

The Hanover Insurance Group, Inc.

Q3 2009 Earnings Results

To be read only in conjunction with the press release dated
November 2, 2009 and the conference call scheduled for
November 3, 2009.

Forward-Looking Statements and Non-GAAP Financial Measures

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", "outlook", "should", "plan", "confident," "guidance," "on track to," "promise" and similar expressions is intended to identify forward-looking statements. In particular, this presentation includes forward-looking statements with respect to the pricing environment; net written premium and policies in force growth and retention; new business growth; prior year reserve development; accident year loss ratios; net investment income; expense ratio; pre-tax segment income; the impact of various investments, product introductions, product, geographic and account based mix changes on future growth and profitability, return on equity; and effective tax rate, and may also include forward looking statements on underwriting conditions, the adequacy of reserves (including reserves established with respect to catastrophes), the impact of anticipated regulatory changes, the impact of any recent, pending or future acquisitions, new product availability and impact, capital levels, ratings, investment impairments, and discontinued operations.

The company cautions investors that forward-looking statements are not guarantees of 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 November 2, 2009 and Annual Report 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 speaks as of September 30, 2009.

These uncertainties include the current disruptions in the financial markets, the uncertain economic environment, the possibility of adverse catastrophe experience (including terrorism) and severe weather, the uncertainties in estimating catastrophe and non-catastrophe weather-related losses, the uncertainties in estimating property and casualty losses, the ability to increase or maintain certain property and casualty insurance rates, the impact of new product introductions, adverse loss development and adverse trends in mortality and morbidity, 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, heightened competition (including rate pressure), adverse and evolving state and federal legislation or regulation, adverse regulatory or litigation actions, financial ratings actions, and various other factors.

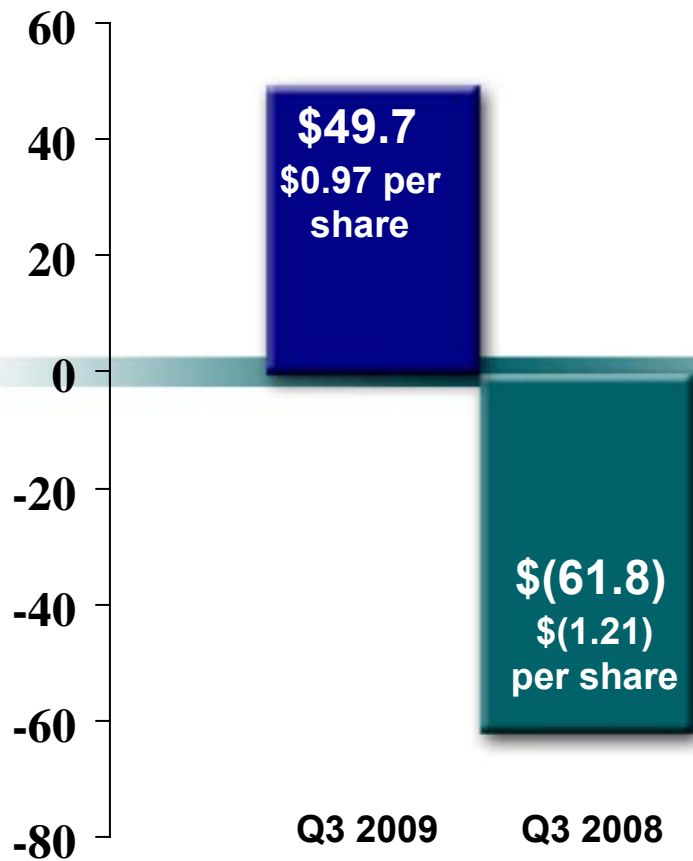
The discussion in this presentation of The Hanover's financial performance includes reference to certain financial measures that are not derived from generally accepted accounting principles, or GAAP, such as total segment income (sometimes referred to as property and casualty segment income), segment income after taxes, book value and book value per share excluding Accumulated Other Comprehensive Income and loss ratios excluding catastrophes and accident year loss ratios excluding catastrophes. A reconciliation of non-GAAP measures to the closest GAAP measure is included in both the press release and statistical supplement, which are posted on our website. The reconciliation of accident year loss ratio excluding catastrophes to the nearest GAAP measure, total loss ratio, is found on pages 11 and 12 of the statistical supplement.

