



The Hanover Insurance Group, Inc.

Second Quarter 2022 Results August 3, 2022

*To be read in conjunction with the press release dated
August 2, 2022, and conference call scheduled for August 3, 2022*



Second Quarter Operating Highlights

The Hanover Reports Second Quarter Net Income and Operating Income⁽¹⁾ of \$0.63 and \$2.32 per Diluted Share, Respectively; Combined Ratio of 96.2%; Combined Ratio, Excluding Catastrophes⁽²⁾, of 90.2%

- Net premiums written increase of 10.4%*, with strong growth from each segment
- Rate increases⁽³⁾ of 6.9% in Core Commercial, 8.0% in Specialty and 3.2% in Personal Lines
- Renewal price change⁽³⁾ of 11.0% in Core Commercial, 12.0% in Specialty and 5.4% in Personal Lines
- Catastrophe losses of \$77.4 million, or 6.0 points of the combined ratio, including favorable development on prior-year catastrophes
- Current accident year loss and loss adjustment expense (“LAE”) ratio, excluding catastrophes⁽⁴⁾, of 60.1%, included improved loss ratios within Specialty and Core Commercial, which were more than offset by the impact of higher property severity in Personal Lines
- Net investment income of \$70.5 million, below the prior-year quarter due to the elevated level of partnership income in the second quarter of 2021
- Book value per share of \$72.20, down 9.3% from March 31, 2022, primarily driven by a decrease in the fair value of fixed maturity investments due to the higher interest rate environment

The Hanover Insurance Group, Inc. may also be referred to as “The Hanover” or “the company” interchangeably throughout this presentation.

(1) See information about this and other non-GAAP measures and definitions used throughout this presentation on the final pages of this document.

* Unless otherwise stated, net premiums written growth and other growth comparisons are to the same period of the prior year.



Consolidated Financial Results

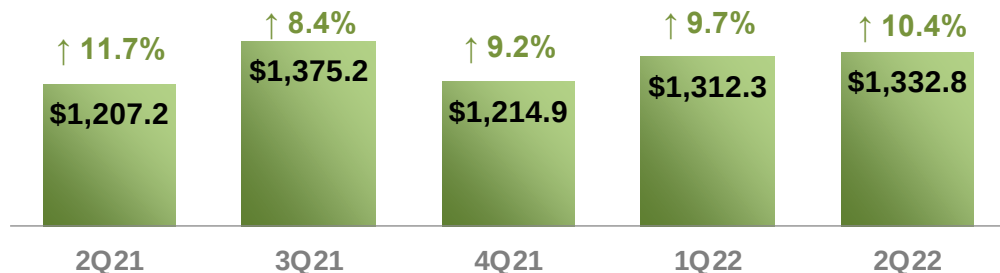
(\$ in millions, except per share amounts)	Three months ended		Six months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Net income	\$128.5	\$22.6	\$221.2	\$127.4
Per diluted share	\$3.52	\$0.63	\$6.03	\$3.52
Operating income before interest expense and income taxes	\$137.3	\$115.0	\$222.4	\$269.4
Operating income after income taxes	\$104.0	\$83.9	\$165.4	\$201.6
Per diluted share	\$2.85	\$2.32	\$4.50	\$5.58
Book value per share	\$88.23	\$72.20	\$88.23	\$72.20
Book value per share, excluding net unrealized appreciation (depreciation) on fixed maturity investments ⁽⁵⁾	\$79.71	\$85.10	\$79.71	\$85.10
Shareholders' equity	\$3,154.0	\$2,571.8	\$3,154.0	\$2,571.8
Debt	\$781.2	\$782.0	\$781.2	\$782.0
Total capital	\$3,935.2	\$3,353.8	\$3,935.2	\$3,353.8
Debt/total capital	19.9%	23.3%	19.9%	23.3%
Total assets	\$13,728.1	\$13,600.9	\$13,728.1	\$13,600.9
Net income return on average equity ⁽⁶⁾	16.6%	3.3%	14.1%	8.9%
Operating return on average equity ⁽⁶⁾	14.7%	11.1%	11.8%	13.4%



Strong Operating Results

(\$ in millions)

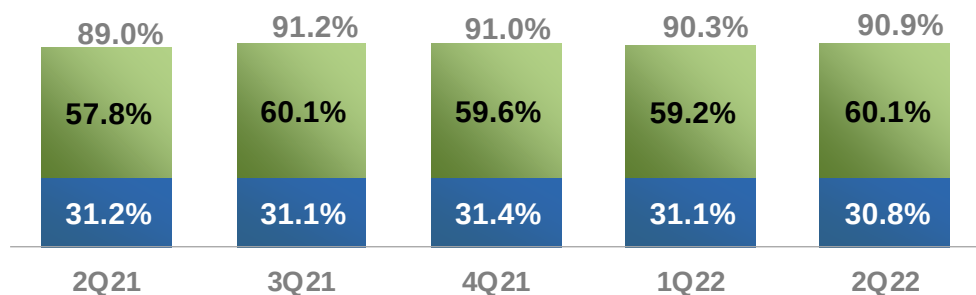
Net Premiums Written and Growth



Net premiums written increased 10.4%, fueled by strong growth in each segment

Current accident year combined ratio, ex-CAT, increased from the prior-year quarter, primarily driven by increased property severity in Personal Lines

Current Accident Year Combined Ratio, Ex-CAT



This was partially offset by:

- Strong underlying performance within Core Commercial and Specialty, which both benefited from earned rate increases above loss trends
- Lower expense ratio, which improved 0.4 points from the prior-year quarter, and is in line with the company's full year target

Favorable prior-year reserve development of \$9.2 million, or 0.7 points, driven by workers' compensation, surety, management liability, personal auto, and homeowners lines

(\$ in millions)

	Three months ended June 30		Six months ended June 30	
	2021	2022	2021	2022
Net premiums written	\$1,207.2	\$1,332.8	\$2,403.3	\$2,645.1
Growth	11.7%	10.4%	8.4%	10.1%
Net premiums earned	\$1,179.8	\$1,293.8	\$2,341.6	\$2,557.6
Combined ratio	94.4%	96.2%	96.6%	94.8%
Combined ratio, ex-cat	87.9%	90.2%	87.6%	90.0%
Current accident year combined ratio, ex-cat ⁽²⁾	89.0%	90.9%	88.5%	90.6%



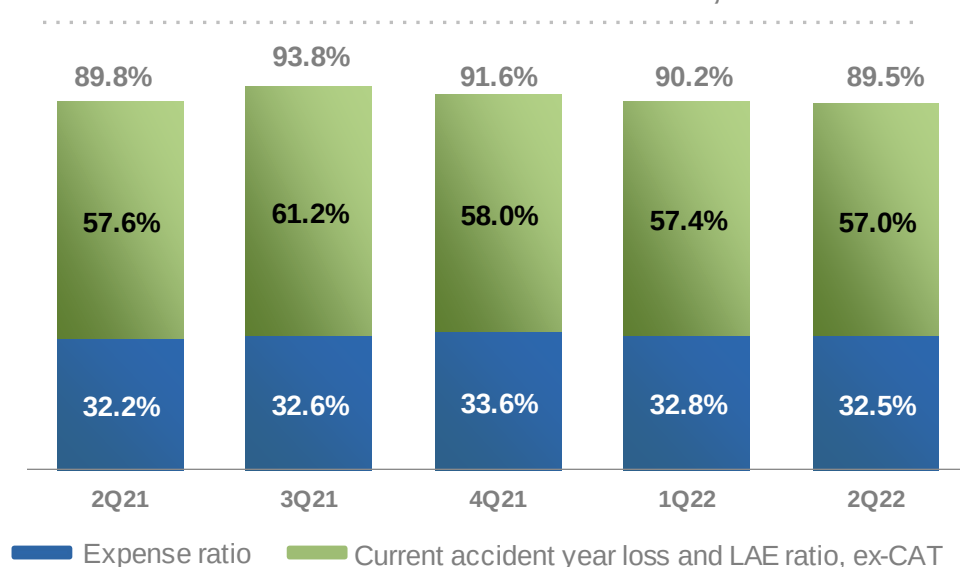
Core Commercial Underwriting Highlights

(\$ in millions)

