

# The Hanover Insurance Group, Inc.

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## Q3 2007 Earnings Results

To be read only in conjunction with the press release dated October 29, 2007 and the conference call scheduled for October 30, 2007.

# Forward-Looking Statements and Non-GAAP Financial Measures

*Our policy is performance.™*

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 earnings press release dated October 29, 2007 and 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 September 30, 2007.

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. Certain measures are also presented after adjustment for reinsurance reinstatement premiums insured in 2005. 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.

## Financial Slides

# THG Segment Results

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## Segment Income/(Loss)

(\$ in millions)	<u>Q3 2007</u>	<u>Q3 2006</u>	\$ <u>Change</u>
<b>Property &amp; Casualty</b>	\$93	\$53	\$40
<b>Life Companies (continuing operations)</b>	(4)	(1)	(3)
<b>Interest expense on debt</b>	(10)	(10)	-
<b>Federal income tax expense</b>	(26)	(14)	(12)
<b>Total segment income after taxes<sup>(1)</sup></b>	<u>\$53</u>	<u>\$28</u>	<u>\$25</u>

*(1) 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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<i>(\$ in millions)</i>	<u>Q3 2007</u>	<u>Q3 2006</u>	<u>Change</u>
Pre-Tax Segment Income	\$ 49 M	\$ 35 M	\$14 M
Catastrophe Impact	\$ 5 M	\$ 9 M	(\$4) M
2005 Katrina Impact	<u>\$ - M</u>	<u>\$ 12 M</u>	<u>(\$12)M</u>
Ex-Cats Segment Income	\$ 54 M	\$ 56 M	(\$2) M

- Higher current accident year losses (\$6) M
- Lower underwriting and loss adjustment expenses \$ 5 M
- Higher net investment income \$ 4 M
- Lower favorable development of prior year loss and LAE reserves (\$4) M
- Other net (\$1) M

# CL Operating Highlights

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<i>(in millions)</i>	<u>Q3 2007</u>	<u>Q3 2006</u>	<u>Change</u>
Pre-Tax Segment Income	\$ 39 M	\$ 8 M	\$ 31 M
Catastrophe Impact	\$ 3 M	\$ 3 M	\$ - M
2005 Katrina Impact	<u>\$ 17 M</u>	<u>\$ 40 M</u>	<u>(\$23) M</u>
Ex-Cats Segment Income	\$ 59 M	\$ 51 M	\$ 8 M

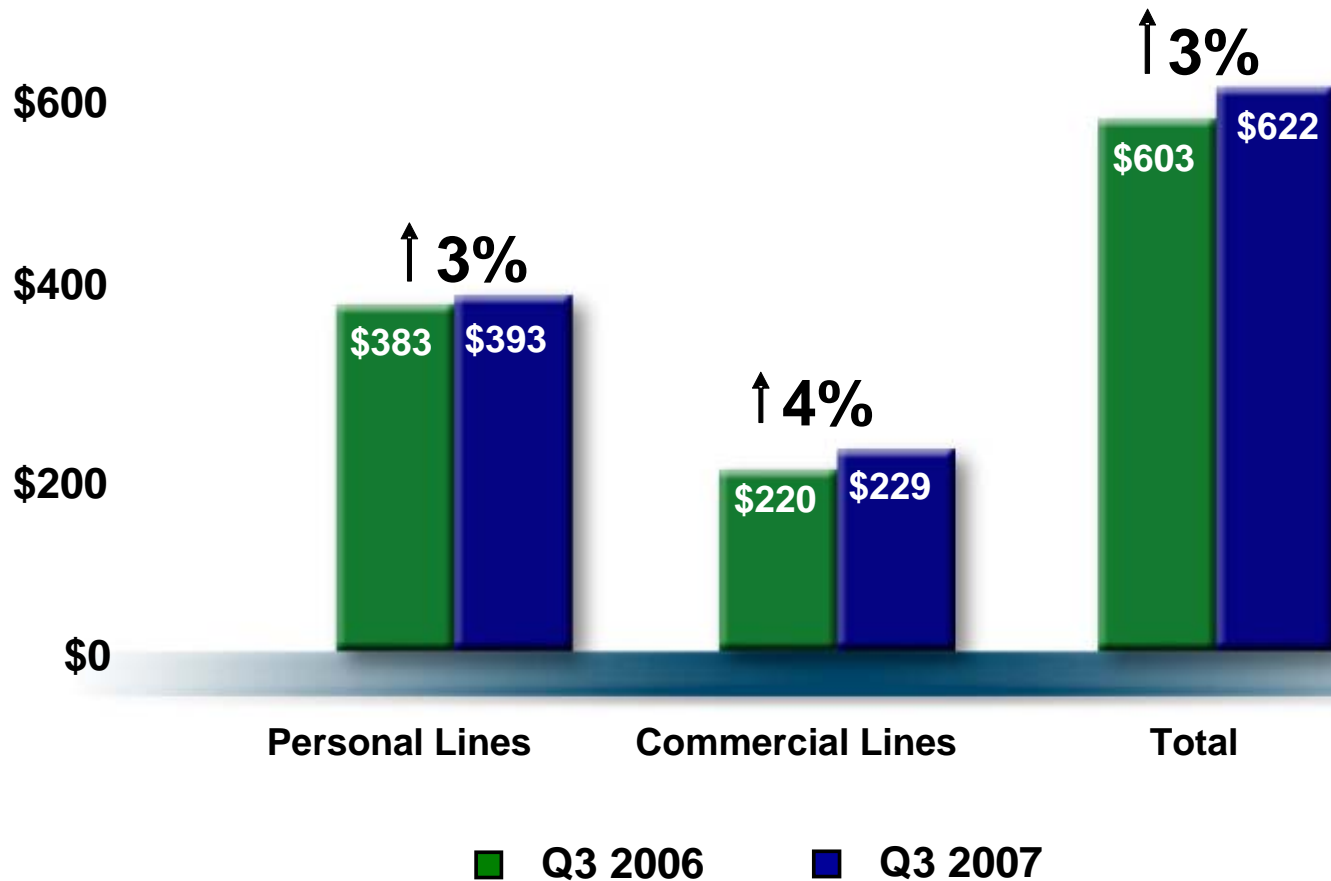
- Growth related earnings improvement \$ 6 M
- Lower Underwriting and loss adjustment expenses \$ 2 M
- Higher net investment income \$ 2 M
- Lower earnings from pools, primarily Mass CAR (\$1) M
- Lower favorable development of prior year loss and LAE reserves (\$1) M

# QTR Net Written Premium

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## Net Written Premium

(\$ in millions)



# Questions