



FINANCIAL SUPPLEMENT  
THIRD QUARTER 2017

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

---

**TABLE OF CONTENTS**

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

## **THE HANOVER INSURANCE GROUP**

### **BASIS OF PRESENTATION**

#### **BUSINESS DESCRIPTIONS**

##### **COMMERCIAL LINES**

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

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

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

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

##### **PERSONAL LINES**

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

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

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

##### **CHAUCER**

The Chaucer reporting segment represents THG's international business written through Lloyd's and includes international marine, aviation and political, casualty, energy, property and treaty business.

*Marine, Aviation & Political* includes marine coverages that insure marine hull, liability, cargo and specie, fine art, and ports and terminals and political coverages that insure political violence (war, terrorism, aviation war), political risk and trade credit. It also includes aviation coverages that insure airline hull and liability, general aviation, refuellers, aviation products and satellite.

*Casualty* provides liability coverage worldwide for professional and commercial risks, credit and bond, crime and professional liability coverage for financial institutions, medical malpractice, excess workers' compensation and accident and health, as well as syndicate participations.

*Energy coverage*, encompassing exploration and production, construction, downstream, operational power 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.

*Property coverage* insures property, including commercial and industrial businesses, against physical loss or damage and business interruption.

*Treaty* encompasses a broad range of casualty, property and marine exposures worldwide. International casualty treaties cover motor, employer public, professional, pecuniary and miscellaneous liabilities. North American casualty comprises mainly excess of loss, written on an occurrence and claims made basis, and with a focus on medical malpractice supported by workers compensation clash business. Casualty also includes accident & health, a largely catastrophe exposed account, written for a range of perils. Property comprises mainly catastrophe and risk excess of loss for personal, commercial, excess and surplus lines carriers. Marine treaties, written on a whole account, specific or combined basis, focus on a broad range of assets and associated perils and liabilities.

##### **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)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Sep-YTD 2016	Sep-YTD 2017
<b>PREMIUMS</b>							
Gross premiums written	\$ 1,402.2	\$ 1,218.2	\$ 1,454.7	\$ 1,479.0	\$ 1,521.5	\$ 4,179.2	\$ 4,455.2
Net premiums written	1,250.9	1,082.0	1,186.8	1,275.7	1,322.5	3,616.8	3,785.0
Net premiums earned	1,160.9	1,170.4	1,181.3	1,181.2	1,226.9	3,457.7	3,589.4
<b>EARNINGS</b>							
Operating income (loss) before interest and taxes	\$ 129.8	\$ (22.1)	\$ 69.1	\$ 118.9	\$ 13.1	\$ 344.9	\$ 201.1
Operating income (loss) after taxes	78.6	(19.7)	40.8	72.3	4.7	204.1	117.8
Income (loss) from continuing operations	88.3	(12.2)	45.2	78.4	12.3	168.3	135.9
Net income (loss)	88.4	(13.5)	45.2	78.4	11.1	168.6	134.7
<b>PER SHARE DATA (DILUTED)</b>							
Operating income (loss) after taxes	\$ 1.83	\$ (0.46)	\$ 0.95	\$ 1.69	\$ 0.11	\$ 4.71	\$ 2.74
Income (loss) from continuing operations	2.06	(0.29)	1.05	1.83	0.28	3.89	3.17
Net income (loss)	2.06	(0.32)	1.05	1.83	0.26	3.89	3.14
Weighted average shares outstanding <sup>(1)</sup>	43.0	42.5	42.9	42.8	42.9	43.3	42.9

**BALANCE SHEET**

(In millions, except per share data)	September 30 2016	December 31 2016	March 31 2017	June 30 2017	September 30 2017
Total assets	\$ 14,363.7	\$ 14,220.4	\$ 14,490.8	\$ 14,792.7	\$ 15,389.3
Total loss and loss adjustment expense reserves	6,802.3	6,949.4	7,103.0	7,162.4	7,635.4
Total shareholders' equity	3,045.7	2,857.5	2,913.5	2,972.5	2,972.0
Total shareholders' equity, excluding net unrealized appreciation depreciation on investments, net of tax	2,724.3	2,671.5	2,708.5	2,747.7	2,743.5
U.S. Property and Casualty Companies					
Statutory surplus	\$ 2,218.5	\$ 2,173.4	\$ 2,229.5	\$ 2,006.3	\$ 2,061.9
Premium to surplus ratio	1.73:1	1.79:1	1.76:1	1.98:1	1.96:1
Book value per share	\$ 72.08	\$ 67.40	\$ 68.44	\$ 70.18	\$ 70.10
Book value per share, excluding net unrealized appreciation depreciation on investments, net of tax	\$ 64.48	\$ 63.01	\$ 63.62	\$ 64.87	\$ 64.71
Tangible book value per share (total book value excluding goodwill and intangibles)	\$ 65.74	\$ 61.17	\$ 62.20	\$ 63.88	\$ 63.49
Shares outstanding	42.3	42.4	42.6	42.4	42.4
Total debt/equity	26.2 %	27.5 %	27.0 %	26.5 %	26.5 %
Total debt/total capital	20.8 %	21.6 %	21.3 %	20.9 %	20.9 %

<sup>(1)</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 September 30			Nine Months ended September 30		
	2017	2016	% Change	2017	2016	% Change
<b>REVENUES</b>						
Premiums earned	\$ 1,226.9	\$ 1,160.9	5.7	\$ 3,589.4	\$ 3,457.7	3.8
Net investment income	76.6	67.8	13.0	220.0	205.2	7.2
Net realized investment gains	13.4	4.2	219.0	21.2	5.0	324.0
Fees and other income	8.3	8.3	-	21.6	22.9	(5.7)
Total revenues	<u>1,325.2</u>	<u>1,241.2</u>	<u>6.8</u>	<u>3,852.2</u>	<u>3,690.8</u>	<u>4.4</u>
<b>LOSSES AND EXPENSES</b>						
Losses and loss adjustment expenses	878.0	692.0	26.9	2,369.5	2,121.3	11.7
Amortization of deferred acquisition costs	275.1	257.9	6.7	806.1	771.4	4.5
Interest expense	12.1	12.5	(3.2)	36.3	42.8	(15.2)
Net loss from repayment of debt	-	-	N/M	-	86.1	N/M
Other operating expenses	151.1	154.7	(2.3)	461.4	444.1	3.9
Total losses and expenses	<u>1,316.3</u>	<u>1,117.1</u>	<u>17.8</u>	<u>3,673.3</u>	<u>3,465.7</u>	<u>6.0</u>
Income from continuing operations before income taxes	8.9	124.1	(92.8)	178.9	225.1	(20.5)
Income tax expense (benefit)	(3.4)	35.8	(109.5)	43.0	56.8	(24.3)
Income from continuing operations	12.3	88.3	(86.1)	135.9	168.3	(19.3)
Discontinued operations	(1.2)	0.1	N/M	(1.2)	0.3	N/M
Net income	<u>\$ 11.1</u>	<u>\$ 88.4</u>	<u>(87.4)</u>	<u>\$ 134.7</u>	<u>\$ 168.6</u>	<u>(20.1)</u>