	Three months ended June 30		Six months ended June 30	
	2021	2022	2021	2022
Net premiums written	\$421.7	\$454.2	\$902.3	\$980.8
Growth	11.4%	7.7%	7.5%	8.7%
Net premiums earned	\$447.6	\$480.1	\$882.8	\$954.8
Growth	7.2%	7.3%	4.1%	8.2%
Catastrophe ratio	3.1%	3.7%	12.3%	3.9%
Prior year development ratio	-1.0%	-0.6%	-0.8%	-1.0%
Expense ratio	32.2%	32.5%	32.6%	32.7%
Combined ratio	91.9%	92.6%	101.7%	92.9%
Combined ratio, ex-CAT	88.8%	88.9%	89.4%	89.0%

- Combined ratio of 92.6% in the second quarter of 2022, compared to 91.9% in the prior-year quarter
- Catastrophe losses of 3.7 points, net of 2.3 points of favorable catastrophe prior-year development, compared to 3.1 points, net of 1.9 points of favorable prior-year development, in the prior-year quarter
- Favorable prior-year reserve development, excluding catastrophes, of \$2.8 million, or 0.6 points, compared to \$4.6 million, or 1.0 point, in the prior-year quarter
- Current accident year loss and LAE ratio, ex-CAT, of 57.0% reflects a 0.6-point improvement over the prior-year quarter, driven by the benefit of earned rate increases

Current Accident Year Combined Ratio, Ex-CAT

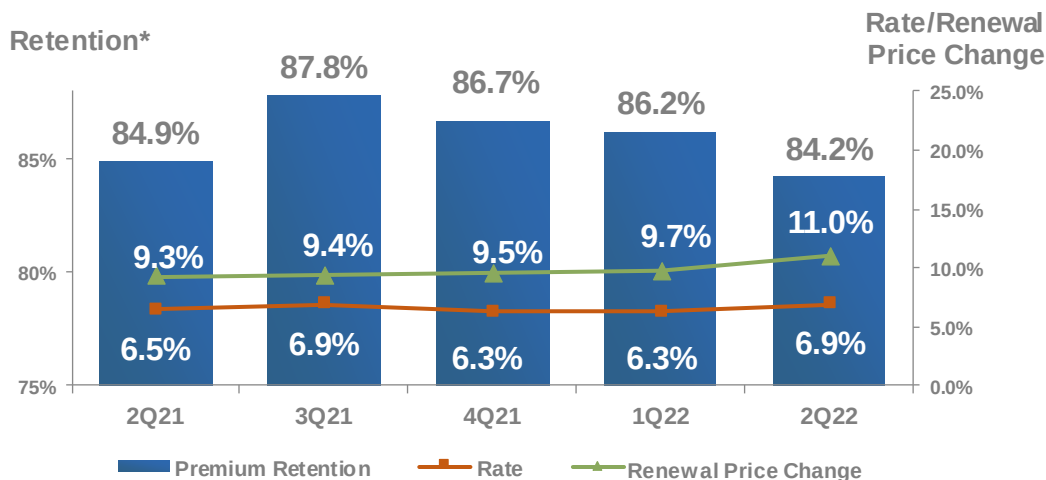
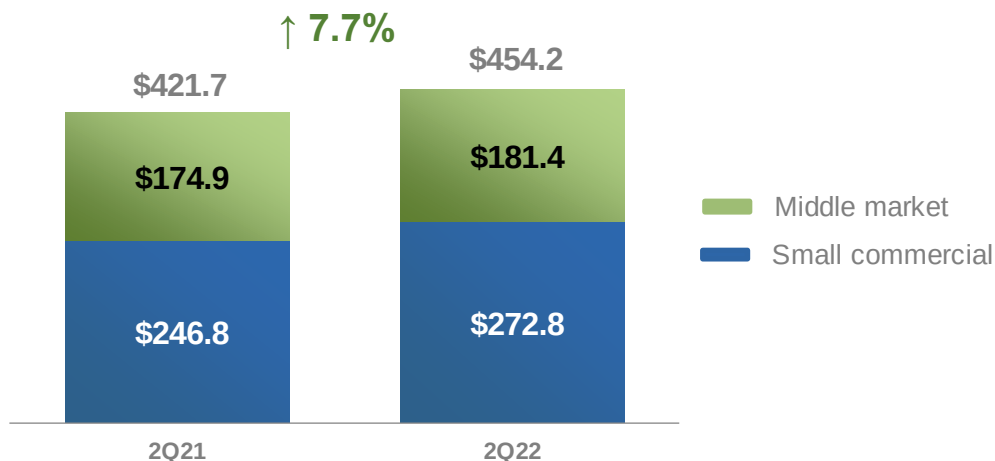




Core Commercial Growth Highlights

(\$ in millions)

Net Premiums Written and Growth



- Net premiums written growth of 7.7% in the second quarter of 2022, primarily driven by strong rate and exposure increases
 - Meaningful contribution from small commercial, which delivered growth of 10.5%, supported by strong pricing and retention
 - Our industry-leading small commercial TAP Sales platform is now available in 44 states and delivered an approximately 20% year-over-year increase in new business submissions
 - Achieved middle market growth of 3.7%, which was negatively impacted by reinstatement premium movements; continue to focus on optimizing the portfolio to enhance profitability
- Achieved rate increases of 6.9%, an increase of 60 basis points from the first quarter of 2022, supported by strong retention
- Robust renewal price change of 11.0%, as the increase in economic activity and insured values continued to provide a meaningful lift to exposures

* Retention is defined as ratio of net retained premium for the noted period to the premium available to renew over the same period



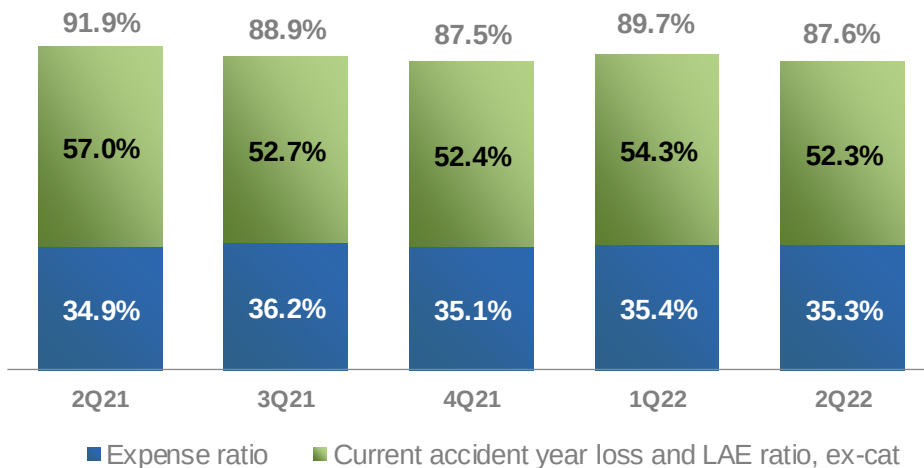
Specialty Underwriting Highlights

(\$ in millions)

	Three months ended June 30		Six months ended June 30	
	2021	2022	2021	2022
Net premiums written	\$265.1	\$302.3	\$541.9	\$605.1
Growth	12.2%	14.0%	12.1%	11.7%
Net premiums earned	\$255.8	\$293.5	\$513.5	\$577.3
Growth	6.1%	14.7%	5.6%	12.4%
Catastrophe ratio	1.7%	2.2%	5.6%	2.5%
Prior year development ratio	-1.3%	-0.4%	-0.8%	-2.5%
Expense ratio	34.9%	35.3%	35.4%	35.4%
Combined ratio	92.3%	89.4%	95.6%	88.6%
Combined ratio, ex-CAT	90.6%	87.2%	90.0%	86.1%

- Combined ratio of 89.4% in the second quarter of 2022, compared to 92.3% in prior-year quarter
- Catastrophe losses of 2.2 points, net of 1.1 points of favorable prior-year catastrophe development compared to catastrophe losses of 1.7 points, net of 1.3 points of favorable prior-year development in the prior-year quarter
- Favorable prior-year reserve development, excluding catastrophes, of \$1.2 million, or 0.4 points, compared to \$3.3 million, or 1.3 points, in the prior-year quarter
- Current accident year loss and LAE ratio, ex-CAT, of 52.3%, improved 4.7 points from the prior-year quarter, driven by earned rate above loss costs, as well as the comparison to a large loss in the company's specialty industrial book in the prior-year quarter

