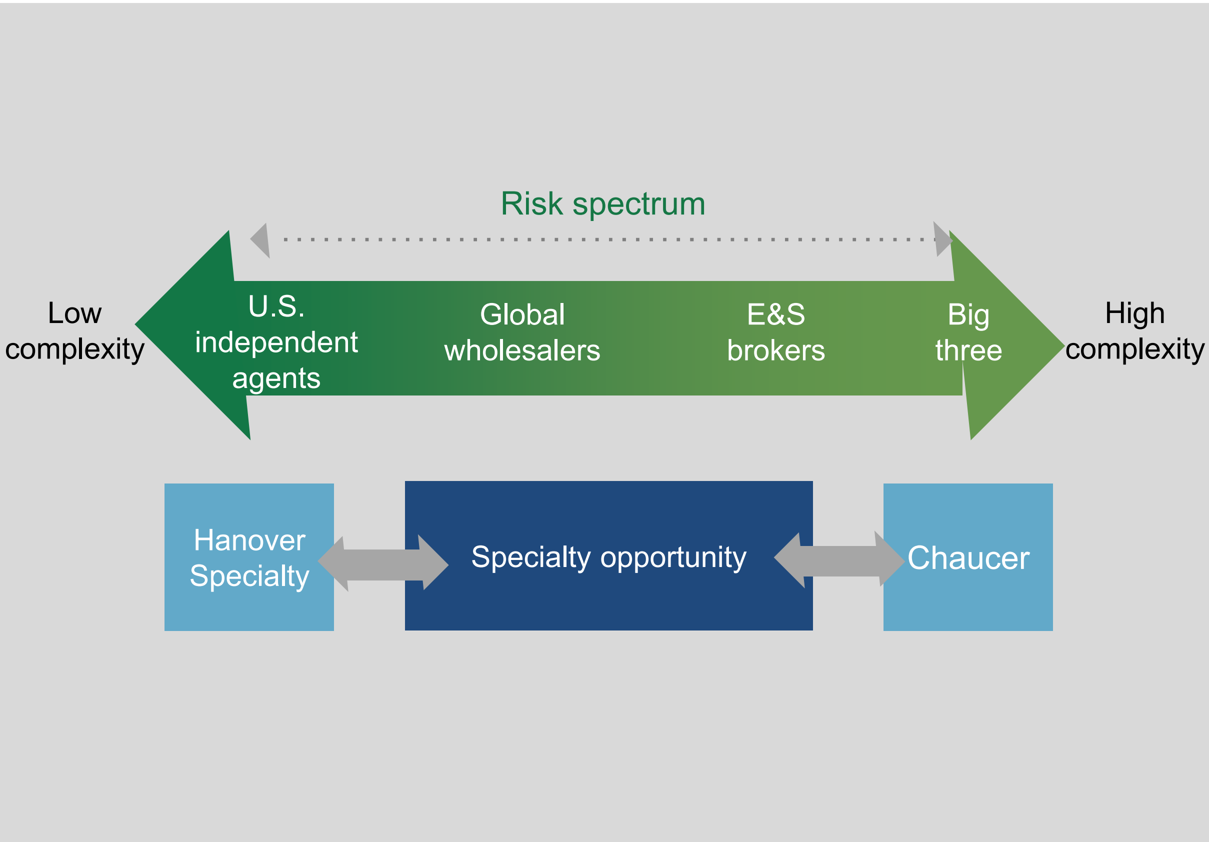
Key takeaways

- Ample headroom exists within our existing agency relationships
- Strategy remains narrow and deep
- Expected future growth rate is in line with our historical trend
- Small movements in agency penetration drive meaningful growth

** Agency penetration: Total addressable market given our existing footprint, product offering and risk appetite. Metrics exclude the impact of closed agents and programs business/E&S business*

Opportunity to fill the gap between lower-risk Domestic Specialty capability and Chaucer's highly specialized focus

Build on our near $2 billion Specialty portfolio



How we will pursue

- Expand distribution to include wholesalers, support organic growth with additional capital and leverage Chaucer's intellectual property capabilities
- Responsibly pursue inorganic growth
- Improve insights using big data and predictive analytics
- Recruit best-in-class talent and teams

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Employ a "capital-lite" technology model to license new growth solutions with agent partners – Examples of where we can play