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

(In millions, except per share data)	September 30 2017	December 31 2016	% Change
<b>ASSETS</b>			
Investments:			
Fixed maturities, at fair value (amortized cost of \$7,752.4 and \$7,235.1)	\$ 7,890.5	\$ 7,331.3	7.6
Equity securities, at fair value (cost of \$443.1 and \$498.4)	566.5	584.4	(3.1)
Other investments	616.6	533.8	15.5
Total investments	<u>9,073.6</u>	<u>8,449.5</u>	<u>7.4</u>
Cash and cash equivalents	227.2	282.6	(19.6)
Accrued investment income	64.4	61.7	4.4
Premiums and accounts receivable, net	1,656.8	1,438.1	15.2
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,979.7	2,611.8	14.1
Deferred acquisition costs	562.5	517.5	8.7
Deferred income taxes	76.3	115.1	(33.7)
Goodwill	185.3	184.8	0.3
Other assets	486.0	479.8	1.3
Assets of discontinued operations	77.5	79.5	(2.5)
Total assets	<u>\$ 15,389.3</u>	<u>\$ 14,220.4</u>	<u>8.2</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Loss and loss adjustment expense reserves	\$ 7,635.4	\$ 6,949.4	9.9
Unearned premiums	2,862.9	2,561.0	11.8
Expenses and taxes payable	676.0	728.0	(7.1)
Reinsurance premiums payable	366.9	251.9	45.7
Debt	786.8	786.4	0.1
Liabilities of discontinued operations	89.3	86.2	3.6
Total liabilities	<u>12,417.3</u>	<u>11,362.9</u>	<u>9.3</u>
<b>SHAREHOLDERS' EQUITY</b>			
Preferred stock, par value \$0.01 per share; 20.0 million shares authorized; none issued	-	-	-
Common stock, par value \$0.01 per share; 300.0 million shares authorized; 60.5 million shares issued	0.6	0.6	-
Additional paid-in capital	1,856.4	1,846.7	0.5
Accumulated other comprehensive income	114.0	62.8	81.5
Retained earnings	1,946.5	1,875.6	3.8
Treasury stock at cost (18.1 and 18.1 million shares)	(945.5)	(928.2)	1.9
Total shareholders' equity	<u>2,972.0</u>	<u>2,857.5</u>	<u>4.0</u>
Total liabilities and shareholders' equity	<u>\$ 15,389.3</u>	<u>\$ 14,220.4</u>	<u>8.2</u>

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

**CONSOLIDATED**

Three Months ended September 30

	2017					2016				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
(In millions, except percentage data)										
Gross premiums written	\$ 772.8	\$ 462.0	\$ 286.7	\$ -	\$ 1,521.5	\$ 730.0	\$ 428.7	\$ 243.5	\$ -	\$ 1,402.2
Net premiums written	\$ 680.2	\$ 438.8	\$ 203.5	\$ -	\$ 1,322.5	\$ 647.3	\$ 407.5	\$ 196.1	\$ -	\$ 1,250.9
Net premiums earned	\$ 604.0	\$ 400.4	\$ 222.5	\$ -	\$ 1,226.9	\$ 587.2	\$ 371.5	\$ 202.2	\$ -	\$ 1,160.9
Losses and LAE:										
Current accident year, excluding catastrophe losses	342.9	232.1	116.8	0.1	691.9	336.0	226.7	110.4	0.1	673.2
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	(12.5)	0.3	(12.2)	19.3	(1.1)	(26.6)	0.3	(8.1)
Current accident year catastrophe losses	62.5	15.0	124.9	-	202.4	16.4	10.8	0.4	-	27.6
Prior accident year unfavorable (favorable) catastrophe loss development	(0.4)	-	(7.5)	-	(7.9)	1.3	1.5	(3.5)	-	(0.7)
Total losses and LAE	405.0	247.1	221.7	0.4	874.2	373.0	237.9	80.7	0.4	692.0
Amortization of deferred acquisition costs and other underwriting expenses	212.7	112.5	88.5	0.6	414.3	210.6	110.3	83.7	0.4	405.0
<b>GAAP underwriting profit (loss)</b>	<b>(13.7)</b>	<b>40.8</b>	<b>(87.7)</b>	<b>(1.0)</b>	<b>(61.6)</b>	<b>3.6</b>	<b>23.3</b>	<b>37.8</b>	<b>(0.8)</b>	<b>63.9</b>
Net investment income	42.1	17.8	13.4	3.3	76.6	39.0	17.1	10.3	1.4	67.8
Other income	2.1	2.8	2.7	0.7	8.3	2.2	2.9	2.5	0.7	8.3
Other operating expenses	(2.3)	(1.7)	(2.2)	(4.0)	(10.2)	(2.3)	(1.6)	(2.2)	(4.1)	(10.2)
<b>Operating income (loss) before income taxes</b>	<b>\$ 28.2</b>	<b>\$ 59.7</b>	<b>\$ (73.8)</b>	<b>\$ (1.0)</b>	<b>\$ 13.1</b>	<b>\$ 42.5</b>	<b>\$ 41.7</b>	<b>\$ 48.4</b>	<b>\$ (2.8)</b>	<b>\$ 129.8</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	56.8 %	58.0 %	52.4 %	N/M	56.4 %	57.2 %	61.1 %	54.6 %	N/M	58.0 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	(5.6)%	N/M	(1.0)%	3.3 %	(0.3)%	(13.2)%	N/M	(0.7)%
Current accident year catastrophe losses	10.4 %	3.7 %	56.2 %	N/M	16.5 %	2.8 %	2.9 %	0.2 %	N/M	2.4 %
Prior accident year unfavorable (favorable) catastrophe loss development	(0.1)%	-	(3.4)%	N/M	(0.6)%	0.2 %	0.4 %	(1.7)%	N/M	(0.1)%
Total loss and LAE ratio	67.1 %	61.7 %	99.6 %	N/M	71.3 %	63.5 %	64.1 %	39.9 %	N/M	59.6 %
Expense ratio	35.0 %	27.5 %	39.8 %	N/M	33.5 %	35.7 %	29.0 %	41.4 %	N/M	34.6 %
<b>Combined ratio</b>	<b>102.1 %</b>	<b>89.2 %</b>	<b>139.4 %</b>	<b>N/M</b>	<b>104.8 %</b>	<b>99.2 %</b>	<b>93.1 %</b>	<b>81.3 %</b>	<b>N/M</b>	<b>94.2 %</b>