Current Accident Year Combined Ratio, Ex-CAT

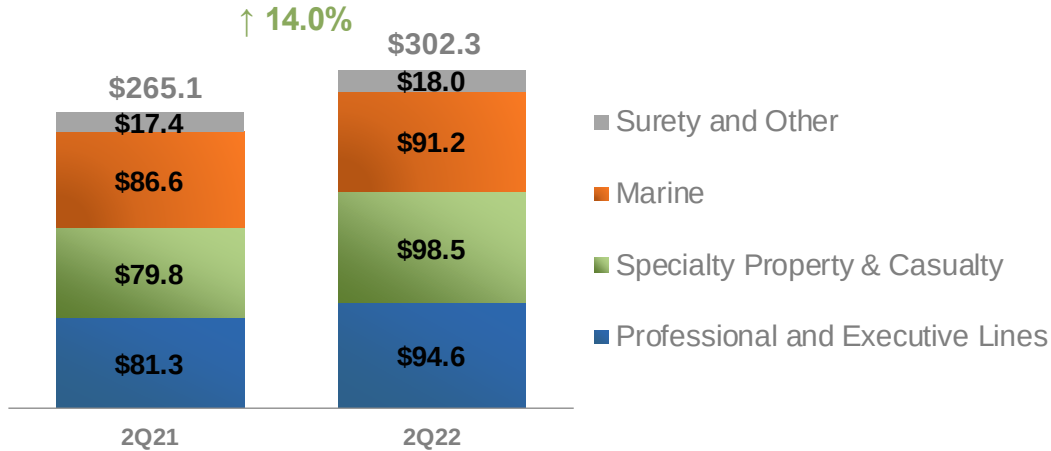




Specialty Growth Highlights

(\$ in millions)

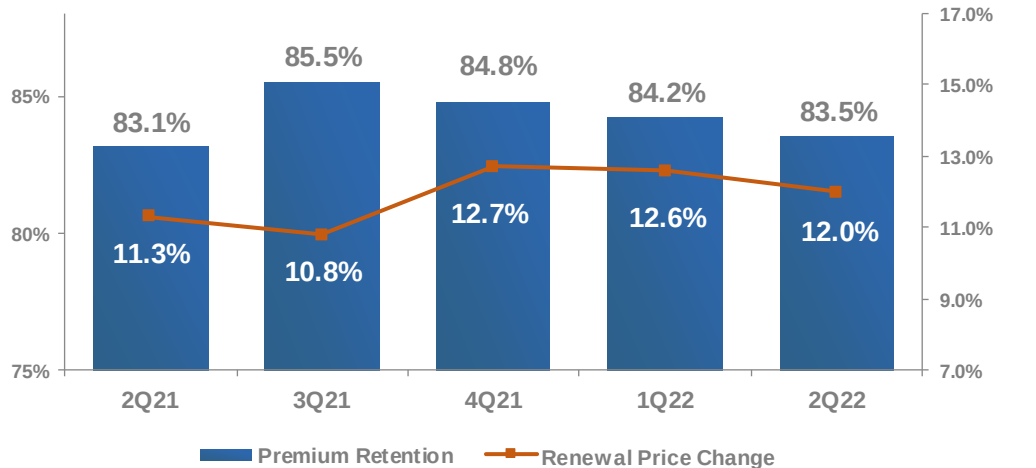
Net Premiums Written and Growth



Net premiums written increased 14.0% from the prior-year quarter driven primarily by strong renewals and rate increases. Excluding the impact of reinstatement premium in the prior-year quarter, growth was near double digits

- Achieving strong double-digit growth in Professional and Executive lines and E&S
- Robust rate increases of 8.0%
- Renewal price change of 12.0%, continued on its strong trajectory and remains closely in line with the first quarter of 2022

Retention*



Very pleased with the quality of the business

- Continue to make progress in enhancing our specialty portfolio and capabilities, while striving to achieve the optimal balance between property and casualty risks
- Strong year-to-date results further underscore the ability of this business to be a critical value driver

* Retention is defined as ratio of net retained premium for the noted period to the premium available to renew over the same period



Personal Lines Underwriting Highlights

(\$ in millions)

	Three months ended June 30		Six months ended June 30	
	2021	2022	2021	2022
Net premiums written	\$520.4	\$576.3	\$959.1	\$1,059.2
<i>Growth</i>	11.6%	10.7%	7.1%	10.4%
Net premiums earned	\$476.4	\$520.2	\$945.3	\$1,025.5
<i>Growth</i>	8.8%	9.2%	4.6%	8.5%
Catastrophe ratio	12.3%	10.2%	7.7%	6.9%
Prior year development ratio	-1.0%	-1.0%	-1.1%	0.8%
Expense ratio	28.2%	26.7%	28.1%	26.9%
Combined ratio	97.6%	103.2%	92.3%	100.2%

Combined ratio of 103.2% and combined ratio, ex-CAT, of 93.0%, in the second quarter of 2022

- Elevated catastrophe losses of 10.2 points
- Favorable development of \$5.2 million, or 1.0 point, driven by both auto and home
- Expense ratio improvement of 1.5 points from the prior-year quarter, driven by fixed cost leverage from premium growth and lower performance-based agency compensation
- Increase in the current accident year loss and LAE ratio, ex-CAT, primarily due to elevated property loss severity:

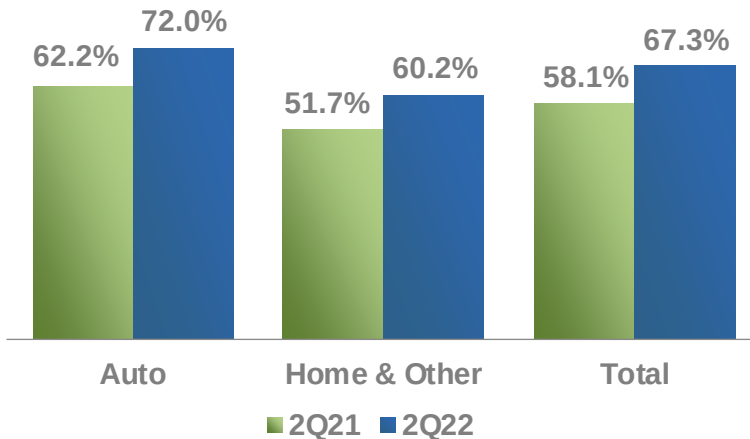
Personal Auto

- Higher underlying loss ratio in Q2 2022 was attributable to increased property severity, and higher frequency as compared to the unusually low levels of claims in Q2 2021
- Frequency continues to track favorably compared to pre-pandemic levels (*see page 11*) and is relatively consistent with Q1 2022, helping to offset inflationary impacts

Home and Other

- Higher underlying loss ratio in 2Q22 was primarily due to higher than usual large loss activity, and, to a lesser extent, non-CAT weather and continued inflationary pressures on claims costs
- Implementing robust pricing increases through rate and other non-rate mechanisms to align with prevailing inflation and support profitability improvement

Current Accident Year Combined Ratio, Ex-CAT

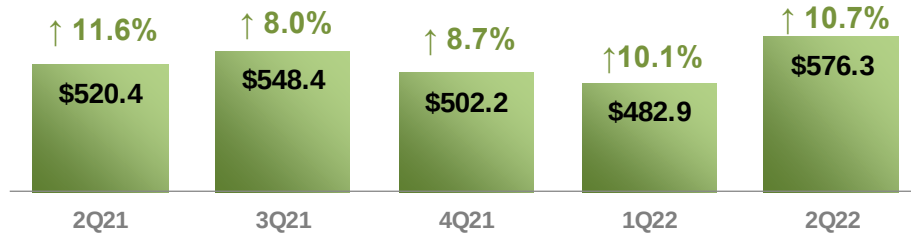




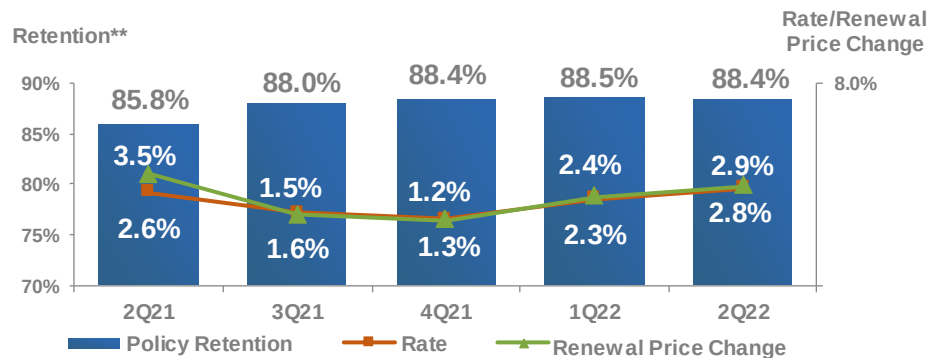
Personal Lines Growth Highlights

(\$ in millions)