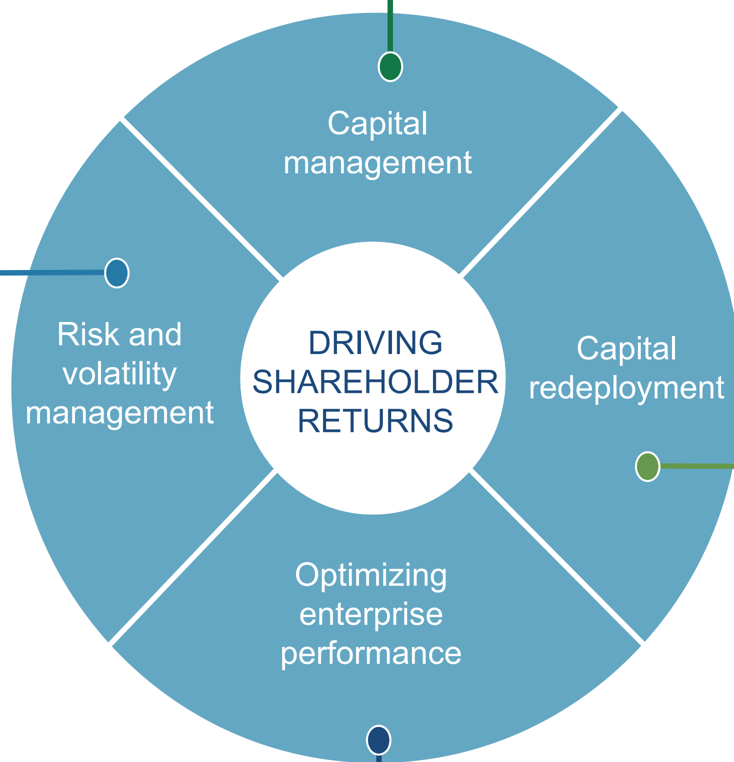
Agency channel	Target customers	Example capabilities
High-touch service model; advice driven		
Digitally-assisted advice	Millennials	Robo-advisor: Insurance needs "calculator"
	Micro small commercial businesses	Online research and pricing tool
		Digital quoting and issuing engines
		Digitally-assisted advice (e.g., online chat)
New: digital agents		

The Hanover Insurance Group®

Rigorous financial management

- Enterprise-wide ERM
- Global reinsurance strategy
- Responsible appetite expansion

- “DuPont discipline”
- Leveraging third-party capital
- Return of capital to shareholders



- Business investment based on risk-adjusted returns
- Converting books of business
- Strategic M&A

- Rigorous underwriting performance management
- Leveraging fixed costs through scale
- Expense efficiency
- Investment in innovation