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

**CONSOLIDATED**

Nine Months ended September 30

(In millions, except percentage data)	2017					2016				
	Commercial Lines	Personal Lines	Chaucer	Other	Total	Commercial Lines	Personal Lines	Chaucer	Other	Total
Gross premiums written	\$ 2,176.0	\$ 1,298.7	\$ 980.5	\$ -	\$ 4,455.2	\$ 2,073.0	\$ 1,202.1	\$ 904.1	\$ -	\$ 4,179.2
Net premiums written	\$ 1,897.1	\$ 1,231.4	\$ 656.5	\$ -	\$ 3,785.0	\$ 1,831.5	\$ 1,139.8	\$ 645.5	\$ -	\$ 3,616.8
Net premiums earned	\$ 1,783.5	\$ 1,173.5	\$ 632.4	\$ -	\$ 3,589.4	\$ 1,733.3	\$ 1,094.8	\$ 629.6	\$ -	\$ 3,457.7
Losses and LAE:										
Current accident year, excluding catastrophe losses	1,018.0	705.2	336.2	0.1	2,059.5	969.7	663.6	381.9	0.1	2,015.3
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.1)	0.1	(30.4)	0.9	(29.5)	61.5	(0.9)	(64.6)	0.9	(3.1)
Current accident year catastrophe losses	142.3	68.7	139.8	-	350.8	62.2	31.0	36.6	-	129.8
Prior accident year unfavorable (favorable) catastrophe loss development	(1.2)	-	(13.9)	-	(15.1)	0.3	4.3	(25.3)	-	(20.7)
Total losses and LAE	1,159.0	774.0	431.7	1.0	2,365.7	1,093.7	698.0	328.6	1.0	2,121.3
Amortization of deferred acquisition costs and other underwriting expenses	638.6	337.6	256.6	1.8	1,234.6	627.2	315.6	247.2	1.1	1,191.1
<b>GAAP underwriting profit (loss)</b>	<b>(14.1)</b>	<b>61.9</b>	<b>(55.9)</b>	<b>(2.8)</b>	<b>(10.9)</b>	12.4	81.2	53.8	(2.1)	145.3
Net investment income	123.7	52.3	37.1	6.9	220.0	117.5	51.6	32.3	3.8	205.2
Other income	6.0	8.5	5.0	2.1	21.6	6.4	8.4	6.0	2.1	22.9
Other operating expenses	(6.8)	(5.2)	(5.4)	(12.2)	(29.6)	(7.1)	(5.0)	(4.5)	(11.9)	(28.5)
<b>Operating income (loss) before income taxes</b>	<b>\$ 108.8</b>	<b>\$ 117.5</b>	<b>\$ (19.2)</b>	<b>\$ (6.0)</b>	<b>\$ 201.1</b>	<b>\$ 129.2</b>	<b>\$ 136.2</b>	<b>\$ 87.6</b>	<b>\$ (8.1)</b>	<b>\$ 344.9</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	57.1 %	60.1 %	53.2 %	N/M	57.3 %	56.0 %	60.6 %	60.7 %	N/M	58.3 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	(4.8)%	N/M	(0.8)%	3.5 %	(0.1)%	(10.3)%	N/M	(0.1)%
Current accident year catastrophe losses	8.0 %	5.9 %	22.1 %	N/M	9.8 %	3.6 %	2.8 %	5.8 %	N/M	3.8 %
Prior accident year unfavorable (favorable) catastrophe loss development	(0.1)%	-	(2.2)%	N/M	(0.4)%	-	0.4 %	(4.0)%	N/M	(0.6)%
Total loss and LAE ratio	65.0 %	66.0 %	68.3 %	N/M	65.9 %	63.1 %	63.7 %	52.2 %	N/M	61.4 %
Expense ratio	35.6 %	28.2 %	40.6 %	N/M	34.1 %	36.0 %	28.2 %	39.3 %	N/M	34.1 %
<b>Combined ratio</b>	<b>100.6 %</b>	<b>94.2 %</b>	<b>108.9 %</b>	<b>N/M</b>	<b>100.0 %</b>	<b>99.1 %</b>	<b>91.9 %</b>	<b>91.5 %</b>	<b>N/M</b>	<b>95.5 %</b>



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

**CONSOLIDATED**

(In millions, except percentage data)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Sep-YTD 2016	Sep-YTD 2017
Gross premiums written	\$ 1,402.2	\$ 1,218.2	\$ 1,454.7	\$ 1,479.0	\$ 1,521.5	\$ 4,179.2	\$ 4,455.2
Net premiums written	\$ 1,250.9	\$ 1,082.0	\$ 1,186.8	\$ 1,275.7	\$ 1,322.5	\$ 3,616.8	\$ 3,785.0
Net premiums earned	\$ 1,160.9	\$ 1,170.4	\$ 1,181.3	\$ 1,181.2	\$ 1,226.9	\$ 3,457.7	\$ 3,589.4
Losses and LAE:							
Current accident year, excluding catastrophe losses	673.2	684.0	684.4	683.2	691.9	2,015.3	2,059.5
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(8.1)	143.4	(2.0)	(15.3)	(12.2)	(3.1)	(29.5)
Current accident year catastrophe losses	27.6	30.2	89.5	58.9	202.4	129.8	350.8
Prior accident year favorable catastrophe loss development	(0.7)	(14.2)	(5.4)	(1.8)	(7.9)	(20.7)	(15.1)
Total losses and LAE	692.0	843.4	766.5	725.0	874.2	2,121.3	2,365.7
Amortization of deferred acquisition costs and other underwriting expenses	405.0	421.0	413.0	407.3	414.3	1,191.1	1,234.6
<b>GAAP underwriting profit (loss)</b>	<b>\$ 63.9</b>	<b>\$ (94.0)</b>	<b>\$ 1.8</b>	<b>\$ 48.9</b>	<b>\$ (61.6)</b>	<b>\$ 145.3</b>	<b>\$ (10.9)</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	58.0 %	58.3 %	57.9 %	57.9 %	56.4 %	58.3 %	57.3 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.7)%	12.3 %	(0.2)%	(1.3)%	(1.0)%	(0.1)%	(0.8)%
Current accident year catastrophe losses	2.4 %	2.6 %	7.6 %	5.0 %	16.5 %	3.8 %	9.8 %
Prior accident year favorable catastrophe loss development	(0.1)%	(1.2)%	(0.5)%	(0.2)%	(0.6)%	(0.6)%	(0.4)%
Total loss and LAE ratio	59.6 %	72.0 %	64.8 %	61.4 %	71.3 %	61.4 %	65.9 %
Expense ratio	34.6 %	35.7 %	34.7 %	34.2 %	33.5 %	34.1 %	34.1 %
<b>Combined ratio</b>	<b>94.2 %</b>	<b>107.7 %</b>	<b>99.5 %</b>	<b>95.6 %</b>	<b>104.8 %</b>	<b>95.5 %</b>	<b>100.0 %</b>
Combined ratio, excluding catastrophe losses	91.9 %	106.3 %	92.4 %	90.8 %	88.9 %	92.3 %	90.6 %
Current accident year combined ratio, excluding catastrophe losses	92.6 %	94.0 %	92.6 %	92.1 %	89.9 %	92.4 %	91.4 %