THG Third Quarter Earnings

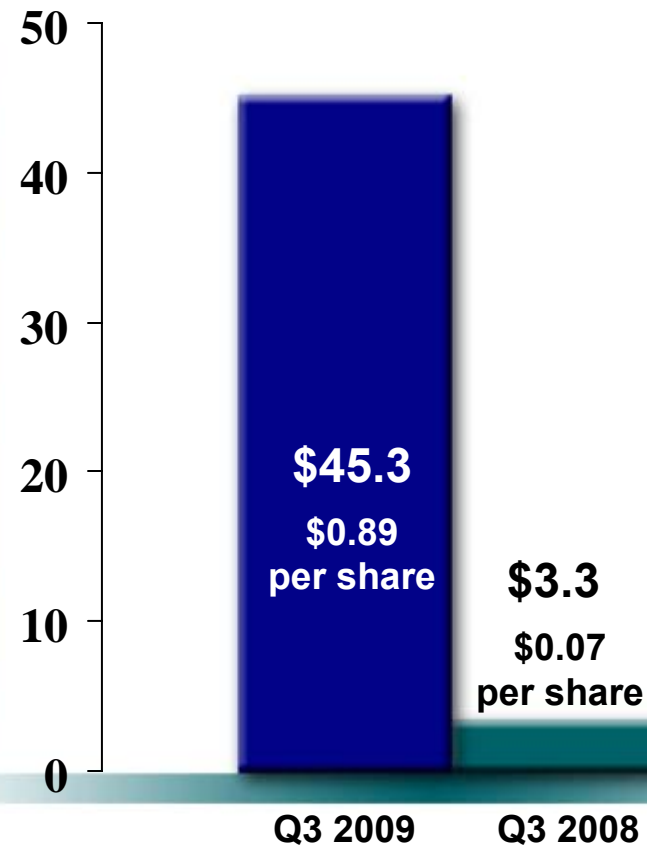
**Opening Remarks by
Fred Eppinger**

THG Results for the Quarter

QTR Net Income
(\$ in millions, except per share)



QTR After Tax Segment Income⁽¹⁾
(\$ in millions, except per share)



⁽¹⁾ Non-GAAP Financial Measure

Book Value Growth

Book Value
\$ Per Share

Book Value, excluding AOCI⁽¹⁾
\$ Per Share



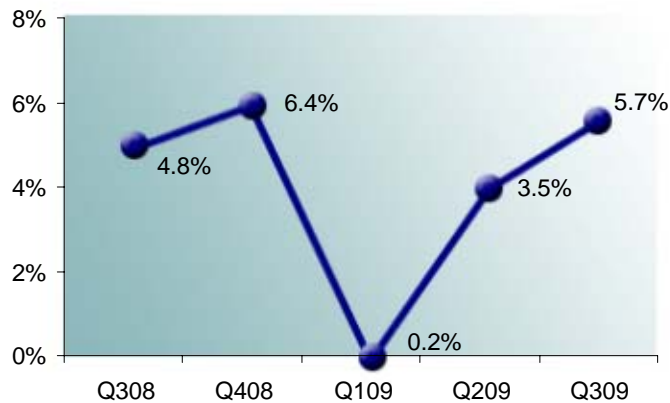
⁽¹⁾ Non-GAAP financial measure

THG Third Quarter Earnings

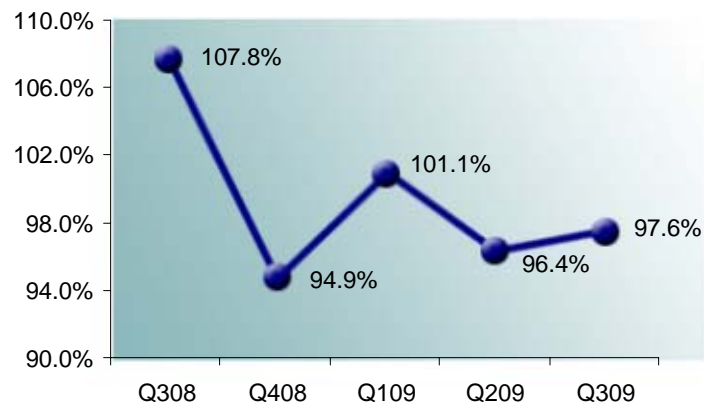
P&C Underwriting Highlights by Marita Zuraitis

