

# The Hanover Insurance Group, Inc.

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## Q2 2006 Earnings Results

To be read only in conjunction with the conference call  
scheduled for August 1, 2006.

# Forward-Looking Statements and Non-GAAP Financial Measures

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Certain statements in this presentation, including responses to your questions, 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”, “guidance” and similar expressions is intended to identify forward-looking statements. In particular, this presentation may include forward-looking statements with respect to earnings growth, return on equity, anticipated price changes in our property and casualty business, premium growth, policies in-force levels, retention, expense management, underwriting conditions, loss development, new product availability and impact, capital levels, ratings, and Life Companies segment earnings (including continuing and discontinued operations and loss on disposal of the business).

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 Annual Report and other documents filed by The Hanover with the Securities and Exchange Commission, which are also available at [www.hanover.com](http://www.hanover.com) under “Investors”. We assume no obligation to update this presentation, which speaks as of today's date.

These uncertainties include the possibility of adverse catastrophe experience (including terrorism) and severe weather, 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 (such as the multi-variate private passenger auto product), adverse loss development and adverse trends in mortality and morbidity, changes in the current favorable frequency and loss trends generally being experienced industry-wide, 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, property and casualty segment income, segment income after taxes and segment 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.

## Opening Remarks by Fred Eppinger

## Financial Review by Ed Parry

# THG Results For The Quarter

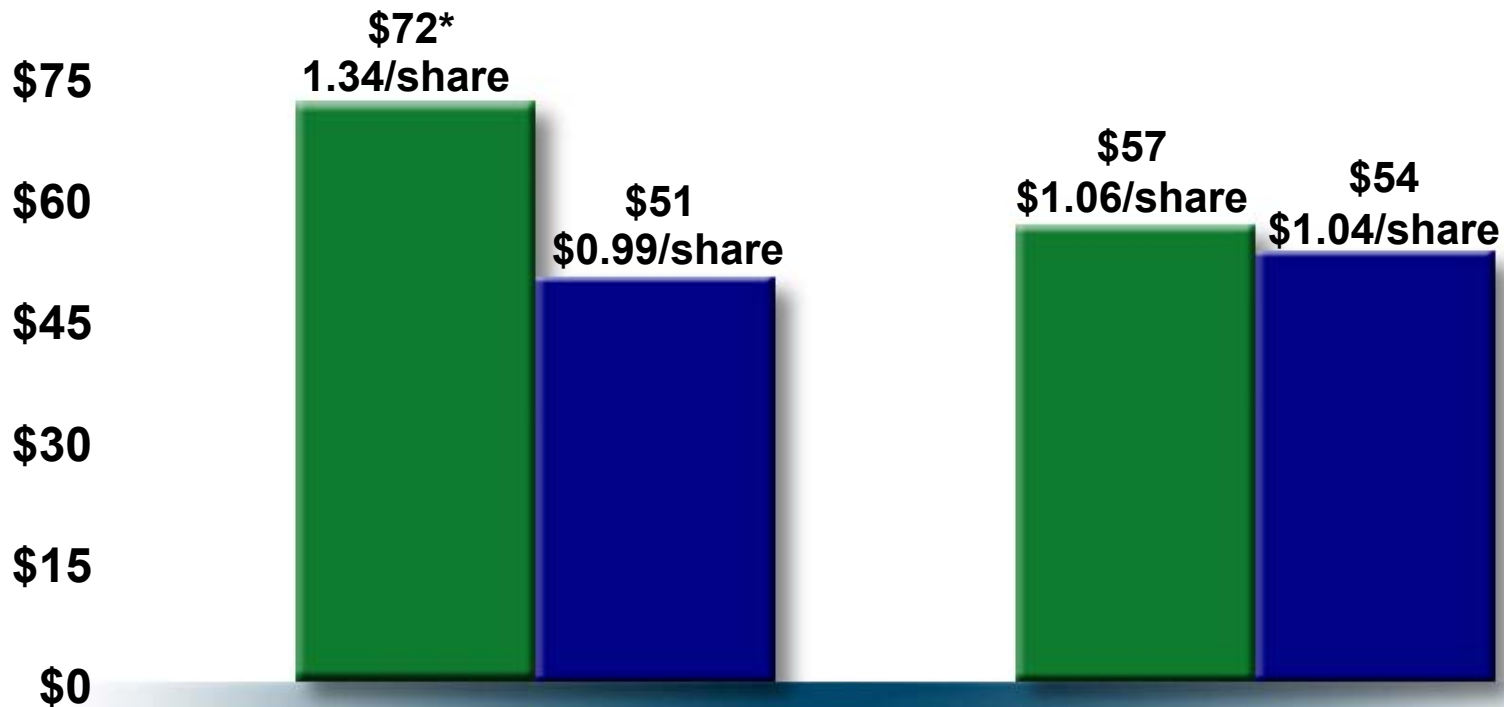
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## QTR Net Income

(\$ in millions, except per share)

## QTR Income from Continuing Operations

(\$ in millions, except per share)



\*2005 second quarter income includes a federal income tax benefit of \$12.9 million, or \$0.23 per share, primarily related to the company's discontinued variable life insurance and annuity business.