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

**COMMERCIAL LINES**

Three Months ended September 30

	2017					2016				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 240.2	\$ 87.9	\$ 81.6	\$ 270.5	\$ 680.2	\$ 229.3	\$ 81.7	\$ 73.6	\$ 262.7	\$ 647.3
Net premiums earned	\$ 204.2	\$ 78.5	\$ 75.6	\$ 245.7	\$ 604.0	\$ 195.6	\$ 76.4	\$ 69.9	\$ 245.3	\$ 587.2
Losses and LAE:										
Current accident year, excluding catastrophe losses	107.0	53.4	46.4	136.1	342.9	98.3	54.4	48.0	135.3	336.0
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	-	-	-	9.1	1.9	(3.8)	12.1	19.3
Current accident year catastrophe losses	18.4	3.8	-	40.3	62.5	11.5	1.7	-	3.2	16.4
Prior accident year unfavorable (favorable) catastrophe loss development	-	-	-	(0.4)	(0.4)	1.5	-	-	(0.2)	1.3
Total losses and LAE	125.4	57.2	46.4	176.0	405.0	120.4	58.0	44.2	150.4	373.0
Amortization of deferred acquisition costs and other underwriting expenses					212.7					210.6
<b>GAAP underwriting profit (loss)</b>					(13.7)					3.6
Net investment income					42.1					39.0
Other income					2.1					2.2
Other operating expenses					(2.3)					(2.3)
<b>Operating income before income taxes</b>					<u>\$ 28.2</u>					<u>\$ 42.5</u>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	52.4 %	68.1 %	61.4 %	55.4 %	56.8 %	50.2 %	71.2 %	68.7 %	55.2 %	57.2 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	-	-	-	4.7 %	2.5 %	(5.4)%	4.9 %	3.3 %
Current accident year catastrophe losses	9.0 %	4.8 %	-	16.4 %	10.4 %	5.8 %	2.2 %	-	1.3 %	2.8 %
Prior accident year unfavorable (favorable) catastrophe loss development	-	-	-	(0.2)%	(0.1)%	0.8 %	-	-	(0.1)%	0.2 %
Total loss and LAE ratio	<u>61.4 %</u>	<u>72.9 %</u>	<u>61.4 %</u>	<u>71.6 %</u>	<u>67.1 %</u>	<u>61.5 %</u>	<u>75.9 %</u>	<u>63.3 %</u>	<u>61.3 %</u>	<u>63.5 %</u>
Expense ratio					35.0 %					35.7 %
<b>Combined ratio</b>					<u>102.1 %</u>					<u>99.2 %</u>
Change in policies in force	6.9 %	1.9 %	12.7 %	6.4 %	6.8 %	5.1 %	(3.2)%	3.0 %	4.9 %	3.7 %
Retention	87.3 %	85.8 %	82.3 %	N/M	86.0 %	88.2 %	84.8 %	85.6 %	N/M	87.0 %

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

**COMMERCIAL LINES**

Nine Months ended September 30

	2017					2016				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
(In millions, except percentage data)										
Net premiums written	\$ 634.6	\$ 249.4	\$ 241.7	\$ 771.4	\$ 1,897.1	\$ 618.9	\$ 238.9	\$ 222.4	\$ 751.3	\$ 1,831.5
Net premiums earned	\$ 596.6	\$ 234.0	\$ 223.1	\$ 729.8	\$ 1,783.5	\$ 575.2	\$ 228.9	\$ 204.4	\$ 724.8	\$ 1,733.3
Losses and LAE:										
Current accident year, excluding catastrophe losses	323.3	159.2	138.9	396.6	1,018.0	282.3	160.9	138.7	387.8	969.7
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	-	(0.1)	(0.1)	30.5	9.1	(14.7)	36.6	61.5
Current accident year catastrophe losses	66.5	5.3	-	70.5	142.3	42.9	2.6	-	16.7	62.2
Prior accident year unfavorable (favorable) catastrophe loss development	1.2	(0.1)	-	(2.3)	(1.2)	(0.4)	-	-	0.7	0.3
Total losses and LAE	391.0	164.4	138.9	464.7	1,159.0	355.3	172.6	124.0	441.8	1,093.7
Amortization of deferred acquisition costs and other underwriting expenses					638.6					627.2
<b>GAAP underwriting profit (loss)</b>					<b>(14.1)</b>					<b>12.4</b>
Net investment income					123.7					117.5
Other income					6.0					6.4
Other operating expenses					(6.8)					(7.1)
<b>Operating income before income taxes</b>					<b>\$ 108.8</b>					<b>\$ 129.2</b>
Loss and LAE ratio:										
Current accident year, excluding catastrophe losses	54.2 %	68.1 %	62.3 %	54.4 %	57.1 %	49.1 %	70.3 %	67.9 %	53.6 %	56.0 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	-	-	-	5.3 %	4.0 %	(7.2)%	5.0 %	3.5 %
Current accident year catastrophe losses	11.1 %	2.2 %	-	9.6 %	8.0 %	7.5 %	1.1 %	-	2.3 %	3.6 %
Prior accident year unfavorable (favorable) catastrophe loss development	0.2 %	-	-	(0.3)%	(0.1)%	(0.1)%	-	-	0.1 %	-
Total loss and LAE ratio	65.5 %	70.3 %	62.3 %	63.7 %	65.0 %	61.8 %	75.4 %	60.7 %	61.0 %	63.1 %
Expense ratio					35.6 %					36.0 %
<b>Combined ratio</b>					<b>100.6 %</b>					<b>99.1 %</b>
Change in policies in force	6.9 %	1.9 %	12.7 %	6.4 %	6.8 %	5.1 %	(3.2)%	3.0 %	4.9 %	3.7 %
Retention	86.6 %	82.7 %	81.5 %	N/M	84.7 %	86.8 %	81.5 %	80.3 %	N/M	84.5 %