P&C NWP and Combined Ratio Highlights

Net Written Premium Growth



Combined Ratio



- Property and Casualty earned \$73.6 million of pre-tax segment income in 3Q09 compared to \$13.8 million in 3Q08
- Net written premiums were \$688.8 million or 5.7% higher than the prior-year period
- The combined ratio for 3Q09 was 97.6% vs. 107.8% in the third quarter of 2008
 - CATs in the current quarter of 3.9% compared to 15.8% in the prior-year period
 - Loss development was a favorable 6.1% in 3Q09, compared to 5.7% in 3Q08

PL Third Quarter Operating Highlights

	<u>Q3 2009</u>	<u>Q3 2008</u>	<u>Change</u>
Pre-tax Segment Income ⁽¹⁾	\$ 27M	\$ 18M	\$ 9 M
Catastrophe Impact	\$ 16M	\$ 40M	\$ (24)M
Adjusted Ex-Cat Segment Income ⁽¹⁾	<u>\$ 43M</u>	<u>\$ 58M</u>	<u>\$ (15)M</u>

- Higher other underwriting expenses \$ (7)M
 - Lower favorable loss and LAE reserve development \$ (5)M
 - Lower ex-catastrophe accident year loss margins \$ (2)M
 - Other \$ (1)M
- \$ (15)M

⁽¹⁾ Non-GAAP financial measure.

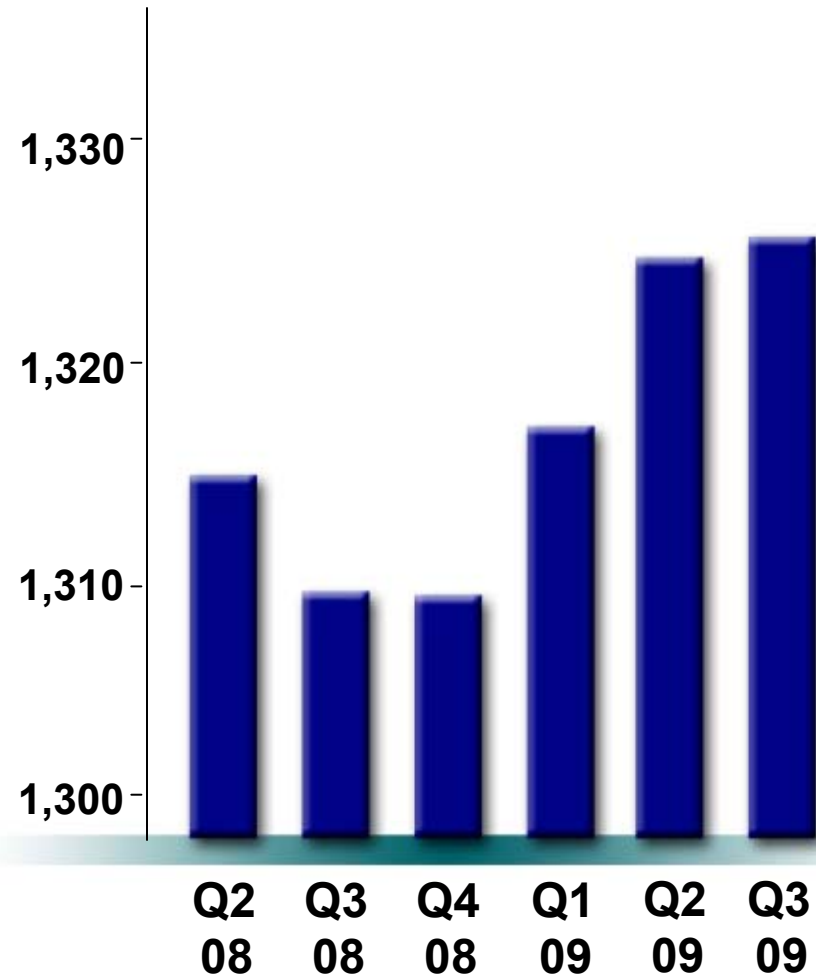
PL Growth Trends

(\$ in millions)