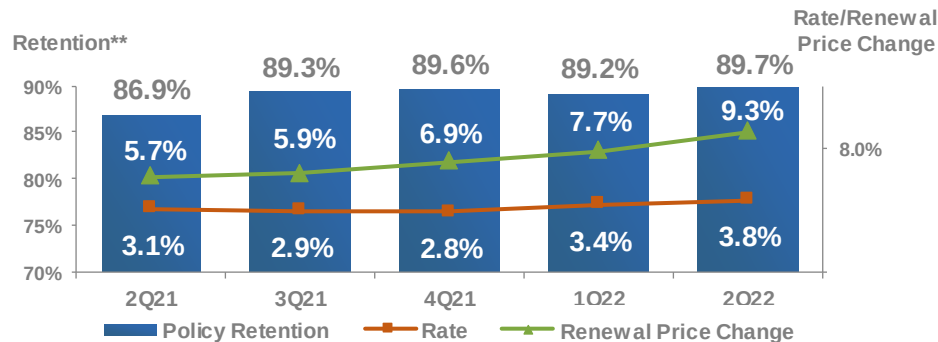
Net Premiums Written and Growth



Personal Auto Retention and Rate



Homeowners Retention and Rate



High quality book of business with favorable mix:

- 87% of the book is account business
- Continue to gain positive momentum in Prestige, which grew 60% year-over-year and now represents 9% of the total Personal Lines book

Net premiums written increased 10.7% in the quarter, reflecting:

- Strong retention of 89.1%
- Rate increases of 3.2% and renewal price change of 5.4%
 - Homeowners renewal price change of 9.3%, reflects a strong sequential acceleration. Expect renewal price change of 12%-13% by the fourth quarter of 2022*
 - Auto renewal price change of 2.9%. Expect renewal price change of 6%-7% by the fourth quarter of 2022*

*A part of renewal price change is subject to regulatory approvals

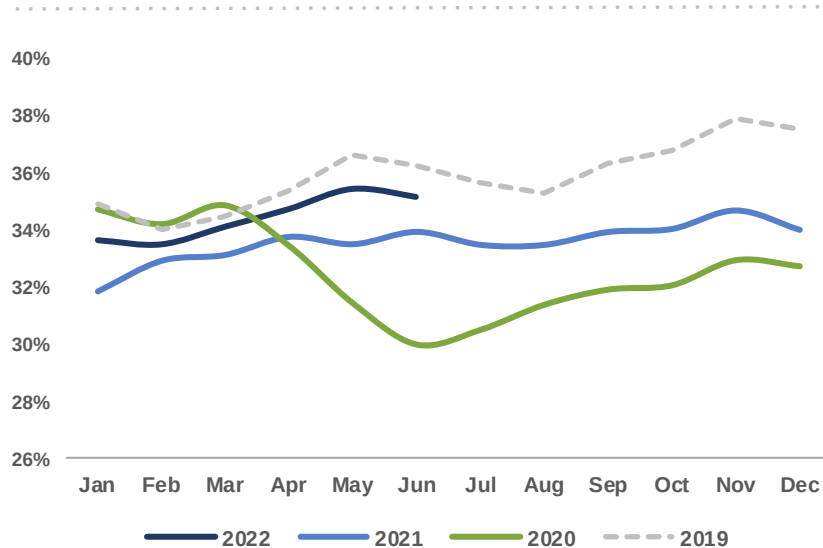
**Retention is defined as ratio of net retained policies for the noted period to those policies available to renew over the same period and includes the impact of rewrites.



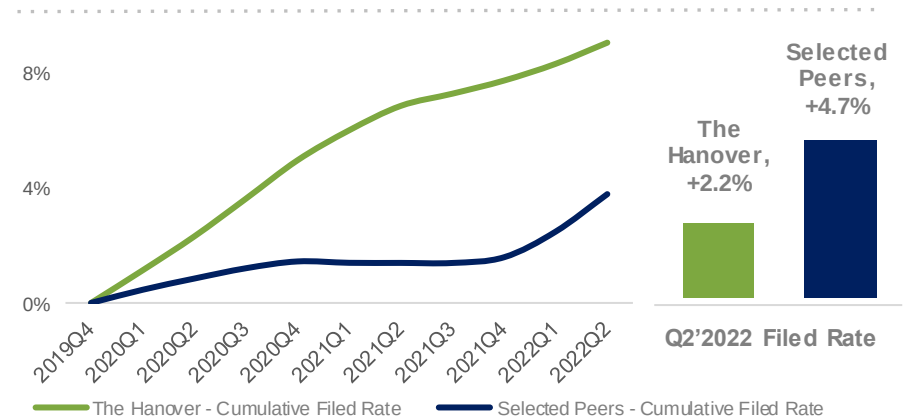
Differentiated Pricing Strategy and Reduced Claims Frequency Lead to Favorable Position in the Current Inflationary Environment

- Our prudent and measured rate strategy during the pandemic has resulted in a more measured current rate need in personal auto
- Our personal auto collision frequency remains below pre-COVID levels
- Our percentage of rush-hour collisions (AM + PM) has flattened since the second quarter of 2021 and remains below 2019, likely driven by distinctive target market mix
- Combination of pricing strategy and mix positions us favorably to weather macroeconomic trends over the next 6-18 months

The Hanover Personal Auto Collision Claims % During Rush Hour

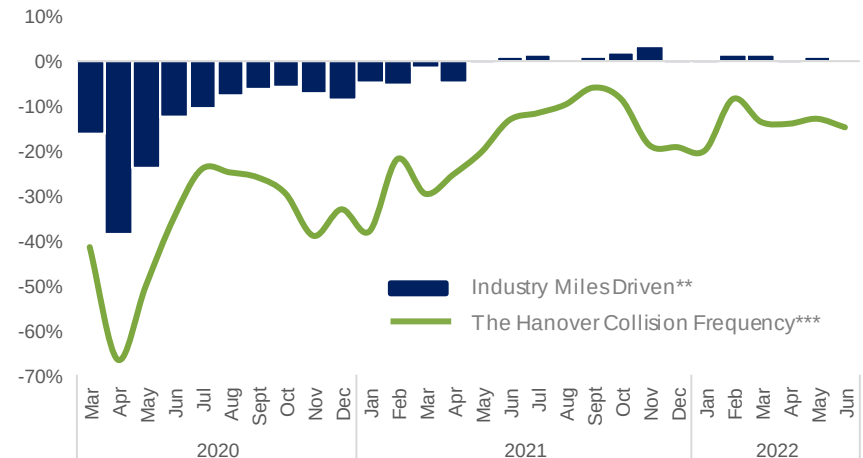


Auto and Home Cumulative Filed Rate vs. Q2'2022 Filed Rate*



*Source: S&P Global as of 6/30/2022. Selected peers include AIG, Allstate, Chubb, Cincinnati, The Hartford, Kemper, Plymouth Rock, Progressive, Safety, and Travelers. Calculated on a rolling 12-month basis. Excludes Michigan auto in July for all years due to distorting impact of Michigan PIP reform in 2020. Cumulative rate is calculated by multiplying each quarters filed rate and indexing to Q4 2019.

Monthly % Change Relative to Pre-COVID Levels



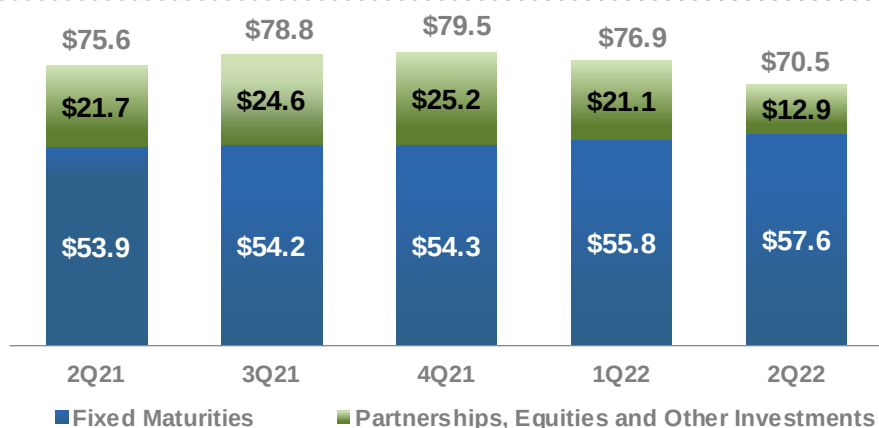
Source: Department of Transportation. Industry miles driven represents the average change in miles driven from pre-COVID 2-year average (2018 and 2019). June 2022 industry miles driven not available as of August 2, 2022. *The Hanover collision frequency for depicted periods versus 4-year pre-COVID average (2016 through 2019).