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

**COMMERCIAL LINES**

(In millions, except percentage data)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Sep-YTD 2016	Sep-YTD 2017
Gross premiums written	\$ 730.0	\$ 613.2	\$ 718.0	\$ 685.2	\$ 772.8	\$ 2,073.0	\$ 2,176.0
Net premiums written	\$ 647.3	\$ 530.0	\$ 625.3	\$ 591.6	\$ 680.2	\$ 1,831.5	\$ 1,897.1
Net premiums earned	\$ 587.2	\$ 584.7	\$ 588.3	\$ 591.2	\$ 604.0	\$ 1,733.3	\$ 1,783.5
Losses and LAE:							
Current accident year, excluding catastrophe losses	336.0	338.4	339.3	335.8	342.9	969.7	1,018.0
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	19.3	161.5	(0.1)	-	-	61.5	(0.1)
Current accident year catastrophe losses	16.4	11.6	36.4	43.4	62.5	62.2	142.3
Prior accident year unfavorable (favorable) catastrophe loss development	1.3	(4.0)	-	(0.8)	(0.4)	0.3	(1.2)
Total losses and LAE	373.0	507.5	375.6	378.4	405.0	1,093.7	1,159.0
Amortization of deferred acquisition costs and other underwriting expenses	210.6	211.6	215.4	210.5	212.7	627.2	638.6
<b>GAAP underwriting profit (loss)</b>	<b>\$ 3.6</b>	<b>\$ (134.4)</b>	<b>\$ (2.7)</b>	<b>\$ 2.3</b>	<b>\$ (13.7)</b>	<b>\$ 12.4</b>	<b>\$ (14.1)</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	57.2 %	57.9 %	57.6 %	56.8 %	56.8 %	56.0 %	57.1 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	3.3 %	27.6 %	-	-	-	3.5 %	-
Current accident year catastrophe losses	2.8 %	2.0 %	6.2 %	7.3 %	10.4 %	3.6 %	8.0 %
Prior accident year unfavorable (favorable) catastrophe loss development	0.2 %	(0.7)%	-	(0.1)%	(0.1)%	-	(0.1)%
Total loss and LAE ratio	63.5 %	86.8 %	63.8 %	64.0 %	67.1 %	63.1 %	65.0 %
Expense ratio	35.7 %	36.0 %	36.4 %	35.4 %	35.0 %	36.0 %	35.6 %
<b>Combined ratio</b>	<b>99.2 %</b>	<b>122.8 %</b>	<b>100.2 %</b>	<b>99.4 %</b>	<b>102.1 %</b>	<b>99.1 %</b>	<b>100.6 %</b>
Combined ratio, excluding catastrophe losses	96.2 %	121.5 %	94.0 %	92.2 %	91.8 %	95.5 %	92.7 %
Current accident year combined ratio, excluding catastrophe losses	92.9 %	93.9 %	94.0 %	92.2 %	91.8 %	92.0 %	92.7 %

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

**PERSONAL LINES**

Three Months ended September 30

(In millions, except percentage data)	2017				2016			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 272.2	\$ 156.1	\$ 10.5	\$ 438.8	\$ 249.6	\$ 147.5	\$ 10.4	\$ 407.5
Net premiums earned	\$ 252.2	\$ 138.6	\$ 9.6	\$ 400.4	\$ 231.7	\$ 130.5	\$ 9.3	\$ 371.5
Losses and LAE:								
Current accident year, excluding catastrophe losses	170.1	58.9	3.1	232.1	164.0	60.5	2.2	226.7
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	-	-	(1.3)	-	0.2	(1.1)
Current accident year catastrophe losses	1.3	13.5	0.2	15.0	3.7	7.0	0.1	10.8
Prior accident year unfavorable catastrophe loss development	-	-	-	-	-	1.5	-	1.5
Total losses and LAE	<u>171.4</u>	<u>72.4</u>	<u>3.3</u>	<u>247.1</u>	<u>166.4</u>	<u>69.0</u>	<u>2.5</u>	<u>237.9</u>
Amortization of deferred acquisition costs and other underwriting expenses				<u>112.5</u>				<u>110.3</u>
<b>GAAP underwriting profit</b>				<u>40.8</u>				<u>23.3</u>
Net investment income				17.8				17.1
Other income				2.8				2.9
Other operating expenses				(1.7)				(1.6)
<b>Operating income before income taxes</b>				<u>\$ 59.7</u>				<u>\$ 41.7</u>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	67.5 %	42.5 %	32.3 %	58.0 %	70.8 %	46.4 %	23.6 %	61.1 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	-	-	(0.6)%	-	2.2 %	(0.3)%
Current accident year catastrophe losses	0.5 %	9.7 %	2.1 %	3.7 %	1.6 %	5.4 %	1.1 %	2.9 %
Prior accident year unfavorable catastrophe loss development	-	-	-	-	-	1.1 %	-	0.4 %
Total loss and LAE ratio	<u>68.0 %</u>	<u>52.2 %</u>	<u>34.4 %</u>	<u>61.7 %</u>	<u>71.8 %</u>	<u>52.9 %</u>	<u>26.9 %</u>	<u>64.1 %</u>
Expense ratio				<u>27.5 %</u>				<u>29.0 %</u>
<b>Combined ratio</b>				<u>89.2 %</u>				<u>93.1 %</u>
Change in policies in force	4.0 %	4.0 %	(10.4)%	3.5 %	(0.6)%	0.3 %	(11.7)%	(0.6)%
Retention	84.8 %	83.6 %	N/M	84.2 %	84.1 %	81.9 %	N/M	83.1 %

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

**PERSONAL LINES**

Nine Months ended September 30

(In millions, except percentage data)	2017				2016			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Net premiums written	\$ 781.4	\$ 421.1	\$ 28.9	\$ 1,231.4	\$ 717.2	\$ 394.0	\$ 28.6	\$ 1,139.8
Net premiums earned	\$ 735.9	\$ 409.0	\$ 28.6	\$ 1,173.5	\$ 679.9	\$ 386.4	\$ 28.5	\$ 1,094.8
Losses and LAE:								
Current accident year, excluding catastrophe losses	506.8	188.1	10.3	705.2	481.2	172.2	10.2	663.6
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	0.1	0.1	(3.4)	0.8	1.7	(0.9)
Current accident year catastrophe losses	4.9	63.4	0.4	68.7	5.3	25.4	0.3	31.0
Prior accident year unfavorable (favorable) catastrophe loss development	(0.3)	0.2	0.1	-	(0.1)	4.3	0.1	4.3
Total losses and LAE	511.4	251.7	10.9	774.0	483.0	202.7	12.3	698.0
Amortization of deferred acquisition costs and other underwriting expenses				337.6				315.6
<b>GAAP underwriting profit</b>				<b>61.9</b>				<b>81.2</b>
Net investment income				52.3				51.6
Other income				8.5				8.4
Other operating expenses				(5.2)				(5.0)
<b>Operating income before income taxes</b>				<b>\$ 117.5</b>				<b>\$ 136.2</b>
Loss and LAE ratio:								
Current accident year, excluding catastrophe losses	68.9 %	45.9 %	36.1 %	60.1 %	70.8 %	44.5 %	35.8 %	60.6 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	-	-	0.3 %	-	(0.5)%	0.2 %	6.0 %	(0.1)%
Current accident year catastrophe losses	0.6 %	15.6 %	1.4 %	5.9 %	0.8 %	6.6 %	1.0 %	2.8 %
Prior accident year unfavorable (favorable) catastrophe loss development	-	-	0.3 %	-	-	1.1 %	0.4 %	0.4 %
Total loss and LAE ratio	69.5 %	61.5 %	38.1 %	66.0 %	71.1 %	52.4 %	43.2 %	63.7 %
Expense ratio				28.2 %				28.2 %
<b>Combined ratio</b>				<b>94.2 %</b>				<b>91.9 %</b>
Change in policies in force	4.0 %	4.0 %	(10.4)%	3.5 %	(0.6)%	0.3 %	(11.7)%	(0.6)%
Retention	85.4 %	83.9 %	N/M	84.7 %	84.3 %	82.0 %	N/M	83.2 %