Net Written Premium

(in thousands)

Policies in Force



CL Third Quarter Operating Highlights

	<u>Q3 2009</u>	<u>Q3 2008</u>	<u>Change</u>
Pre-tax Segment Income ⁽¹⁾	\$ 39M	\$ (7)M	\$ 46M
Catastrophe Impact	\$ 9M	\$ 59M	\$ (50)M
Adjusted Ex-Cat Segment Income ⁽¹⁾	<u>\$ 48M</u>	<u>\$ 52M</u>	<u>\$ (4)M</u>

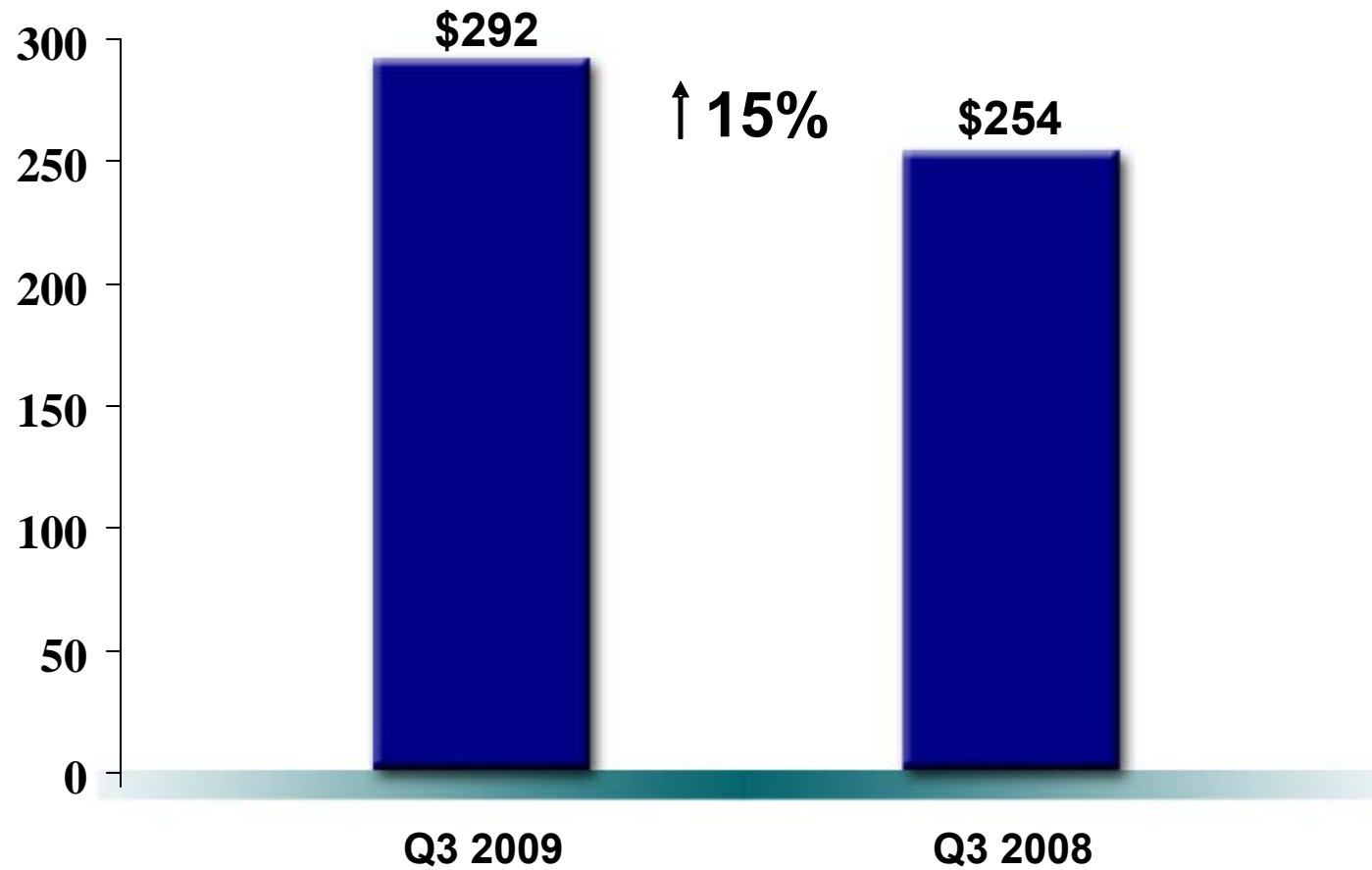
- Higher ex-catastrophe accident year loss margins \$ 8 M
 - Higher underwriting expenses \$(12)M
 - Lower favorable prior year loss and LAE reserve development \$ (1)M
 - Higher other income \$ 1 M
- \$ (4)M