# THG Segment Results

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(\$ in millions)	Q2 2006	Q2 2005	\$ Change	% Change
Property & Casualty	\$86	\$90	(\$4)	-4%
Life Companies (continuing operations)	(1)	(8)	7	88%
Interest expense on debt	(10)	(10)	0	0%
Federal income tax expense	(23)	(19)	(4)	NM
<b>Total segment income after taxes<sup>(1)</sup></b>	<b>\$52</b>	<b>\$53</b>	<b>(\$1)</b>	<b>-1%</b>
<b>Pre-tax Catastrophe Losses</b>	<b>\$20</b>	<b>\$7</b>	<b>\$13</b>	<b>186%</b>

<sup>(1)</sup> Segment Income After Taxes is a non-GAAP financial measure that is reconciled to net income in the press release and statistical supplement, both of which are posted on our website.

# PL Operating Highlights

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	<u>Q2 2006</u>	<u>Q2 2005</u>	<u>Change</u>
Pre-Tax Segment Income	\$ 54 M	\$ 57 M	\$ (3) M
Catastrophe Losses	\$ 9 M	\$ 5 M	\$ 4 M
Ex-Cats Segment Income	\$ 63 M	\$ 62 M	\$ 1 M

- Improved prior year reserve development \$ 7 M
- Favorable involuntary pool results, improved net investment income, and other items \$ 3 M
- Higher loss adjustment and underwriting expenses \$ (9) M

# CL Operating Highlights

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	<u>Q2 2006</u>	<u>Q2 2005</u>	<u>Change</u>
Pre-Tax Segment Income	\$ 30 M	\$ 31 M	\$ (1) M
Catastrophe Losses	\$ 11 M	\$ 3 M	\$ 8 M
Ex-Cats Segment Income	\$ 41 M	\$ 34 M	\$ 7 M

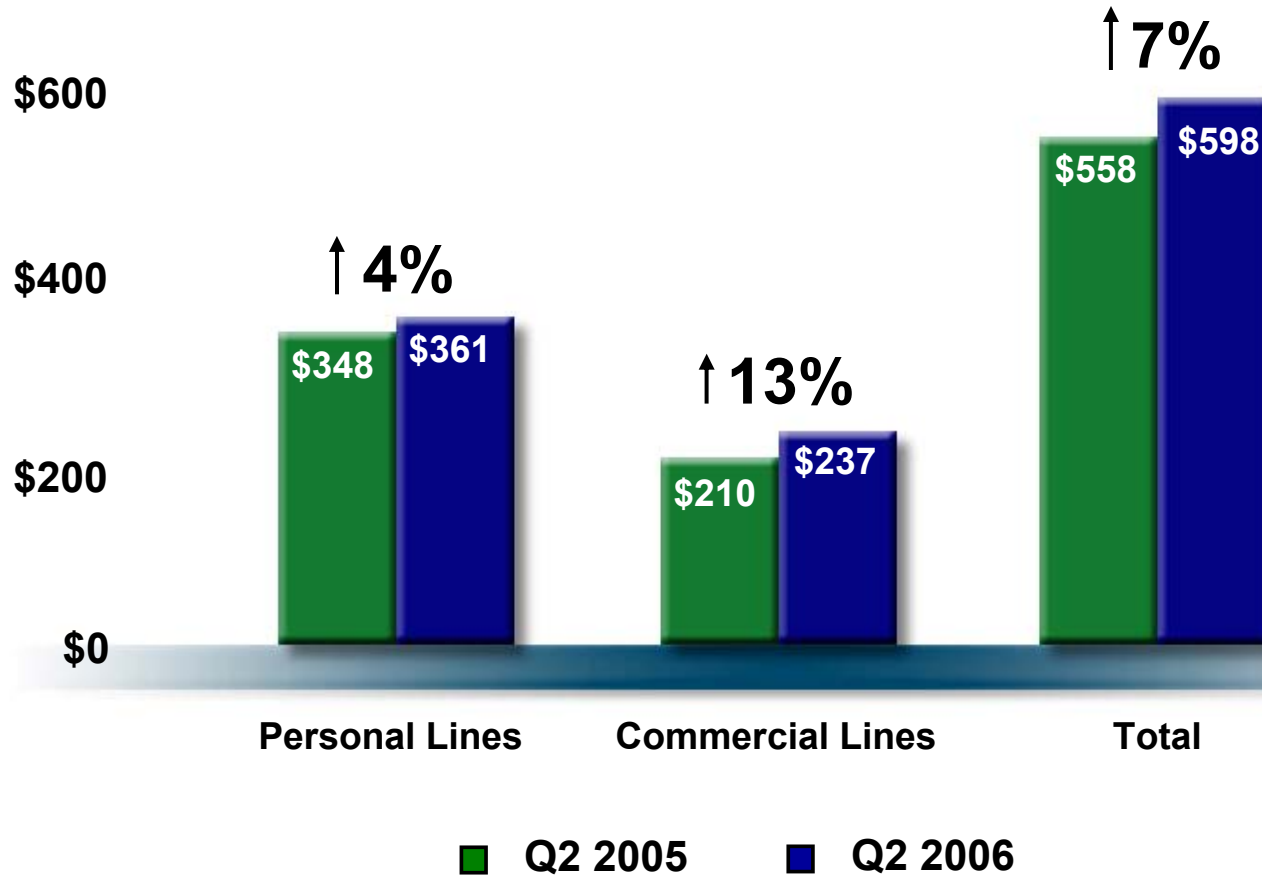
- Growth in specialty lines and improved current accident year loss performance \$ 14 M
- Improved prior year reserve development \$ 5 M
- Higher loss adjustment and underwriting expenses \$ (12) M

# QTR Net Written Premium

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*(\$ in millions)*

## Written Premium



## Business Update by Marita Zuraitis

# *Questions*