The Hanover Insurance Group®

The Hanover investor value proposition

Clear strategy and financial path to top-quartile growth and returns

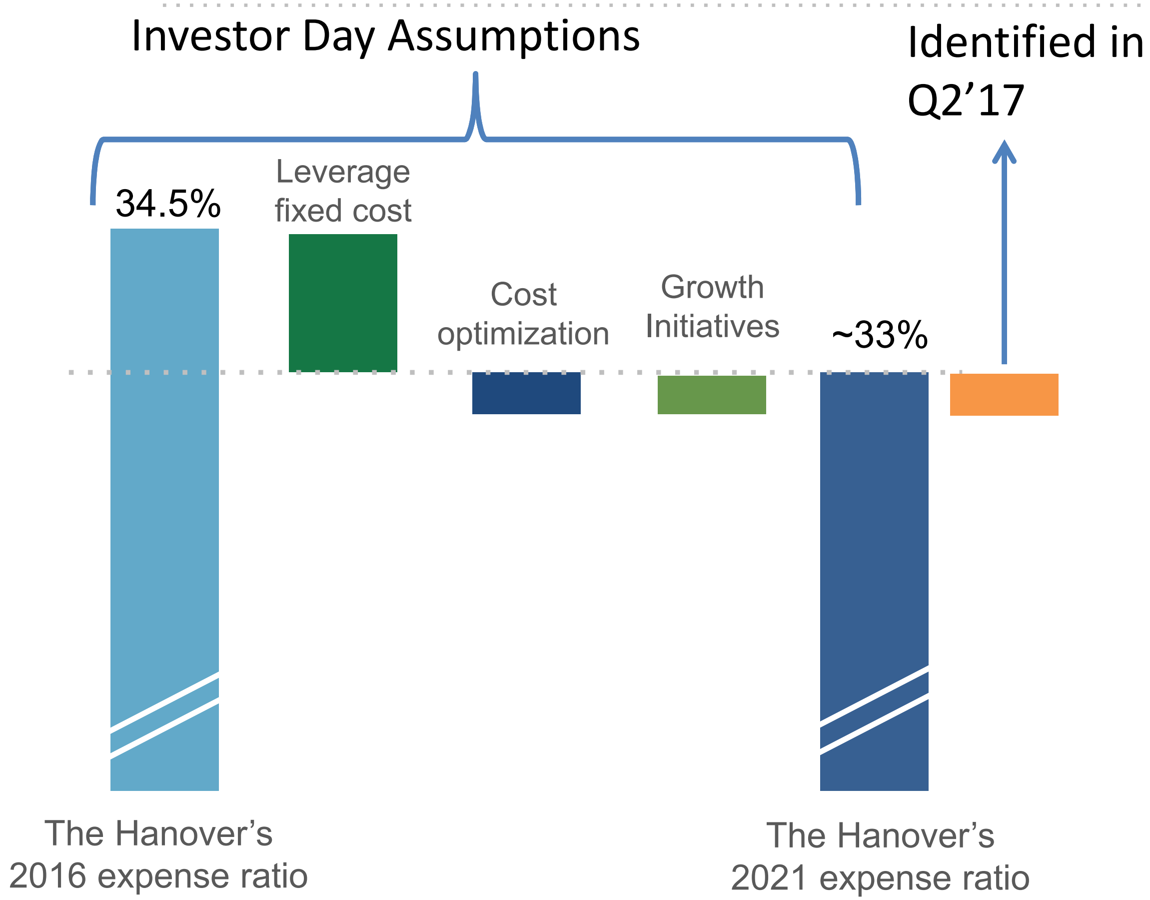
HANOVER 2021

To deliver exceptional insurance solutions in a changing world

Strategic actions to date

- Realigned our leadership team to focus on three main strategic areas – Agency Markets, Specialty and Innovation
- Build out our executive leadership team - filled the last vacant spot in the second quarter
- Building on Specialty capabilities by expanding Chaucer's regional presence and new business pipeline:
  - Opened a regional subsidiary in Dublin, will begin writing business in the third quarter
  - Acquired SLE Holdings, Lloyd's managing general underwriting agency in Sydney, Australia, which places about $25 million dollars in premiums
- Identified expense reduction opportunities beyond what we previously messaged at Investor Day in February

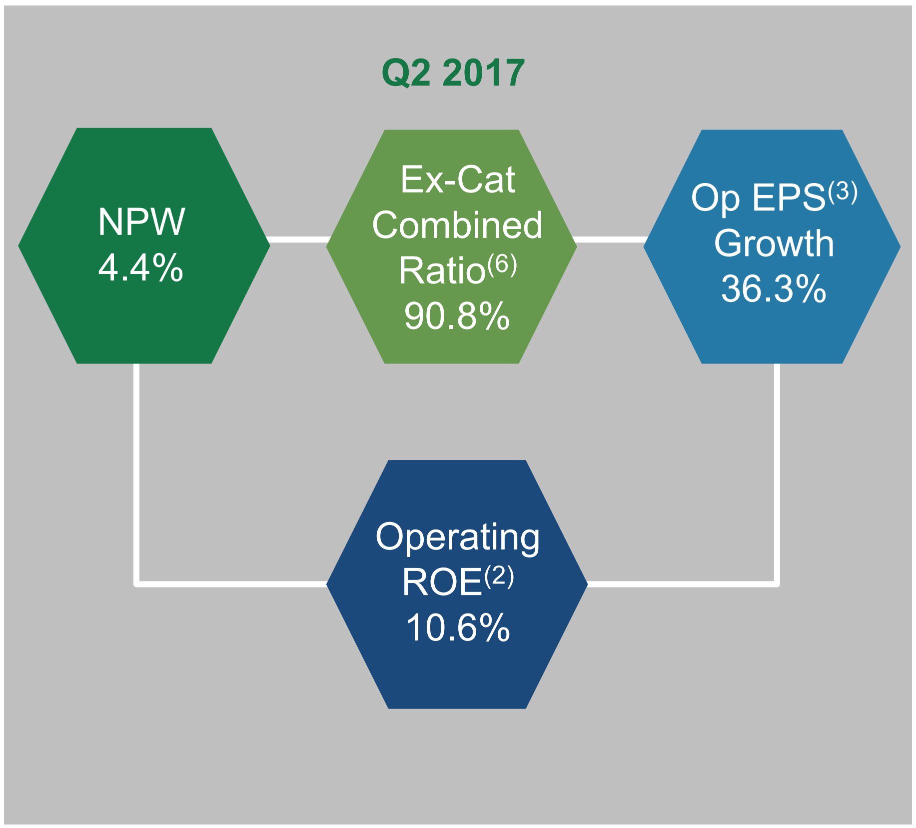
Significant scale benefits and recent expense optimization provide opportunity to invest in the business and improve returns



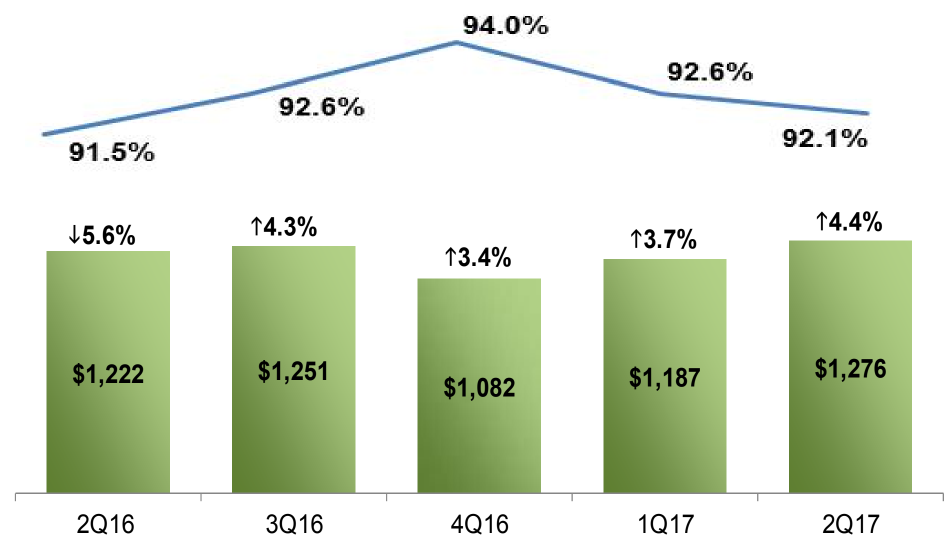
Approach

- Elimination of ~160 filled positions, primarily in back-office, mainly in Q3'17 contributed to annualized savings of approximately $30 million
- Non-personnel cost savings of $20 million through vendor and demand management
- Overall annualized run-rate impact of $50M, or up to ~1pt of the combined ratio, partially offset by investment in growth opportunities
- Continue to differentiate as a high-touch service carrier for agents
- Growth leverage continues to be key to expense ratio improvement