⁽¹⁾ Non-GAAP financial measure.

CL Net Written Premium

(\$ in millions)

Net Written Premium

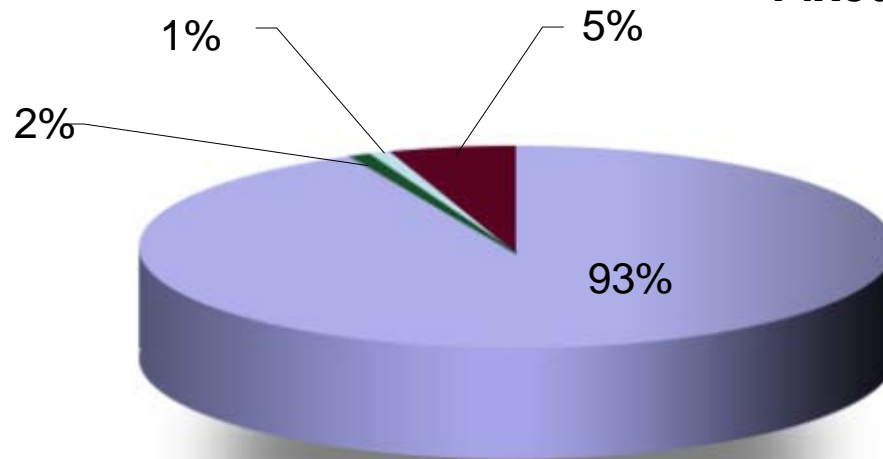


THG Third Quarter Earnings

**Financial Review by
Eugene Bullis**

THG Asset Mix

% of market value



Fixed income characteristics:

93% of fixed income securities above investment grade

Weighted average quality A+

Duration: 4.1 years

■ Fixed Income Securities

■ Equities & Other Investments

■ Mortgage Loans

■ Cash & Cash Equivalents

Investment Portfolio Holdings \$5.3B⁽¹⁾

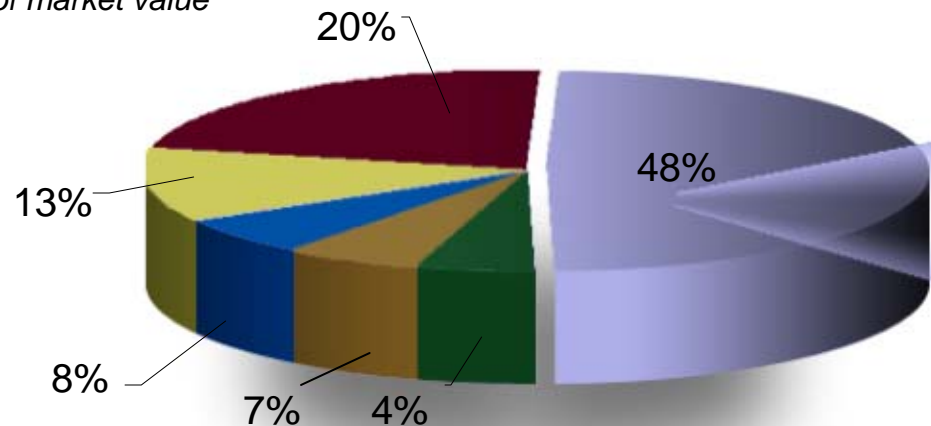
As of 9/30/2009

(1) This information and investment information presented later in this presentation includes assets of the discontinued accident and health business