Net Investment Income Trends

(\$ in millions)

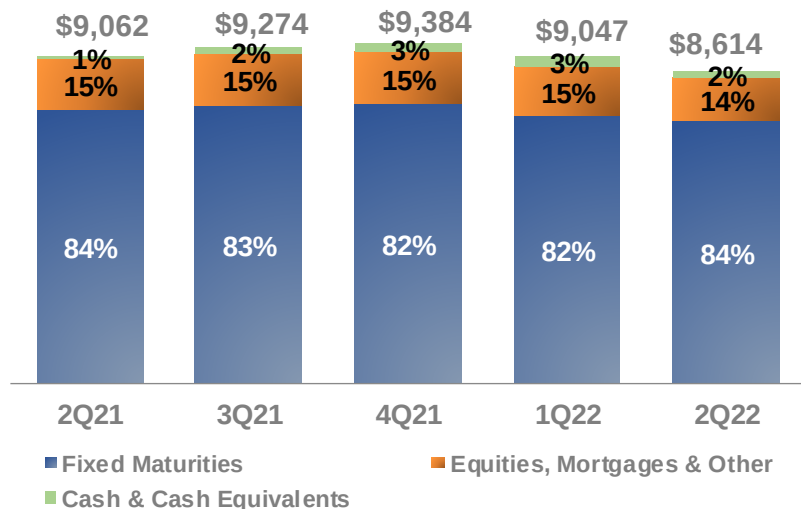
Net Investment Income*



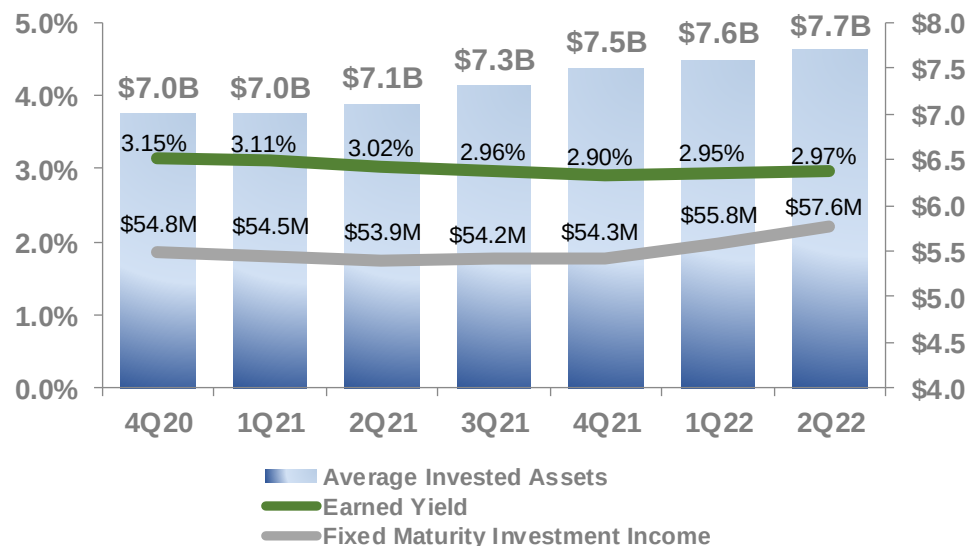
- Net investment income of \$70.5 million, below the prior-year quarter primarily due to the elevated level of partnership income in the second quarter of 2021
- New money yields on purchases of fixed maturities are well above total portfolio yield and maturing fixed income securities rolling off of the portfolio

(\$ in millions)

Cash and Invested Assets



Fixed Maturity Investment Portfolio Trends



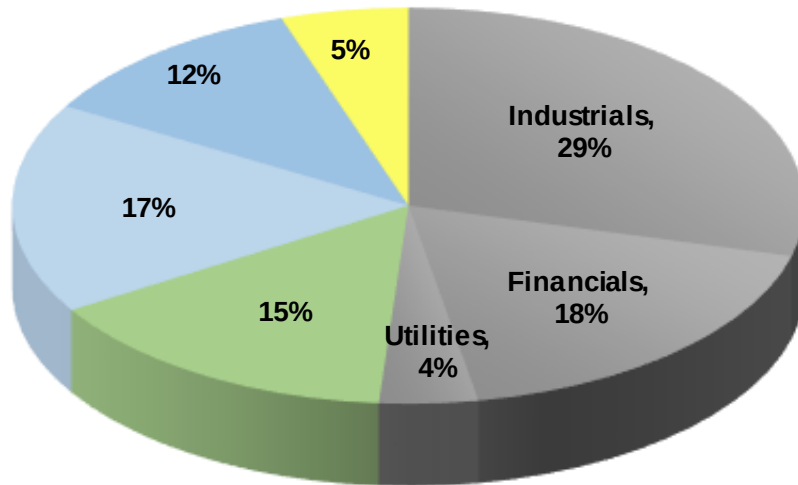
* Net investment income from partnerships, equities and other investments is presented net of investment expenses



Investment Portfolio – Total Invested Assets and Cash of \$8.6 Billion

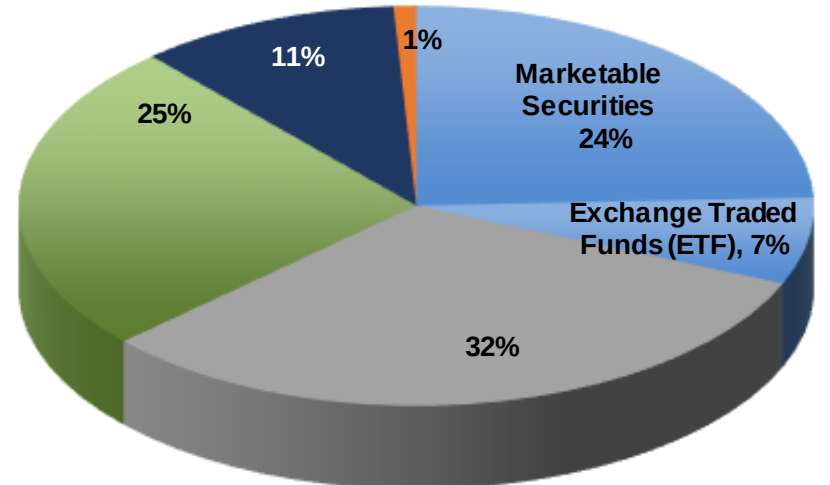
As of June 30, 2022

Fixed Maturities: \$7.2 Billion



■ Corporates
■ RMBS/ABS
■ US Government
■ Municipals (Taxable)
■ CMBS

Equities, Cash and Other: \$1.4 Billion



■ Equities
■ Limited Partnerships
■ Other
■ Marketable Securities
■ Exchange Traded Funds (ETF)
■ Cash and cash equivalents
■ Mortgage Loans

High-quality, well-laddered fixed income portfolio

- 95% of fixed maturity securities are investment grade
- Weighted average quality: A+
- Duration: 4.7 years



About The Hanover

The Hanover Insurance Group, Inc. is the holding company for several property and casualty insurance companies, which together constitute one of the largest insurance businesses in the United States. The company provides exceptional insurance solutions through a select group of independent agents and brokers. Together with its agent partners, The Hanover offers standard and specialized insurance protection for small and mid-sized businesses, as well as for homes, automobiles, and other personal items. For more information, please visit hanover.com.



Forward-Looking Statements and Additional Risks and Uncertainties

Certain statements in this document and comments made by management may be “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as, but not limited to, “believes,” “anticipates,” “expects,” “may,” “projects,” “projections,” “plan,” “likely,” “potential,” “targeted,” “forecasts,” “should,” “could,” “continue,” “outlook,” “guidance,” “modeling,” “moving forward” and other similar expressions are intended to identify forward-looking statements. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. The company cautions investors that any such forward-looking statements are estimates, beliefs, expectations and/or projections that involve significant judgment, and that historical results, trends and forward-looking statements are not guarantees and are not necessarily indicative of future performance. Actual results could differ materially from those anticipated.