Q2'17 performance in line with expectations and on path to our five-year financial goals



- Strong Underwriting Performance Drives a 10.6% Operating ROE[2]
- Controlled and thoughtful net premiums written growth, driven by Personal Lines and Small Commercial
- Excluding catastrophes, underwriting income improved, driven by higher favorable development and favorable comparison to a higher than usual level of large losses at Chaucer in the second quarter of 2016
- Second quarter catastrophe losses of $57.1 million, slightly above our expectation. Commercial lines heavily impacted, primarily by the Colorado hail storm in May



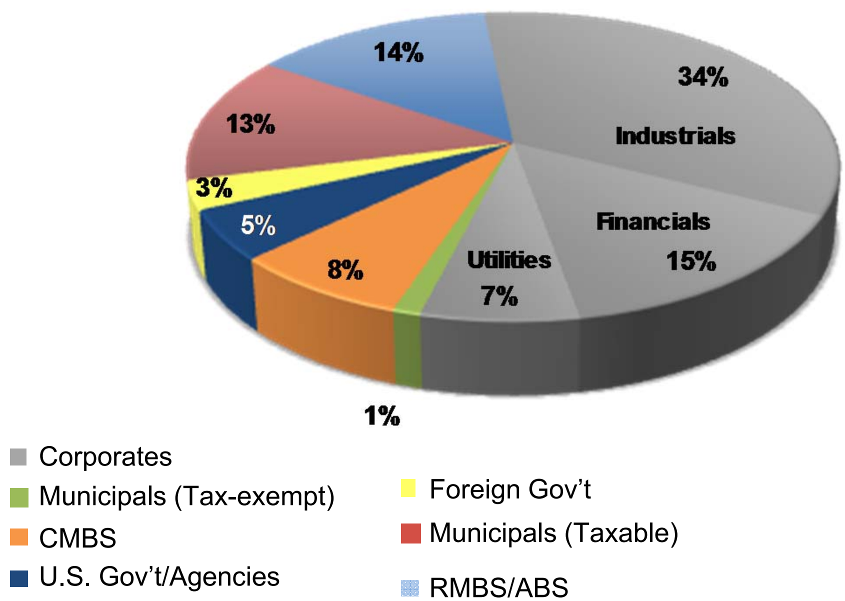
	2Q16	3Q16	4Q16	1Q17	2Q17
CR	97.3%	94.2%	107.7%	99.5%	95.6%

Consolidated Net Written Premium ($ in millions) — Accident year combined ratio ex-cat [7]

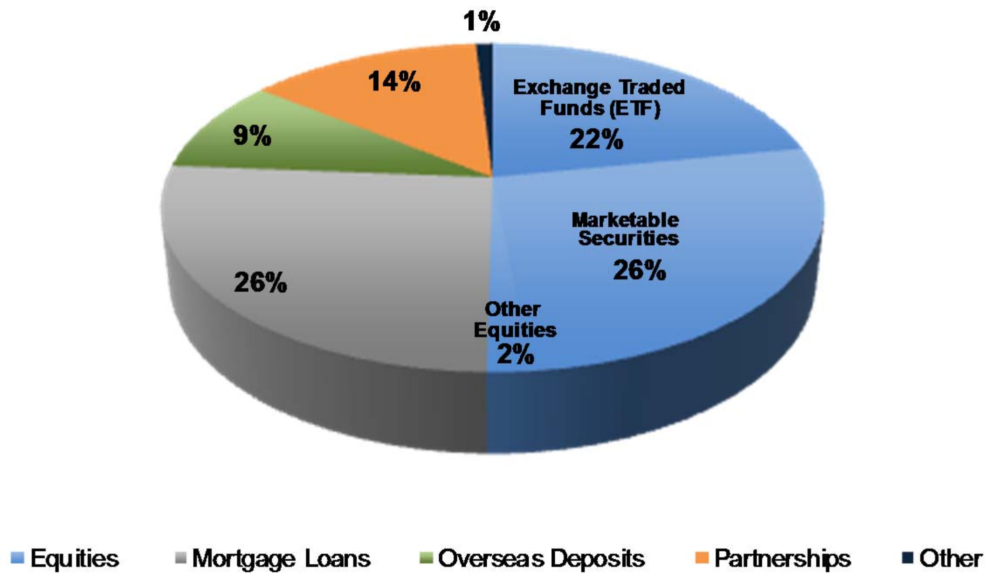
Arrows (↑↓) represent change in growth from prior year period. Q2'16 affected by the sale of UK Motor Division