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

**PERSONAL LINES**

(In millions, except percentage data)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Sep-YTD 2016	Sep-YTD 2017
Gross premiums written	\$ 428.7	\$ 402.5	\$ 383.2	\$ 453.5	\$ 462.0	\$ 1,202.1	\$ 1,298.7
Net premiums written	\$ 407.5	\$ 381.4	\$ 362.1	\$ 430.5	\$ 438.8	\$ 1,139.8	\$ 1,231.4
Net premiums earned	\$ 371.5	\$ 376.7	\$ 381.8	\$ 391.3	\$ 400.4	\$ 1,094.8	\$ 1,173.5
Losses and LAE:							
Current accident year, excluding catastrophe losses	226.7	220.9	237.4	235.7	232.1	663.6	705.2
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(1.1)	5.2	0.1	-	-	(0.9)	0.1
Current accident year catastrophe losses	10.8	9.7	40.4	13.3	15.0	31.0	68.7
Prior accident year unfavorable catastrophe loss development	1.5	2.0	-	-	-	4.3	-
Total losses and LAE	237.9	237.8	277.9	249.0	247.1	698.0	774.0
Amortization of deferred acquisition costs and other underwriting expenses	110.3	116.3	112.3	112.8	112.5	315.6	337.6
<b>GAAP underwriting profit (loss)</b>	<b>\$ 23.3</b>	<b>\$ 22.6</b>	<b>\$ (8.4)</b>	<b>\$ 29.5</b>	<b>\$ 40.8</b>	<b>\$ 81.2</b>	<b>\$ 61.9</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	61.1 %	58.7 %	62.2 %	60.2 %	58.0 %	60.6 %	60.1 %
Prior accident year unfavorable (favorable) reserve development, excluding catastrophe losses	(0.3)%	1.4 %	-	-	-	(0.1)%	-
Current accident year catastrophe losses	2.9 %	2.6 %	10.6 %	3.4 %	3.7 %	2.8 %	5.9 %
Prior accident year unfavorable catastrophe loss development	0.4 %	0.5 %	-	-	-	0.4 %	-
Total loss and LAE ratio	64.1 %	63.2 %	72.8 %	63.6 %	61.7 %	63.7 %	66.0 %
Expense ratio	29.0 %	30.2 %	28.8 %	28.2 %	27.5 %	28.2 %	28.2 %
<b>Combined ratio</b>	<b>93.1 %</b>	<b>93.4 %</b>	<b>101.6 %</b>	<b>91.8 %</b>	<b>89.2 %</b>	<b>91.9 %</b>	<b>94.2 %</b>
Combined ratio, excluding catastrophe losses	89.8 %	90.3 %	91.0 %	88.4 %	85.5 %	88.7 %	88.3 %
Current accident year combined ratio, excluding catastrophe losses	90.1 %	88.9 %	91.0 %	88.4 %	85.5 %	88.8 %	88.3 %

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

**CHAUCER**

Three Months ended September 30

(In millions, except percentage data)	2017						2016					
	Marine, Aviation & Political	Casualty	Energy	Property	Treaty	Total	Marine, Aviation & Political	Casualty	Energy	Property	Treaty	Total
Gross premiums written	\$ 76.5	\$ 67.5	\$ 28.8	\$ 21.3	\$ 92.6	\$ 286.7	\$ 81.7	\$ 62.8	\$ 28.8	\$ 11.5	\$ 58.7	\$ 243.5
Net premiums written	\$ 59.5	\$ 54.3	\$ 21.6	\$ 4.7	\$ 63.4	\$ 203.5	\$ 64.9	\$ 52.2	\$ 18.8	\$ 10.2	\$ 50.0	\$ 196.1
Net premiums earned	\$ 59.7	\$ 50.0	\$ 26.7	\$ 8.4	\$ 77.7	\$ 222.5	\$ 61.7	\$ 45.4	\$ 25.2	\$ 11.7	\$ 58.2	\$ 202.2
Losses and LAE:												
Current accident year, excluding catastrophe losses						116.8						110.4
Prior accident year favorable reserve development, excluding catastrophe losses						(12.5)						(26.6)
Current accident year catastrophe losses						124.9						0.4
Prior accident year favorable catastrophe loss development						(7.5)						(3.5)
Total losses and LAE						221.7						80.7
Amortization of deferred acquisition costs and other underwriting expenses						88.5						83.7
<b>GAAP underwriting profit (loss)</b>						<b>(87.7)</b>						<b>37.8</b>
Net investment income						13.4						10.3
Other income						2.7						2.5
Other operating expenses						(2.2)						(2.2)
<b>Operating income (loss) before income taxes</b>						<b>\$ (73.8)</b>						<b>\$ 48.4</b>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						52.4 %						54.6 %
Prior accident year favorable reserve development, excluding catastrophe losses						(5.6)%						(13.2)%
Current accident year catastrophe losses						56.2 %						0.2 %
Prior accident year favorable catastrophe loss development						(3.4)%						(1.7)%
Total loss and LAE ratio						99.6 %						39.9 %
Expense ratio						39.8 %						41.4 %
<b>Combined ratio</b>						<b>139.4 %</b>						<b>81.3 %</b>