These statements include, but are not limited to, the company’s statements regarding:

- The company’s outlook and its ability to achieve components or the sum of the respective period guidance on its future results of operations including: the combined ratio, excluding catastrophe losses; catastrophe losses; net investment income; growth of net premiums written and/or net premiums earned in total or by line of business; expense ratio; operating return on equity; and/or the effective tax rate;
- The continued impacts of the global pandemic (“Pandemic”) and related economic conditions on the company’s operating and financial results, including, but not limited to, the impact on the company’s investment portfolio, changes in claims frequency as a result of fluctuations in economic activity, severity from higher cost of repairs due to, among other things, supply chain disruptions, inflation, declines in premium as a result of, among other things, credits or returns to the company’s customers, lower submissions, changes in renewals and policy endorsements, public health guidance, recession, and the impact of government orders and restrictions in the states and jurisdictions in which the company operates;
- Uses of capital for share repurchases, special or ordinary cash dividends, business investments or growth, or otherwise, and outstanding shares in future periods as a result of various share repurchase mechanisms, capital management framework, especially in the current environment, and overall comfort with liquidity and capital levels;
- Variability of catastrophe losses due to risk concentrations, changes in weather patterns including climate change, wildfires, severe storms, hurricanes, terrorism, civil unrest, riots or other events, as well as the complexity in estimating losses from large catastrophe events due to delayed reporting of the existence, nature or extent of losses or where “demand surge,” regulatory assessments, litigation, coverage and technical complexities or other factors may significantly impact the ultimate amount of such losses;
- Current accident year losses and loss selections (“picks”), excluding catastrophes, and prior accident year loss reserve development patterns, particularly in complex “longer-tail” liability lines, as well as the inherent variability in short-tail property and non-catastrophe weather losses;
- Changes in frequency and loss severity trends;
- Ability to manage the impact of inflationary pressures, as a result of the Pandemic, global market disruptions, geopolitical events or otherwise, including, but not limited to, supply chain disruptions, labor shortages, and increases in cost of goods, services, and materials;
- The confidence or concern that the current level of reserves is adequate and/or sufficient for future claim payments, whether due to losses that have been incurred but not reported, circumstances that delay the reporting of losses, business complexity, adverse judgments or developments with respect to case reserves, the difficulties and uncertainties inherent in projecting future losses from historical data, changes in replacement and medical costs, as well as complexities related to the Pandemic, including legislative, regulatory or judicial actions that expand the intended scope of coverages, or other factors;
- Characterization of some business as being “more profitable” in light of inherent uncertainty of ultimate losses incurred, especially for “longer-tail” liability businesses;
- Efforts to manage expenses, including the company’s long-term expense savings targets, while allocating capital to business investment, which is at management’s discretion;
- Risks and uncertainties with respect to our ability to retain profitable policies in force and attract profitable policies and to increase rates commensurate with, or in excess of, loss trends;
- Mix improvement, underwriting initiatives, coverage restrictions and pricing segmentation actions, among others, to grow businesses believed to be more profitable or reduce premiums attributable to products or lines of business believed to be less profitable; balance rate actions and retention; offset long-term and/or short-term loss trends due to increased frequency; increased “social inflation” from a more litigious environment and higher average cost of resolution, increased property replacement costs, and/or social movements;
- The ability to generate growth in targeted segments through new agency appointments; rate increases (as a result of its market position, agency relationships or otherwise), retention improvements or new business; expansion into new geographies; new product introductions; or otherwise; and
- Investment returns and the effect of macro-economic interest rate trends and overall security yields, including the macro-economic impact of the Pandemic, inflationary pressures and corresponding governmental and/or central banking initiatives taken in response thereto, and geopolitical circumstances on new money yields and overall investment returns.



Additional Risks and Uncertainties (continued)

Investors are further cautioned and should consider the risks and uncertainties in the company's business that may affect such estimates and future performance that are discussed in the company's most recently filed reports on Form 10-K and Form 10-Q and other documents filed by The Hanover Insurance Group, Inc. with the Securities and Exchange Commission ("SEC") and that are also available at www.hanover.com under "Investors." These risks and uncertainties include, but are not limited to:

- The severity, duration and long-term impact related to the Pandemic, including, but not limited to, actual and possible government responses, legislative, regulatory and judicial actions, changes in frequency and severity of claims in Core Commercial, Specialty and/or Personal Lines, impacts to distributors (including agent partners), and the possibility of additional premium adjustments, including credits and returns, for the benefit of insureds;
- Changes in regulatory, legislative, economic, market and political conditions, particularly in response to COVID-19 and the Pandemic (such as legislative or regulatory actions that would retroactively require insurers to cover business interruption or other types of claims irrespective of terms, exclusions or other conditions included in the contractual terms of the policies that would otherwise preclude coverage, mandatory returns and other rate-related actions, as well as presumption legislation in regards to workers' compensation);
- Heightened volatility, fluctuations in interest rates (which have a significant impact on the market value of our investment portfolio and thus our book value), inflationary pressures, default rates and other factors that affect investment returns from the investment portfolio;
- Recessionary economic periods that may inhibit the company's ability to increase pricing or renew business;
- Data security incidents, including, but not limited to, those resulting from a malicious cyber security attack on the company or its business partners and service providers, or intrusions into the company's systems or data sources;
- Adverse claims experience, including those driven by large or increased frequency of catastrophe events (including those related to terrorism, riots and civil unrest), and severe weather;
- The uncertainty in estimating weather-related losses or the long-term impacts of the Pandemic, and the limitations and assumptions used to model other property and casualty losses (particularly with respect to products with longer-tail liability lines, such as casualty and bodily injury claims, or involving emerging issues related to losses incurred as the result of new lines of business, such as cyber or financial institutions coverage, or reinsurance contracts and reinsurance recoverables), leading to potential adverse development of loss and loss adjustment expense reserves;
- Changes in weather patterns, whether as a result of global climate change, or otherwise;
- Litigation and the possibility of adverse judicial decisions, including those which expand policy coverage beyond its intended scope and/or award "bad faith" or other non-contractual damages, and the impact of "social inflation" affecting judicial awards and settlements;
- The ability to increase or maintain insurance rates in line with anticipated loss costs and/or governmental action, including mandates by state departments of insurance to either raise or lower rates or provide credits or return premium to insureds;
- Investment impairments, which may be affected by, among other things, the company's ability and willingness to hold investment assets until they recover in value, as well as credit and interest rate risk, and general financial and economic conditions;
- Disruption of the independent agency channel, including the impact of competition and consolidation in the industry and among agents and brokers;
- Competition, particularly from competitors who have resource and capability advantages;
- The global macroeconomic environment, including actions taken in response to the Pandemic, inflation, global trade disputes, war, energy market disruptions, equity price risk, and interest rate fluctuations, which, among other things, could result in reductions in market values of fixed maturities and other investments;
- Adverse state and federal regulation, legislative and/or regulatory actions (including recent significant revisions to Michigan's automobile personal injury protection system and related litigation, and various regulations, orders and proposed legislation related to business interruption and workers' compensation coverages, premium grace periods and returns, and rate actions);
- Financial ratings actions, in particular, downgrades to the company's ratings;
- Operational and technology risks and evolving technological and product innovation, including risks created by remote work environments, and the risk of cyber-security attacks on or breaches of the company's systems and/or impacting our outsourcing relationships and third-party operations, or resulting in claim payments (including from products not intended to provide cyber coverage);
- Uncertainties in estimating indemnification liabilities recorded in conjunction with obligations undertaken in connection with the sale of various businesses and discontinued operations; and
- The ability to collect from reinsurers, reinsurance pricing, reinsurance terms and conditions, and the performance of the run-off voluntary property and casualty pools business (including those in the Other segment or in discontinued operations).

Investors should not place undue reliance on forward-looking statements, which speak only as of the date they are made, and should understand the risks and uncertainties inherent in or particular to the company's business. The company does not undertake the responsibility to update or revise such forward-looking statements.



Non-GAAP Financial Measures

As discussed on page 37 of the company's Annual Report on Form 10-K for the year ended December 31, 2021, the company uses non-GAAP financial measures as important measures of its operating performance, including operating income, operating income before interest expense and income taxes, operating income per share, and components of the combined ratio, both excluding and/or including, catastrophe losses, prior-year reserve development and the expense ratio. Management believes these non-GAAP financial measures are important indications of the company's operating performance. The definition of other non-GAAP financial measures and terms can be found in the 2021 Annual Report on pages 63-66.