Investment portfolio holdings breakdown as of June 30, 2017

Fixed Maturities $7.5 Billion



Equities & Other $1.2 Billion



Fixed Income Characteristics:

- 95% of fixed maturity securities are investment grade
- Weighted average quality A+
- Duration: 4.4 years

Appendix

Strong and leverageable distribution platform

Agent segmentation / The Hanover focus

Segment	# of Agents in U.S.	# of Target Agents	The Hanover share
1. Top 3 brokers	3	Limited	
1a. Top 4 – 10 brokers	7	7	4%
2. Top 200	200	150	5%
3. Regional agents	1,500	500	8%
4. Mid-sized agents	≈7,000	1,000	16%
5. Small agents	≈26,000	450	22%
Total	**35,000**	**≈2,100**	**7%**

Opportunity ahead

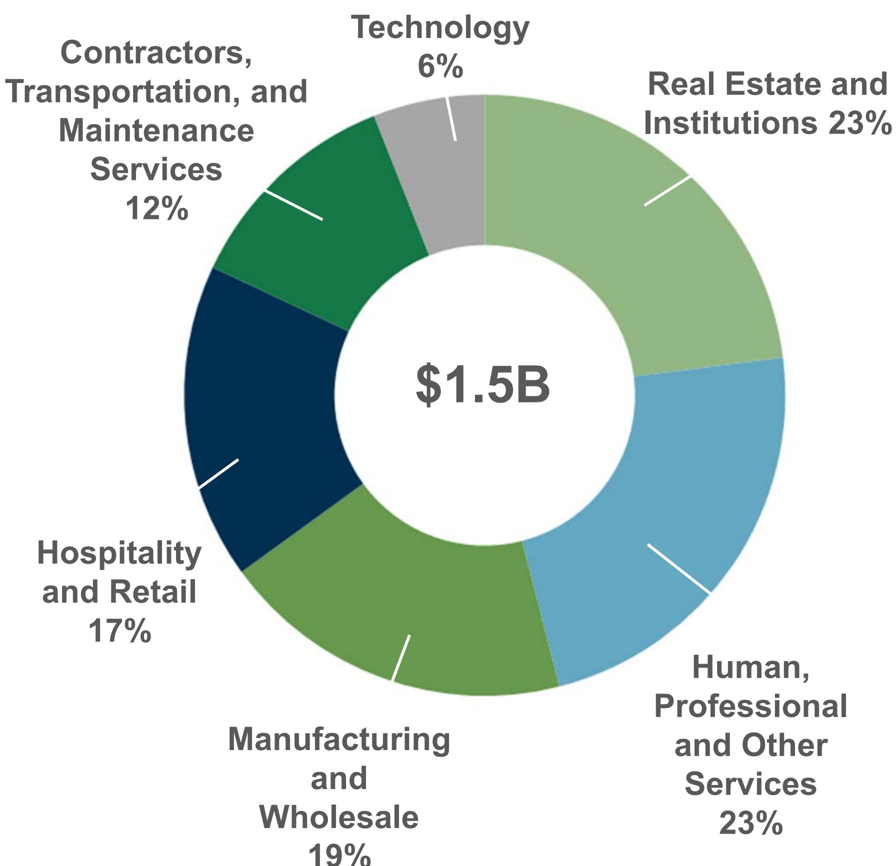
- **Focused franchise, broad coverage**:
  - 45% of our domestic premium and strong momentum with the industry's Top 200 agents
  - Access to 40% of U.S. independent agency premium
- **Substantial headroom**:
  - 7% "addressable" market share
  - 4% market share with the Top 10 U.S. agents

The Hanover Insurance Group®

Core Commercial – one of the leading players in the marketplace

High focus on profitability and playing to our strengths

2016 net premiums written



Business characteristics

Where we are today

- Higher-end Small commercial and lower-end middle market focus.
- Distinctive industry specialization with a diverse portfolio, aligned with agency and customer needs
- Underwriting flexibility: point of sale and non-point of sale capabilities
- Market insight into opportunities due to strong local presence and unique agency analytical tools
- Small account size value oriented portfolio less susceptible to the pricing cycle

Where we are going

- Gain further agency penetration
- Create more attractive product packages to better serve our agents:
  - Strengthen Small Commercial product by adding specialty coverages
  - Increase Middle Market presence through appetite expansion in targeted areas