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

**CHAUCER**

Nine Months ended September 30

(In millions, except percentage data)	2017						2016					
	Marine, Aviation & Political	Casualty	Energy	Property	Treaty	Total	Marine, Aviation & Political	Casualty	Energy	Property	Treaty	Total
Gross premiums written	\$ 227.0	\$ 186.3	\$ 128.0	\$ 72.2	\$ 367.0	\$ 980.5	\$ 247.0	\$ 176.2	\$ 131.7	\$ 43.9	\$ 305.3	\$ 904.1
Net premiums written	\$ 165.2	\$ 146.4	\$ 75.0	\$ 32.5	\$ 237.4	\$ 656.5	\$ 176.9	\$ 148.7	\$ 76.2	\$ 32.7	\$ 211.0	\$ 645.5
Net premiums earned	\$ 172.4	\$ 141.2	\$ 86.8	\$ 33.5	\$ 198.5	\$ 632.4	\$ 173.0	\$ 144.8	\$ 100.8	\$ 35.3	\$ 175.7	\$ 629.6
Losses and LAE:												
Current accident year, excluding catastrophe losses						336.2						381.9
Prior accident year favorable reserve development, excluding catastrophe losses						(30.4)						(64.6)
Current accident year catastrophe losses						139.8						36.6
Prior accident year favorable catastrophe loss development						(13.9)						(25.3)
Total losses and LAE						431.7						328.6
Amortization of deferred acquisition costs and other underwriting expenses						256.6						247.2
<b>GAAP underwriting profit (loss)</b>						(55.9)						53.8
Net investment income						37.1						32.3
Other income						5.0						6.0
Other operating expenses						(5.4)						(4.5)
<b>Operating income (loss) before income taxes</b>						<u>\$ (19.2)</u>						<u>\$ 87.6</u>
Loss and LAE ratio:												
Current accident year, excluding catastrophe losses						53.2 %						60.7 %
Prior accident year favorable reserve development, excluding catastrophe losses						(4.8)%						(10.3)%
Current accident year catastrophe losses						22.1 %						5.8 %
Prior accident year favorable catastrophe loss development						(2.2)%						(4.0)%
Total loss and LAE ratio						68.3 %						52.2 %
Expense ratio						40.6 %						39.3 %
<b>Combined ratio</b>						<u>108.9 %</u>						<u>91.5 %</u>

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

CHAUCER

(In millions, except percentage data)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Sep-YTD 2016	Sep-YTD 2017
Gross premiums written	\$ 243.5	\$ 202.5	\$ 353.5	\$ 340.3	\$ 286.7	\$ 904.1	\$ 980.5
Net premiums written	\$ 196.1	\$ 170.6	\$ 199.4	\$ 253.6	\$ 203.5	\$ 645.5	\$ 656.5
Net premiums earned	\$ 202.2	\$ 209.0	\$ 211.2	\$ 198.7	\$ 222.5	\$ 629.6	\$ 632.4
Losses and LAE:							
Current accident year, excluding catastrophe losses	110.4	124.7	107.7	111.7	116.8	381.9	336.2
Prior accident year favorable reserve development, excluding catastrophe losses	(26.6)	(30.7)	(2.3)	(15.6)	(12.5)	(64.6)	(30.4)
Current accident year catastrophe losses	0.4	8.9	12.7	2.2	124.9	36.6	139.8
Prior accident year favorable catastrophe loss development	(3.5)	(12.2)	(5.4)	(1.0)	(7.5)	(25.3)	(13.9)
Total losses and LAE	80.7	90.7	112.7	97.3	221.7	328.6	431.7
Amortization of deferred acquisition costs and other underwriting expenses	83.7	91.8	84.7	83.4	88.5	247.2	256.6
<b>GAAP underwriting profit (loss)</b>	<b>\$ 37.8</b>	<b>\$ 26.5</b>	<b>\$ 13.8</b>	<b>\$ 18.0</b>	<b>\$ (87.7)</b>	<b>\$ 53.8</b>	<b>\$ (55.9)</b>
Loss and LAE ratio:							
Current accident year, excluding catastrophe losses	54.6 %	59.7 %	51.0 %	56.3 %	52.4 %	60.7 %	53.2 %
Prior accident year favorable reserve development, excluding catastrophe losses	(13.2)%	(14.7)%	(1.1)%	(7.9)%	(5.6)%	(10.3)%	(4.8)%
Current accident year catastrophe losses	0.2 %	4.2 %	6.1 %	1.1 %	56.2 %	5.8 %	22.1 %
Prior accident year favorable catastrophe loss development	(1.7)%	(5.8)%	(2.6)%	(0.5)%	(3.4)%	(4.0)%	(2.2)%
Total loss and LAE ratio	39.9 %	43.4 %	53.4 %	49.0 %	99.6 %	52.2 %	68.3 %
Expense ratio	41.4 %	43.9 %	40.1 %	42.0 %	39.8 %	39.3 %	40.6 %
<b>Combined ratio</b>	<b>81.3 %</b>	<b>87.3 %</b>	<b>93.5 %</b>	<b>91.0 %</b>	<b>139.4 %</b>	<b>91.5 %</b>	<b>108.9 %</b>
Combined ratio, excluding catastrophe losses	82.8 %	88.9 %	90.0 %	90.4 %	86.6 %	89.7 %	89.0 %
Current accident year combined ratio, excluding catastrophe losses	96.0 %	103.6 %	91.1 %	98.3 %	92.2 %	100.0 %	93.8 %

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

(In millions, except yields)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	YTD 2016	YTD 2017
<b>Net Investment Income</b>							
Fixed maturities	\$ 59.8	\$ 62.9	\$ 60.9	\$ 61.4	\$ 62.6	\$ 182.2	\$ 184.9
Equity securities	4.4	5.1	4.3	5.0	4.1	13.5	13.4
Other investments	6.4	9.0	8.6	8.8	12.6	17.7	30.0
Investment expenses	(2.8)	(2.8)	(2.7)	(2.9)	(2.7)	(8.2)	(8.3)
Total	\$ 67.8	\$ 74.2	\$ 71.1	\$ 72.3	\$ 76.6	\$ 205.2	\$ 220.0
<b>Pre-tax Yields</b>							
Fixed maturities	3.43%	3.44%	3.38%	3.37%	3.32%	3.51%	3.35%
Total	3.31%	3.40%	3.29%	3.35%	3.40%	3.36%	3.34%

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**  
September 30, 2017

(In millions)

<b>Investment Type</b>	<b>Weighted Average Quality</b>	<b>Amortized Cost or Cost</b>	<b>Fair Value</b>	<b>% of Total</b>	<b>Net Unrealized Gain (Loss)</b>	<b>Change in Net Unrealized During Q3</b>	<b>Change in Net Unrealized YTD</b>
Fixed maturities:							
U.S. Treasury and government agencies	AAA	\$ 434.3	\$ 434.1	4.7%	\$ (0.2)	\$ (0.7)	\$ 1.2
Foreign government	AA+	241.7	245.0	2.6%	3.3	(1.1)	(1.6)
Municipals:							
Taxable	AA	976.4	1,007.3	10.9%	30.9	(0.5)	1.3
Tax-exempt	AA	84.7	85.9	0.9%	1.2	0.1	1.2
Corporate:							
NAIC 1	A	1,911.8	1,948.1	20.9%	36.3	(0.9)	9.2
NAIC 2	BBB	2,021.3	2,062.5	22.2%	41.2	2.6	20.1
NAIC 3 and below	B+	397.1	415.9	4.5%	18.8	(0.1)	3.0
Total corporate	BBB+	4,330.2	4,426.5	47.6%	96.3	1.6	32.3
Asset-backed:							
Residential mortgage-backed	AAA	1,032.8	1,033.1	11.1%	0.3	1.7	4.3
Commercial mortgage-backed	AAA	592.0	598.2	6.4%	6.2	0.4	2.5
Asset-backed	AAA	60.3	60.4	0.6%	0.1	(0.3)	0.7
Total fixed maturities	A+	7,752.4	7,890.5	84.8%	138.1	1.2	41.9
Equity securities		443.1	566.5	6.1%	123.4	8.0	37.4
Other investments		612.7	616.6	6.6%	3.9	-	-
Total investments		8,808.2	9,073.6	97.5%	265.4	9.2	79.3
Cash and cash equivalents		227.2	227.2	2.5%	-	-	-
Total		\$ 9,035.4	\$ 9,300.8	100.0%	\$ 265.4	\$ 9.2	\$ 79.3