Fixed Income Sector Breakdown

\$4.9 Billion Market Value
As of 9/30/2009

% of market value



- Corporates
- Municipals (Tax-exempt)
- CMBS
- U.S. Govt/Agencies
- Municipals (Taxable)
- MBS

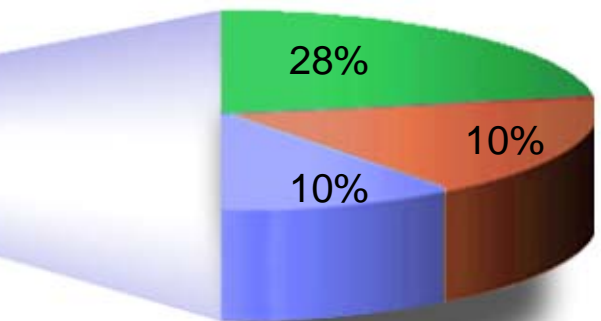
Fixed Income Characteristics:

93% of fixed income securities above investment grade

Weighted average quality A+

Duration: 4.1 years

Corporates \$2.3 Billion



- Industrials
- Financials
- Utilities

Corporate Holding Characteristics:

87% Investment Grade

Duration 4.3 years

CMBS Portfolio

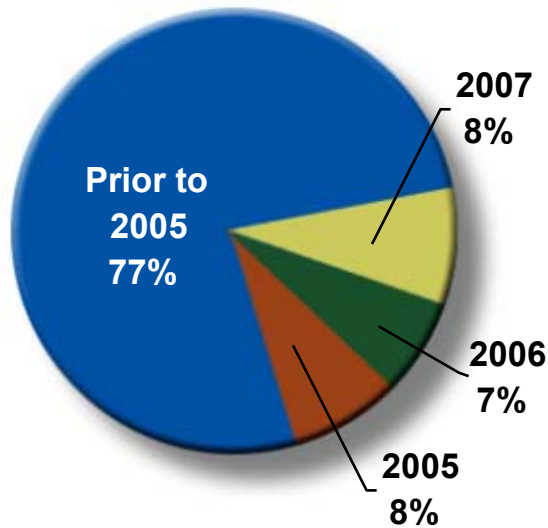
% of market value

\$337.8 million
as of 9/30/2009

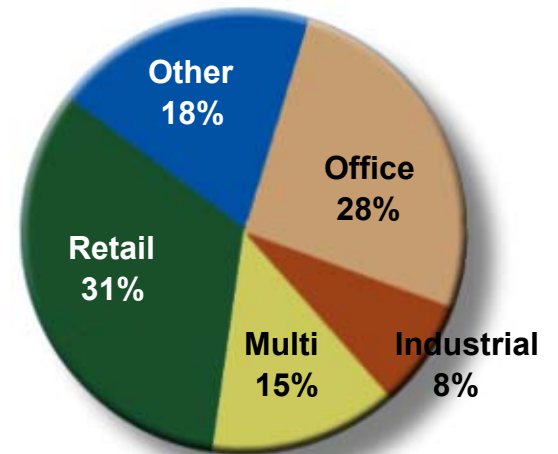
Rating:
AAA – 82%
AA – 10%
A – 8%

Weighted average
LTV: 69.0%

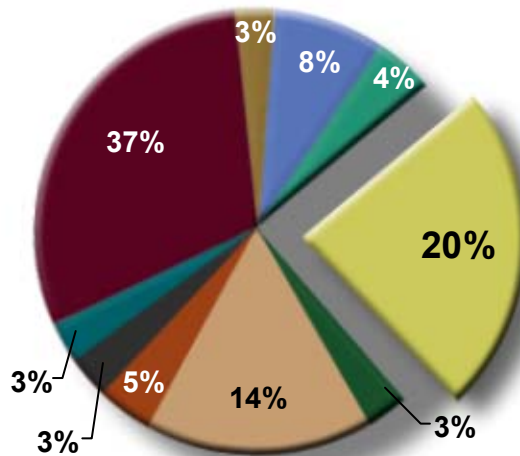
Vintage



Property Type



Geography



■ Deceased
 ■ NJ
 ■ CA
 ■ TX
 ■ IL
 ■ MD
 ■ Other
 ■ NC
 ■ NY
 ■ FL

Net Unrealized Position

(\$ in millions)

