

The Hanover Insurance Group, Inc.

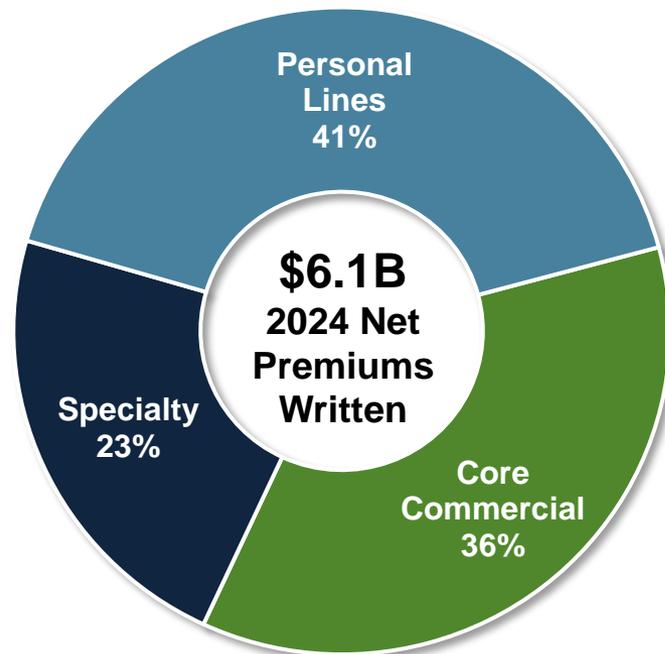
Investor Presentation
February 2025

The Hanover Insurance Group, Inc. (NYSE: THG) Overview

Exchange/Ticker		NYSE: THG
February 7, 2025	Stock price*	\$165.10
	Market capitalization*	\$5.9 billion
	Annual dividend per share	\$3.60 (Yield: 2.2%)
December 31, 2024	GAAP Equity	\$2.8 billion
	Equity, excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax	\$3.2 billion
	Total Capital	\$3.6 billion
	Book value per share	\$79.18

Company Ratings*	AM Best	S&P Global	Moody's
Financial Strength Ratings			
The Hanover Insurance Company	A	A	A2
Debt Ratings			
Senior Debt	bbb+	BBB	Baa2
Subordinated Debentures	bbb-	BB+	Baa3

Business Mix



*As of February 7, 2025

Key Takeaways

Strategy

Our winning business strategy presents a sustainable competitive advantage in the independent agency market

Differentiation

Robust product capabilities and analytics combined with distinctive distribution approach and local underwriting drives Hanover's differentiation, positioning us well among both national and regional carriers

Growth

Broad set of specialized products and capabilities provides distinct growth opportunities, with a particular focus on further expansion of our Specialty business

Profitability

Each major segment is positioned for strong profitability over the near- and long-term, enabling for broad-based, balanced returns

Sustainability

Building a sustainable organization by focusing on culture, human capital development, and enterprise risk management

Strategy

Robust Product Capabilities and Analytics Combined with Fulsome Distribution and Local Underwriting Drives Hanover's Differentiation

The Hanover
combines the best
attributes of
Nationals and
Regionals

Large Carriers
Broad product offerings
Technology
Deep analytics

Regional Carriers
Local presence
Robust agency relationships
Underwriting flexibility

Our Differentiated Strategy Presents a Sustainable Competitive Advantage in the Independent Agency Market

OUR VISION:

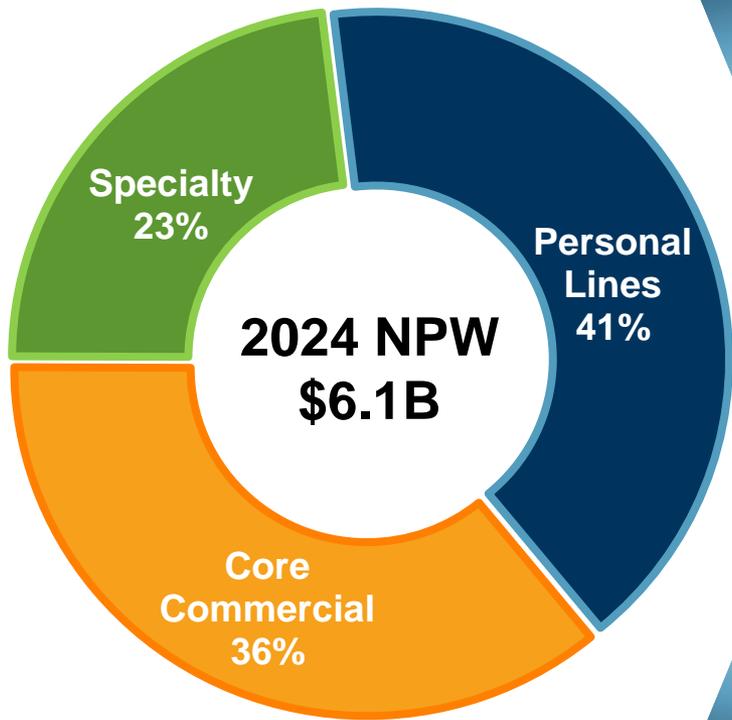
To be the premier P&C franchise in the independent agency channel and help agents transform the way customers experience insurance

Competitive Advantages

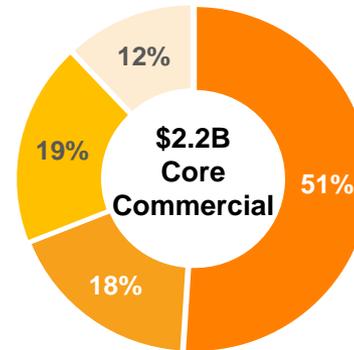
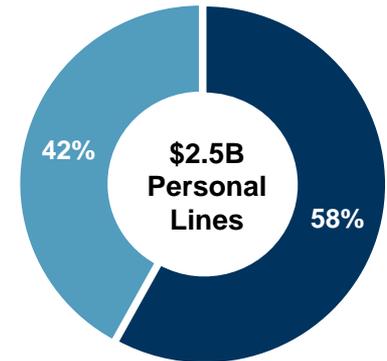


Strategic Sustainability Enablers

Diversified and Relevant Business Capabilities



- Personal auto
- Home and other



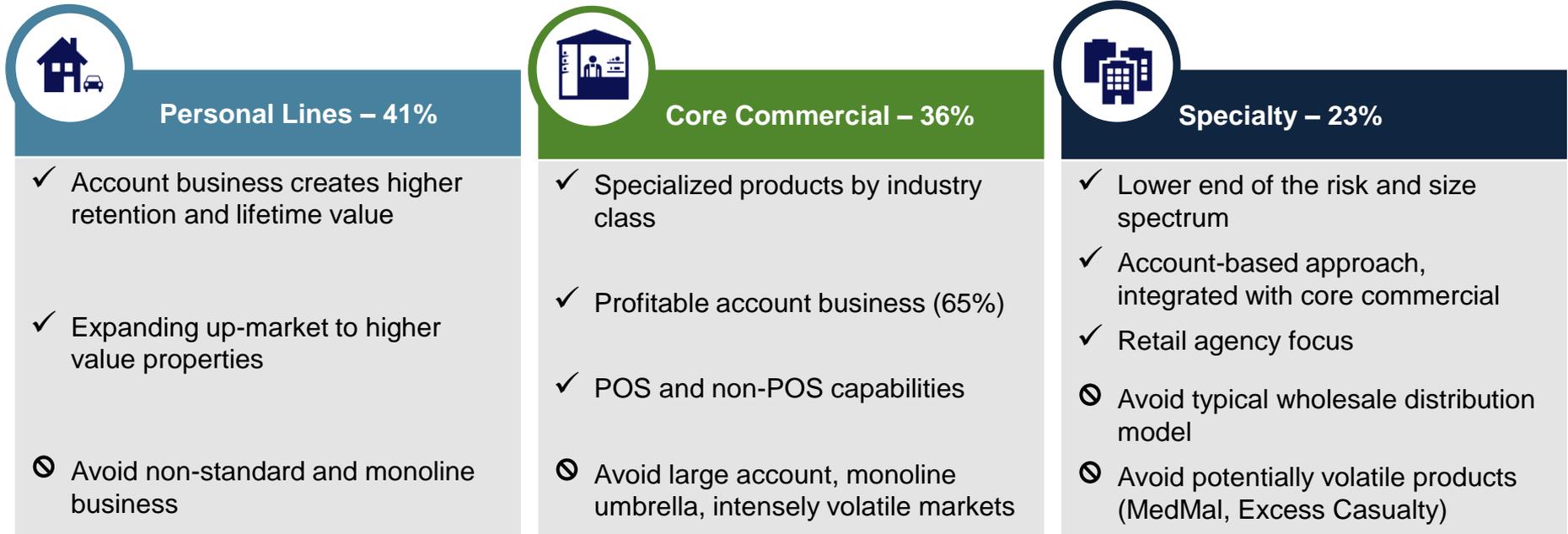
- Commercial multiple peril
- Commercial auto
- Workers' compensation
- Other core commercial