Operating income and operating income per share are non-GAAP measures. They are defined as net income excluding the after-tax impact of net realized and unrealized investment gains (losses), gains and/or losses on the repayment of debt, other non-operating items, and results from discontinued operations. Net realized and unrealized investment gains (losses), which include changes in the fair value of equity securities still held, are excluded for purposes of presenting operating income, as they are, to a certain extent, determined by interest rates, financial markets and the timing of sales. Operating income also excludes net gains and losses from disposals of businesses, gains and losses related to the repayment of debt, costs to acquire businesses, restructuring costs, the cumulative effect of accounting changes and certain other items. Operating income is the sum of the segment income from: Core Commercial, Specialty, Personal Lines, and Other, after interest expense and income taxes. In reference to one of the company's three segments, "operating income" is the segment income before both interest expense and income taxes. The company also uses "operating income per share" (which is after both interest expense and income taxes). It is calculated by dividing operating income by the weighted average number of diluted shares of common stock. The company believes that metrics of operating income and operating income in relation to its three segments provide investors with a valuable measure of the performance of the company's continuing businesses because they highlight the portion of net income attributable to the core operations of the business. Income (loss) from continuing operations is the most directly comparable GAAP measure for operating income (and operating income before income taxes) and measures of operating income that exclude the effects of catastrophe losses and/or reserve development should not be misconstrued as substitutes for income from continuing operations or net income determined in accordance with GAAP. A reconciliation of operating income (loss) to income from continuing operations and net income for the relevant periods is included on page 18 of this presentation and in the Financial Supplement.

The company may also provide measures of operating income and combined ratios that exclude the impact of catastrophe losses (which in all respects include prior accident year catastrophe loss development). A catastrophe is a severe loss, resulting from natural or manmade events, including, but is not limited to, hurricanes, tornadoes, windstorms, earthquakes, hail, severe winter weather, freeze events, fire, explosions, civil unrest and terrorism. Due to the unique characteristics of each catastrophe loss, there is an inherent inability to reasonably estimate the timing or loss amount in advance. The company believes a separate discussion excluding the effects of catastrophe losses is meaningful to understand the underlying trends and variability of earnings, loss and combined ratio results, among others.

Prior accident year reserve development, which can either be favorable or unfavorable, represents changes in the company's estimate of costs related to claims from prior years. Calendar year loss and loss adjustment expense ("LAE") ratios determined in accordance with GAAP, excluding prior accident year reserve development, are sometimes referred to as "current accident year loss ratios." The company believes a discussion of loss and combined ratios, excluding prior accident year reserve development, is helpful since it provides insight into both estimates of current accident year results and the accuracy of prior-year estimates.

The loss and combined ratios in accordance with GAAP are the most directly comparable GAAP measures for the loss and combined ratios calculated excluding the effects of catastrophe losses and/or reserve development. The presentation of loss and combined ratios calculated excluding the effects of catastrophe losses and/or reserve development should not be misconstrued as substitutes for the loss and/or combined ratios determined in accordance with GAAP.

Operating return on equity ("ROE") is a non-GAAP measure. See end note (6) for a detailed explanation of how this measure is calculated. Operating ROE is based on non-GAAP operating income. In addition, the portion of shareholder equity attributed to unrealized appreciation (depreciation) on fixed maturity investments, net of tax, is excluded. The company believes this measure is helpful in that it provides insight to the capital used by, and results of, the continuing business exclusive of interest expense, income taxes, and other non-operating items. These measures should not be misconstrued as substitutes for GAAP ROE, which is based on net income and shareholders' equity of the entire company and without adjustments.

Forward-looking Non-GAAP Measures

The company calculates forward-looking non-GAAP financial measures based on its internal forecasts, among other factors. Forward-looking non-GAAP measures, including 2026 targets, are not reconciled because such measures and reconciliations are not available without unreasonable effort that would require the company to make estimates or assumptions about unidentified and unknown factors during the period referenced, such as catastrophes, economic and market conditions, and competitive factors, among others. The company's forecast, including, but not limited to, operating return on equity ("ROE"), net premiums written ("NPW"), operating earnings per share ("EPS"), book value per share ("BVPS") and expense ratio, are non-GAAP measures. The company's forecast represents long-term aspirational goals, which reflect the company's current expectations for future periods and could differ materially from actual results.



End notes

(1) Operating income and operating income per diluted share are non-GAAP measures. See disclosure on the use of non-GAAP measures throughout this presentation under the heading “Non-GAAP Financial Measures”. 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 from continuing operations and income from continuing operations per diluted share, respectively, which are reconciled to net income and net income per diluted share, respectively.

	Three months ended				Six months ended			
	June 30, 2021		June 30, 2022		June 30, 2021		June 30, 2022	
(In millions, except per share data)	\$ Amount	Per Share (Diluted)	\$ Amount	Per Share (Diluted)	\$ Amount	Per Share (Diluted)	\$ Amount	Per Share (Diluted)
OPERATING INCOME (LOSS)								
Core Commercial	\$69.9		\$66.9		\$55.1		\$134.4	
Specialty	34.5		45.2		51.5		95.2	
Personal Lines	32.2		2.8		114.0		39.1	
Other	0.7		0.1		1.8		0.7	
Total	137.3		115.0		222.4		269.4	
Interest expense	(8.5)		(8.5)		(17.0)		(17.0)	
Operating income before income taxes	128.8	\$3.53	106.5	\$2.94	205.4	\$5.59	252.4	\$6.98
Income tax expense on operating income	(24.8)	(0.68)	(22.6)	(0.62)	(40.0)	(1.09)	(50.8)	(1.40)
Operating income after income taxes	104.0	2.85	83.9	2.32	165.4	4.50	201.6	5.58
Non-operating items:								
Net realized gains (losses) from sales and other	4.8	0.13	(19.2)	(0.53)	3.2	0.09	(16.2)	(0.45)
Net change in fair value of equity securities	26.5	0.73	(59.0)	(1.63)	65.6	1.79	(77.0)	(2.13)
Recoveries (impairments) on investments	(0.2)	(0.01)	0.3	0.01	(0.2)	-	(0.6)	(0.02)
Other non-operating items	-	-	(0.4)	(0.01)	-	-	(0.4)	(0.01)
Income tax benefit (expense) on non-operating items	(5.5)	(0.15)	17.2	0.47	(11.6)	(0.32)	20.7	0.58
Income from continuing operations, net of taxes	129.6	3.55	22.8	0.63	222.4	6.06	128.1	3.55
Discontinued operations (net of taxes):								
Loss from discontinued life businesses	(1.1)	(0.03)	(0.2)	-	(1.2)	(0.03)	(0.7)	(0.03)
Net income	\$128.5	\$3.52	\$22.6	\$0.63	\$221.2	6.03	\$127.4	\$3.52
Dilutive weighted average shares outstanding		36.5		36.1		36.7		36.1



End notes continued

(2) Combined ratio, excluding catastrophes, and current accident year combined ratio, excluding catastrophes, are non-GAAP measures. The combined ratio, excluding catastrophes is equal to the combined ratio, excluding catastrophe losses. The current accident year combined ratio excluding catastrophes, is equal to the combined ratio, excluding catastrophe losses and prior-year reserve development. These measures 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 a reconciliation of the GAAP combined ratio to the combined ratio, excluding catastrophe losses, and the current accident year combined ratio, excluding catastrophe losses:

Three months ended June 30, 2022				
	Core Commercial	Specialty	Personal Lines	Total
Total combined ratio (GAAP)	92.6 %	89.4 %	103.2 %	96.2 %
Less: Catastrophe loss ratio	3.7 %	2.2 %	10.2 %	6.0 %
Combined ratio, excluding catastrophe losses (non-GAAP)	88.9 %	87.2 %	93.0 %	90.2 %
Less: Prior-year reserve development ratio	(0.6)%	(0.4)%	(1.0)%	(0.7)%
Current accident year combined ratio, excluding catastrophe losses (non-GAAP)	89.5 %	87.6 %	94.0 %	90.9 %
June 30, 2021				
Total combined ratio (GAAP)	91.9 %	92.3 %	97.6 %	94.4 %
Less: Catastrophe loss ratio	3.1 %	1.7 %	12.3 %	6.5 %
Combined ratio, excluding catastrophe losses (non-GAAP)	88.8 %	90.6 %	85.3 %	87.9 %
Less: Prior-year reserve development ratio	(1.0)%	(1.3)%	(1.0)%	(1.1)%
Current accident year combined ratio, excluding catastrophe losses (non-GAAP)	89.8 %	91.9 %	86.3 %	89.0 %
Six months ended June 30, 2022				
	Core Commercial	Specialty	Personal Lines	Total
Total combined ratio (GAAP)	92.9 %	88.6 %	100.2 %	94.8 %
Less: Catastrophe loss ratio	3.9 %	2.5 %	6.9 %	4.8 %
Combined ratio, excluding catastrophe losses (non-GAAP)	89.0 %	86.1 %	93.3 %	90.0 %
Less: Prior-year reserve development ratio	(1.0)%	(2.5)%	0.8 %	(0.6)%
Current accident year combined ratio, excluding catastrophe losses (non-GAAP)	90.0 %	88.6 %	92.5 %	90.6 %
June 30, 2021				
Total combined ratio (GAAP)	101.7 %	95.6 %	92.3 %	96.6 %
Less: Catastrophe loss ratio	12.3 %	5.6 %	7.7 %	9.0 %
Combined ratio, excluding catastrophe losses (non-GAAP)	89.4 %	90.0 %	84.6 %	87.6 %
Less: Prior-year reserve development ratio	(0.8)%	(0.8)%	(1.1)%	(0.9)%
Current accident year combined ratio, excluding catastrophe losses (non-GAAP)	90.2 %	90.8 %	85.7 %	88.5 %



End notes continued

(3) Renewal price changes in Core Commercial and Specialty represent the average change in premium on renewed policies caused by the estimated net effect of base rate changes, discretionary pricing, inflation or changes in policy level exposure or insured risks. Rate increases in Core Commercial and Specialty represent the average change in premium on renewed policies caused by the base rate changes, discretionary pricing, and inflation, excluding the impact of changes in policy level exposure or insured risks. Renewal price change in Personal Lines represents the average change in premium on policies available to renew caused by the net effects of filed rate, inflation adjustments or other changes in policy level exposure or insured risks, regardless of whether or not the policies are retained for the duration of their contractual terms. Rate change in Personal Lines is the estimated cumulative premium effect of approved rate actions applied to policies available for renewal, regardless of whether or not policies are actually renewed. Accordingly, rate changes do not represent actual increases or decreases realized by the company. Personal Lines rate changes do not include inflation or changes in policy level exposure or insured risks.

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

	Three months ended June 30, 2022						Six months ended June 30, 2022					
	Core Commercial	Specialty	Personal Auto	Home & Other	Personal Lines	Total	Core Commercial	Specialty	Personal Auto	Home & Other	Personal Lines	Total
Total loss and LAE Ratio	60.1 %	54.1 %	72.0 %	83.4 %	76.5 %	65.4 %	60.2 %	53.2 %	71.2 %	76.5 %	73.3 %	63.8 %
Less:												
Prior-year reserve development ratio	(0.6)%	(0.4)%	(0.9)%	(1.2)%	(1.0)%	(0.7)%	(1.0)%	(2.5)%	(0.5)%	2.8 %	0.8 %	(0.6)%
Catastrophe ratio	3.7 %	2.2 %	0.9 %	24.4 %	10.2 %	6.0 %	3.9 %	2.5 %	0.4 %	17.0 %	6.9 %	4.8 %
Current accident year loss ratio, excluding catastrophe losses	57.0 %	52.3 %	72.0 %	60.2 %	67.3 %	60.1 %	57.3 %	53.2 %	71.3 %	56.7 %	65.6 %	59.6 %
	June 30, 2021						June 30, 2021					
	Core Commercial	Specialty	Personal Auto	Home & Other	Personal Lines	Total	Core Commercial	Specialty	Personal Auto	Home & Other	Personal Lines	Total
Total loss and LAE Ratio	59.7 %	57.4 %	63.8 %	78.6 %	69.4 %	63.2 %	69.1 %	60.2 %	61.1 %	69.4 %	64.2 %	65.2 %
Less:												
Prior-year reserve development ratio	(1.0)%	(1.3)%	(1.3)%	(0.7)%	(1.0)%	(1.1)%	(0.8)%	(0.8)%	(1.6)%	(0.3)%	(1.1)%	(0.9)%
Catastrophe ratio	3.1 %	1.7 %	2.9 %	27.6 %	12.3 %	6.5 %	12.3 %	5.6 %	1.6 %	17.8 %	7.7 %	9.0 %
Current accident year loss ratio, excluding catastrophe losses	57.6 %	57.0 %	62.2 %	51.7 %	58.1 %	57.8 %	57.6 %	55.4 %	61.1 %	51.9 %	57.6 %	57.1 %



End notes continued

(5) Book value per share, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, is a non-GAAP measure. Book value per share, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, and adjusted for special dividends, is a non-GAAP measure. Book value per share is the most directly comparable GAAP measure and is reconciled in the table below.

	Period ended			
	June	December	March	June
	2021	2021	2022	2022
Book value per share	\$ 88.23	\$ 88.59	\$ 79.58	\$ 72.20
Less: Net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, per share	8.52	5.21	(5.48)	(12.90)
Book value per share, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	\$ 79.71	\$ 83.38	\$ 85.06	\$ 85.10
<u>Quarter-to-Date</u>				
Change in book value per share				(9.3)%
Change in book value per share, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax				-
<u>Year-to-Date</u>				
Change in book value per share				(18.5)%
Change in book value per share, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax				2.1 %



End notes continued

(6) Operating Return on Average Equity (“Operating ROE”) is a non-GAAP measure. Operating ROE is calculated by dividing annualized operating income after taxes for the applicable period (see under the heading in this presentation “Non-GAAP Financial Measures” and end note (1)), by average shareholders’ equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, for the stated period (end note (8)). Please see end note (8) for a detailed reconciliation of adjusted shareholders’ equity with and without net unrealized appreciation (depreciation) on fixed maturity investments, net of tax. Operating ROE should not be misconstrued as a substitute for GAAP ROE. See calculations in table below, including the calculation of net income ROE using net income, annualized, and average shareholders’ equity without adjustments:

(\$ in millions)	(Non-GAAP) Three months ended		(Non-GAAP) Six months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
<i>Net Income ROE</i>				
Net Income (GAAP)	\$128.5	\$22.6	\$221.2	\$127.4
Annualized net income*	514.0	90.4	442.4	254.8
Average shareholders' equity (end note (8))	3,100.4	2,702.3	3,134.3	2,849.8
Return on equity	16.6 %	3.3 %	14.1 %	8.9 %
<i>Operating Income ROE</i>				
	(Non-GAAP)		(Non-GAAP)	
Operating income after income taxes	\$104.0	\$83.9	\$165.4	\$201.6
Annualized operating income, net of tax* (end note (1))	416.0	335.6	330.8	403.2
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax (end note (8))	2,826.8	3,029.5	2,809.2	3,006.3
Operating return on equity	14.7 %	11.1 %	11.8%	13.4%

*For three months ended June 30, 2021, and 2022, annualized net income and operating income after income taxes is calculated by multiplying three months ended net income and operating income after income taxes, respectively, by 4. For six months ended June 30, 2021, and 2022, annualized net income and operating income after taxes is calculated by multiplying six months ended net income and operating income after taxes, respectively, by 2.



End notes continued

(7) Here, and later in this document, the expense ratio is reduced by installment and other fee revenues for purposes of the ratio calculation.

(8) Total shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, is a non-GAAP measure. Total shareholders' equity is the most directly comparable GAAP measure and is reconciled in the table below. For the calculation of operating ROE, the average of beginning and each included quarter's ending shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, is used for the period as shown and reconciled in the table below:

(\$ in millions)	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Total shareholders' equity (GAAP)	\$3,202.2	\$3,046.8	\$3,154.0	\$3,102.3	\$3,144.9	\$2,832.8	\$2,571.8
Less: net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	428.1	242.6	304.7	256.8	184.9	(195.0)	(459.4)
Total shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	<u>\$2,774.1</u>	<u>\$2,804.2</u>	<u>\$2,849.3</u>	<u>\$2,845.5</u>	<u>\$2,960.0</u>	<u>\$3,027.8</u>	<u>\$3,031.2</u>
<u>Quarter Averages</u>							
Average shareholders' equity (GAAP)			\$3,100.4				\$2,702.3
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax			\$2,826.8				\$3,029.5
<u>Year-to-date Averages</u>							
Average shareholders' equity (GAAP)			\$3,134.3				\$2,849.8
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax			\$2,809.2				\$3,006.3