Investment Type	Wtd Avg Quality	Book Value	Market Value	Net Unrealized @ 09/30/2009	Net Unrealized @ 06/30/2009	Δ in Net Unrealized
Corporate:						
NAIC 1	A2/A	\$ 902.1	\$ 936.3	\$ 34.2	(5.4)	39.6
NAIC 2	BAA2/BBB	1,059.8	1,103.5	43.7	(7.7)	51.4
NAIC 3 and Below	B1/B+	298.2	294.6	(3.6)	(29.3)	25.7
	BAA1/BBB+	2,260.1	2,334.4	74.3	(42.4)	116.7
MBS / CMBS / ABS:						
MBS	AA1/AA+	922.1	938.4	16.3	1.5	14.8
CMBS	AA1/AA+	336.7	337.8	1.1	(19.9)	21.0
ABS	A3/A-	67.3	70.1	2.8	(0.4)	3.2
Municipals:						
Taxable	AA3/AA-	631.2	635.9	4.7	0.3	4.4
Tax Exempt	A1/A+	204.8	208.2	3.4	(8.7)	12.1
U.S. Government	AAA	385.8	388.6	2.8	0.5	2.3
Total Fixed Maturities	A1/A+	4,808.0	4,913.4	105.4	(69.1)	174.5
Equities		109.8	122.0	12.2	(2.5)	14.7
Fixed Maturities and Equities		\$ 4,917.8	\$ 5,035.4	\$ 117.6	\$ (71.6)	\$ 189.2

Capital Management

- Refinanced a portion of previously retired long-term debt through FHLB loan:
 - Borrowed \$125 million at the Insurance Company level for up to 20 years at 5.5% interest rate
 - As of September 30, 2009, Hanover Insurance Company had pledged \$142.8 million of government agencies securities as a requirement for the borrowing
 - Hanover Insurance Company purchased \$8.1 million of FHLB stock as a requirement for the borrowing
 - Annual interest savings on refinanced portion of approximately \$2 million after taxes
- Continued to repurchase stock:
 - Repurchased approximately 725,000 of common shares for \$29.0 million on the open market in the third quarter
 - Repurchased approximately 239,000 through October 30, 2009
 - As of October 30, have \$93.5 million remaining under the recently extended share repurchase authorization
- Increased annual dividend by 67% to \$0.75 per share
- Moving to a quarterly dividend schedule in 2010

Change in Book Value Analysis

<i>\$ in millions, except per share</i>	Quarter Ended September 30, 2009	
	\$ Amounts	\$ Per Share
Beginning of Period Book Value	\$2,221.1	\$43.75
Net Income		
Continuing Operations	48.6	0.97
Discontinued Operations	1.1	0.02
Change in AOCI, Net of Tax		
Change in Pension and Postretirement Related Benefits	3.2	0.07
Change in Net Unrealized Investment Position	159.0	3.18
Shares Repurchased at Cost ⁽¹⁾	(29.1)	--
Common Stock Net Activity	<u>3.2</u>	<u>0.07</u>
Ending of Period Book Value	\$2,407.1	\$48.06

(1) Includes per share effect of repurchase on beginning book value

THG Balance Sheet Strength

<i>(In millions, except per share data)</i>	September 2009	December 2008
Total shareholders' equity ⁽¹⁾	\$2,407	\$1,887
Total book value per share	\$48.06	\$37.08
Book value per share, excluding AOCI ⁽²⁾	\$48.28	\$44.64
Debt/total capital	15.3%	22.0%
THG holding company cash and investments ⁽³⁾	\$311	\$417
Property and casualty adjusted statutory capital	\$1,710	\$1,601
Property and casualty premium to surplus ratio	1.5:1	1.6:1

- (1) Includes Accumulated Other Comprehensive Loss of \$10.8 million and \$384.8 million, as of September 30, 2009 and December 31, 2008, respectively.
- (2) Non-GAAP financial measure
- (3) December 31 reflects proceeds from the FAFLIC sale of approximately \$220 million, which were received January 2, 2009 and \$42 million of THG trust preferred capital securities held at the holding company, which have been retired as of September 30

Questions