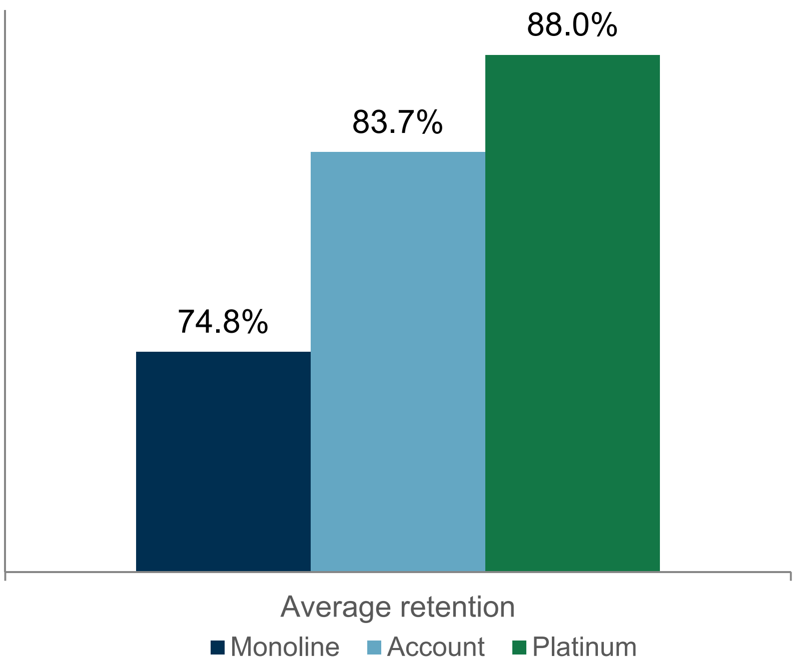
The Hanover Insurance Group®

Personal Lines – High-performing account-oriented portfolio

Deeply penetrated with the best agents

2016 net premiums written $1.5B

Improving retention with
Account and Hanover Platinum Experience offering



Business characteristics

Where we are today

- Value-oriented offering with customer base more resilient to commoditization
- Account business represents 83% of current portfolio, and 89% of new business
- Account business delivers a ~25% higher lifetime value vs. monoline business
- Local operating model well established with best distributors

Where we are going

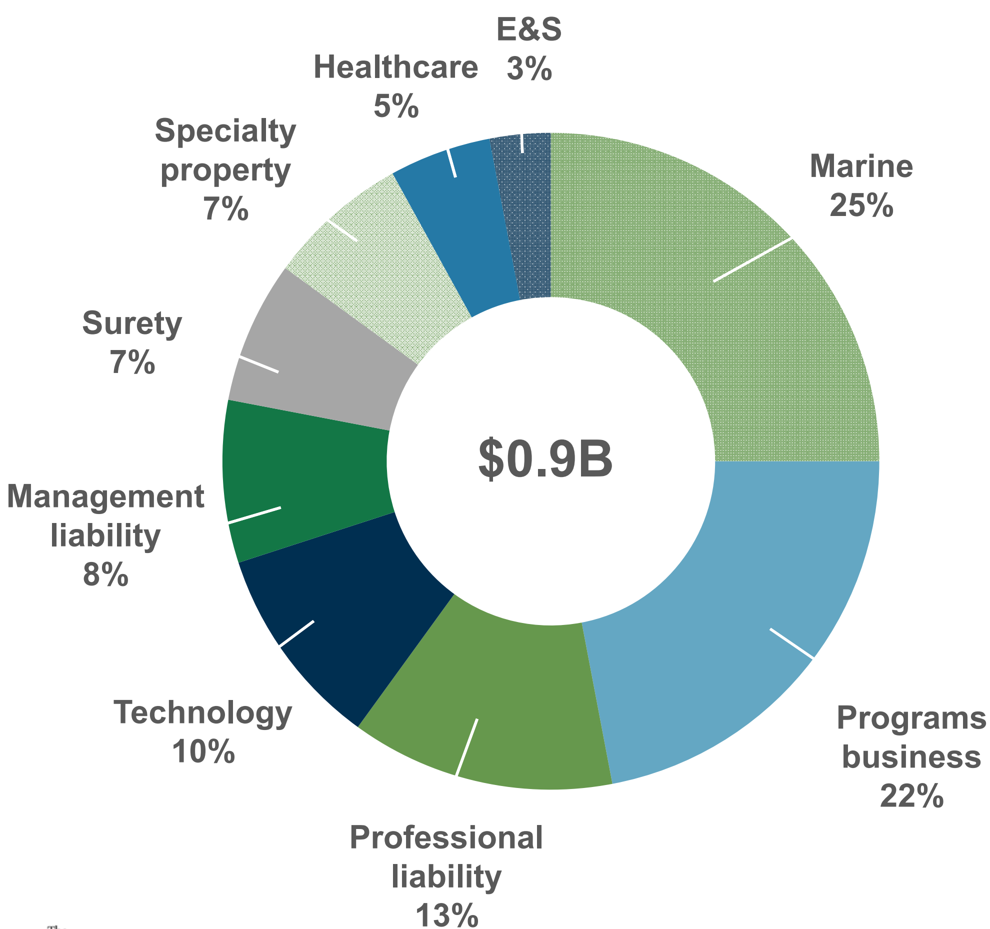
- Existing agency penetration should fuel profitable growth
- Our new emerging affluent offering targets $6-$8 billion market within our existing agency footprint
- Geographic expansion by leveraging our established Commercial Lines partnerships could lead to strong premium growth overtime

The Hanover Insurance Group®

Solid Domestic Specialty foundation

Strong performance across a variety of specialty sectors

2016 net premiums written



Business characteristics

Where we are today

- A leading carrier in providing specialty coverages direct to retail agents
- Diversified capabilities focused mainly on the lower-end of the risk and account size spectrum
- Doubled Domestic Specialty business in seven years (~14% CAGR) using organic and inorganic approaches
- Fully deployed underwriting infrastructure, reaching scale