**THE HANOVER INSURANCE GROUP**  
**CREDIT QUALITY AND DURATION OF FIXED MATURITIES**  
September 30, 2017

(In millions)

**CREDIT QUALITY OF FIXED MATURITIES**

NAIC Designation	Rating Agency Equivalent Designation	Amortized Cost	Fair Value	% of Total Fair Value
1	Aaa/Aa/A	\$ 5,304.0	\$ 5,382.4	68.2%
2	Baa	2,046.9	2,087.8	26.5%
3	Ba	206.0	216.5	2.8%
4	B	184.4	191.9	2.4%
5	Caa and lower	10.8	11.5	0.1%
6	In or near default	0.3	0.4	-
Total fixed maturities		<u>\$ 7,752.4</u>	<u>\$ 7,890.5</u>	<u>100.0%</u>

**DURATION OF FIXED MATURITIES**

	Amortized Cost	Fair Value	% of Total Fair Value
0-2 Years	\$ 1,323.6	\$ 1,352.4	17.1%
2-4 Years	2,298.6	2,366.3	30.0%
4-6 Years	1,936.8	1,971.5	25.0%
6-8 Years	1,836.4	1,839.4	23.3%
8-10 Years	270.8	273.2	3.5%
10+ Years	86.2	87.7	1.1%
Total fixed maturities	<u>\$ 7,752.4</u>	<u>\$ 7,890.5</u>	<u>100.0%</u>
Weighted Average Duration	<u>4.4</u>		

**THE HANOVER INSURANCE GROUP**  
**TOP 10 CORPORATE AND MUNICIPAL FIXED MATURITY HOLDINGS**

September 30, 2017

(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>
Bank of America	\$ 30.3	\$ 31.5	0.34%	BBB+
Wells Fargo	28.4	28.6	0.31%	A
US Bancorp	27.6	28.1	0.30%	A
AT&T	27.0	27.0	0.29%	BBB+
Goldman Sachs	26.5	28.1	0.30%	BBB+
Key Bank	26.3	26.6	0.29%	BBB+
Enterprise Holdings	26.1	26.0	0.28%	BBB+
Morgan Stanley	25.9	26.3	0.28%	BBB+
AvalonBay Communities	25.8	25.8	0.28%	A-
Anheuser-Busch InBev	25.1	25.9	0.28%	A-
Top 10 Corporate and Municipal Fixed	\$ 269.0	\$ 273.9	2.95%	

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

	Three Months ended September 30				Nine Months ended September 30			
	2017		2016		2017		2016	
(In millions, except per share data)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)	\$	Per Share (Diluted)
<b>OPERATING INCOME (LOSS)</b>								
Commercial Lines	\$ 28.2		\$ 42.5		\$ 108.8		\$ 129.2	
Personal Lines	59.7		41.7		117.5		136.2	
Chaucer	(73.8)		48.4		(19.2)		87.6	
Other	(1.0)		(2.8)		(6.0)		(8.1)	
Total	<u>13.1</u>		<u>129.8</u>		<u>201.1</u>		<u>344.9</u>	
Interest expense	(12.1)		(12.5)		(36.3)		(42.8)	
Operating income before income taxes	1.0	\$ 0.02	117.3	\$ 2.73	164.8	\$ 3.84	302.1	\$ 6.97
Income tax benefit (expense) on operating income	3.7	0.09	(38.7)	(0.90)	(47.0)	(1.10)	(98.0)	(2.26)
Operating income after income taxes	4.7	0.11	78.6	1.83	117.8	2.74	204.1	4.71
Non-operating items:								
Net realized investment gains	13.4	0.31	4.2	0.10	21.2	0.50	5.0	0.12
Loss from repurchase of debt	-	-	-	-	-	-	(86.1)	(1.99)
Other	(5.5)	(0.13)	2.5	0.06	(7.1)	(0.17)	4.1	0.09
Income tax benefit (expense) on non-operating items	(0.3)	(0.01)	3.0	0.07	4.0	0.10	41.2	0.96
Income from continuing operations, net of taxes	<u>12.3</u>	<u>0.28</u>	<u>88.3</u>	<u>2.06</u>	<u>135.9</u>	<u>3.17</u>	<u>168.3</u>	<u>3.89</u>
Discontinued operations, net of taxes	(1.2)	(0.02)	0.1	-	(1.2)	(0.03)	0.3	-
<b>NET INCOME</b>	<u>\$ 11.1</u>	<u>\$ 0.26</u>	<u>\$ 88.4</u>	<u>\$ 2.06</u>	<u>\$ 134.7</u>	<u>\$ 3.14</u>	<u>\$ 168.6</u>	<u>\$ 3.89</u>

## Non-GAAP Financial Measures

The Hanover uses non-GAAP financial measures as important measures of the Company's operating performance, which we believe provide investors with additional information regarding management's evaluation of our results of operations and financial performance. The Company's non-GAAP measures include operating income before interest expense and taxes, total operating income after taxes, total operating income after taxes per share, total book value per share, total book value per share excluding net unrealized gains and losses related to investments, net of tax, tangible book value per share and measures of operating income and loss 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 six months ended June 30, 2017 and 2016 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	2017		Dividends Per Share
	Price Range		
	High	Low	
March 31	\$91.58	\$83.09	\$0.500
June 30	\$91.58	\$80.59	\$0.500
September 30	<b>\$99.63</b>	<b>\$87.90</b>	<b>\$0.500</b>

  

Quarter Ended	2016		Dividends Per Share
	Price Range		
	High	Low	
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	\$91.66	\$74.88	\$0.500

**INDUSTRY RATINGS AS OF November 1, 2017**

Financial Strength Ratings	A.M. Best	Standard & Poor's	Moody's
The Hanover Insurance Company	A	A	A3
Citizens Insurance Company of America	A	A	-

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

**TRANSFER AGENT**

Computershare Investor Services  
PO Box 30170  
College Station, TX 77842-3170  
1-800-317-4454

**COMMON STOCK**

Common stock of The Hanover Insurance Group is traded on the New York Stock Exchange under the symbol "THG".

**INQUIRIES**

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

**INVESTOR INFORMATION LINE**

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

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