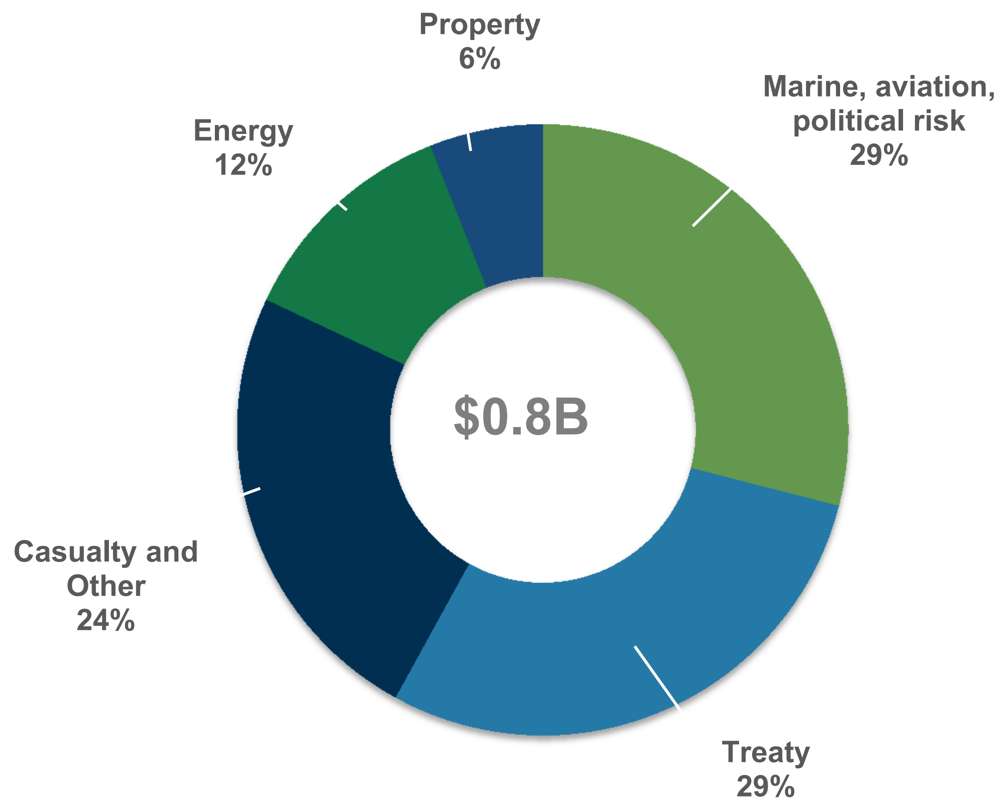
Where we are going

- Filling in the gap between low complexity domestic appetite and high complexity Chaucer capabilities:
    - Responsibly expand risk appetite as agents move upstream toward specialized offerings
    - Further develop existing wholesale and E&S platforms with targeted new agency appointments

The Hanover Insurance Group®

Chaucer – Distinguished specialty underwriting platform

2016 net premiums written



Business characteristics

Where we are today

- Diversified specialist product portfolio supported by profit-motivated business model
- Leading 30-57% of business in target classes
- Market-leading underwriting results with 90% average combined ratio over last five-and-a-half years
- Leveraging best-in-class ERM globally

Where we are going

- Responsibly expand risk appetite within core business (e.g., treaty)
- Extending regional geographic reach in emerging markets to capture profitable opportunities
- Exploring new coverage areas (e.g., cyber)

End Notes

(1) Core Commercial business provides commercial property and casualty coverages to small and mid-sized businesses in the U.S., generally with annual premiums up to $250,000, primarily through the commercial multiple peril, commercial auto and workers' compensation lines of business, as reported on page 8 and 9 of each year's corresponding Financial Supplement.

(2) Operating return on average equity ("operating ROE") is a non-GAAP financial measure. See the disclosure on the use of non-GAAP measures under the heading "Forward-looking statements and non-GAAP financial measures." Operating ROE is calculated by dividing operating income after tax annualized, as defined below, by average shareholders' equity, excluding unrealized appreciation (depreciation) on investments, net of tax, for the stated period.

($ In millions, except percentages)	Three month period ended June 30 2017
Annualized net income (period ended net income multipled by 4)	$313.6
Average shareholders' equity	$2,943.0
Return on equity (GAAP)	10.7%

($ In millions, except percentages)	Three month period ended June 30 2017
Annualized operating income (period ended operating income multipled by 4)	$289.2
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax	$2,728.1
Operating return on equity (non-GAAP)	10.6%

Total shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax, is a non-GAAP measure. Total Shareholder's equity, is the most directly comparable GAAP measure, and is reconciled in the table below. For the calculation of Operating Return on Equity ("operating ROE"), the average of beginning and ending shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax, is used for the period as shown in the table below.

($ In millions)	Period ended March 31 2017	June 30 2017
Total shareholders' equity	$2,913.5	$2,972.5
Less: net unrealized appreciation (depreciation) on investments, net of tax	$205.0	$224.8
Total shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax	$2,708.5	$2,747.7
Average shareholders' equity		$2,943.0
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax		$2,728.1

End Notes

Operating income (loss) and operating income (loss) per diluted share are non-GAAP measures. Operating income (loss) before taxes, as referenced in the results of the three business segments, is defined as, with respect to such segment, operating income (loss) before taxes and interest expense. The following table provides the reconciliation of operating income (loss) and operating income (loss) per diluted share to the most directly comparable GAAP measures, income (loss) from continuing operations and income (loss) from continuing operations per diluted share, respectively:

The Hanover Insurance Group, Inc.	June 30, 2016		June 30, 2017	
(In millions, except per share data)	$ Amount	Per Share	$ Amount	Per Share
OPERATING INCOME (LOSS)				
Commercial Lines	$44.0		$43.2	
Personal Lines	47.4		47.9	
Chaucer	5.5		29.7	
Other	(2.2)		(1.9)	
Total	94.7		118.9	
Interest expense	(15.6)		(12.2)	
Operating income (loss) before income taxes	79.1	$1.82	106.7	$2.49
Income tax (expense) benefit on operating income	(25.1)	(0.58)	(34.4)	(0.80)
Operating income (loss) after income taxes	54.0	1.24	72.3	1.69
Gain on disposal of U.K motor business, net of tax	0.3	0.01	-	-
Other non-operating items:				
Net realized investment gains (losses)	(0.7)	(0.02)	5.9	0.14
Loss from repurchase of debt	(86.1)	(1.98)	-	-
Other	0.2	-	(1.6)	(0.04)
Income tax benefit on other non-operating items	34.2	0.79	1.8	0.04
Income (loss) from continuing operations, net of taxes	1.9	0.04	78.4	1.83
Discontinued operations, net of taxes	0.1	0.01	-	-
Net income (loss)	$2.0	$0.05	$78.4	$1.83
Weighted average shares outstanding		43.4		42.8

(3) Operating income after taxes per diluted share ("Operating EPS" or "EPS") is a non-GAAP financial measure. Operating EPS is calculated by dividing operating income after taxes, as defined as part of endnote (2), by the weighted average of the number of shares outstanding during each year.

(4) On this page and later in this document, the expense ratio is reduced by installment fee revenues for purposes of the ratio calculation.

End Notes

(5) Current accident year loss ratio, excluding catastrophe losses, is a non-GAAP measure, which is equal to the loss ratio, excluding prior-year reserve development and catastrophe losses. The loss ratio (which includes catastrophe losses and prior-year loss reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of Current accident year loss ratio, excluding catastrophe losses:

Consolidated	Three months ended June 30, 2017	Three months ended June 30, 2016
	Total	Total
Total loss and LAE Ratio	61.4%	63.7%
Less:		
Prior-year reserve development ratio	(1.3%)	1.3%
Catastrophe ratio	4.8%	4.5%
Current accident year loss ratio, excluding catastrophe losses	57.9%	57.9%

	Twelve months ended December 31				
	2012	2013	2014	2015	2016
Total loss and LAE Ratio	70.2%	62.0%	62.2%	61.3%	64.1%
Less:					
Prior accident year unfavorable (favorable) reserve development	(0.4)%	(1.7)%	(2.1)%	(2.0)%	3.0%
Catastrophe losses	8.7%	3.1%	4.7%	3.9%	2.7%
Current accident year loss and LAE ratio, excluding catastrophe losses	61.9%	60.6%	59.6%	59.4%	58.4%

End Notes

(6) Combined ratio, excluding catastrophes, is a non-GAAP measure, which is equal to the combined ratio, excluding catastrophe losses. This measure and measures excluding prior-year reserve development ("current accident-year" ratios) are used throughout this document. The combined ratio (which includes catastrophe losses and prior-year reserve development) is the most directly comparable GAAP measure. The following is reconciliation of combined ratio, excluding catastrophes:

	Three months ended June 30, 2017	Three months ended June 30, 2016
	Total	Total
Total combined ratio	95.6%	97.3%
Less: catastrophe ratio	4.8%	4.5%
Combined ratio, excluding catastrophe losses	90.8%	92.8%

(7) Current accident year combined ratio, excluding catastrophe losses, is a non-GAAP measure, which is equal to the combined ratio, excluding prior-year reserve development and catastrophe losses. The combined ratio (which includes catastrophe losses and prior-year reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of current accident year combined ratio:

	Three months ended				
	June 30 2016	September 30 2016	December 31 2016	March 31 2017	June 30 2017
Total combined ratio	97.3%	94.2%	107.7%	99.5%	95.6%
Less:					
Prior-year reserve development ratio	1.3%	(0.7%)	12.3%	(0.2%)	(1.3%)
Catastrophe ratio	4.5%	2.3%	1.4%	7.1%	4.8%
Current accident year combined ratio, excluding catastrophe losses	91.5%	92.6%	94.0%	92.6%	92.1%