- Professional and executive lines
- Specialty property and casualty
- Marine
- Surety and other



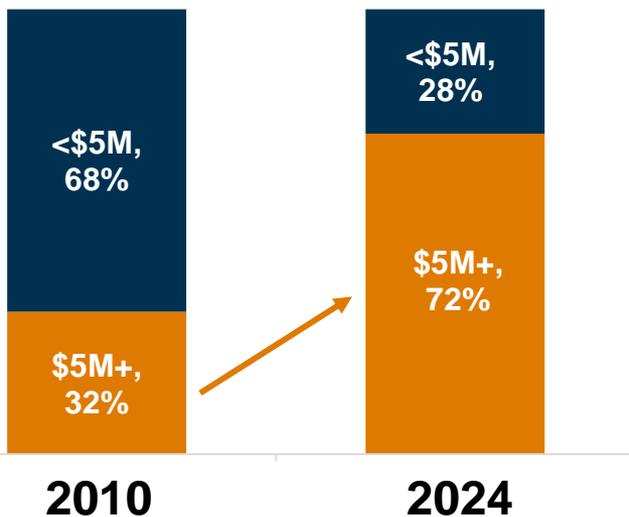
Specialized and Differentiated Offering in Each Business Segment

Business Profile \$6.1B 2024 Net Premiums Written

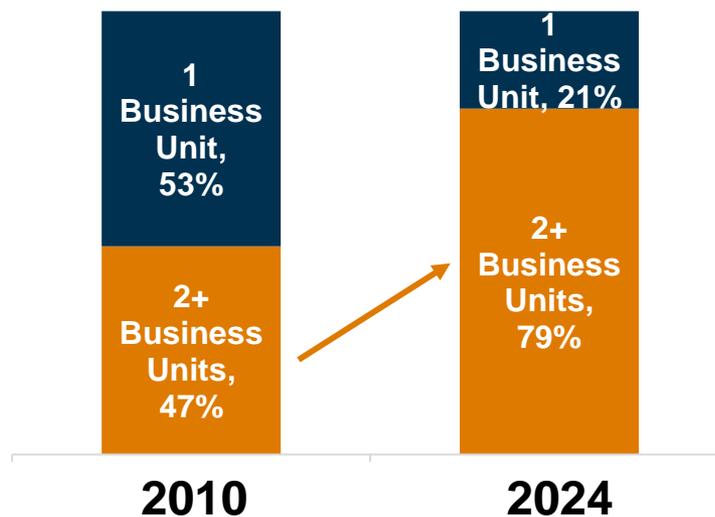


Our Three-Pronged Agency Approach Focused on Targeted Distribution, Broad and Relevant Underwriting, and Deep Business Insights Drives Growth and Profitability

Depth of Hanover Agency Relationships

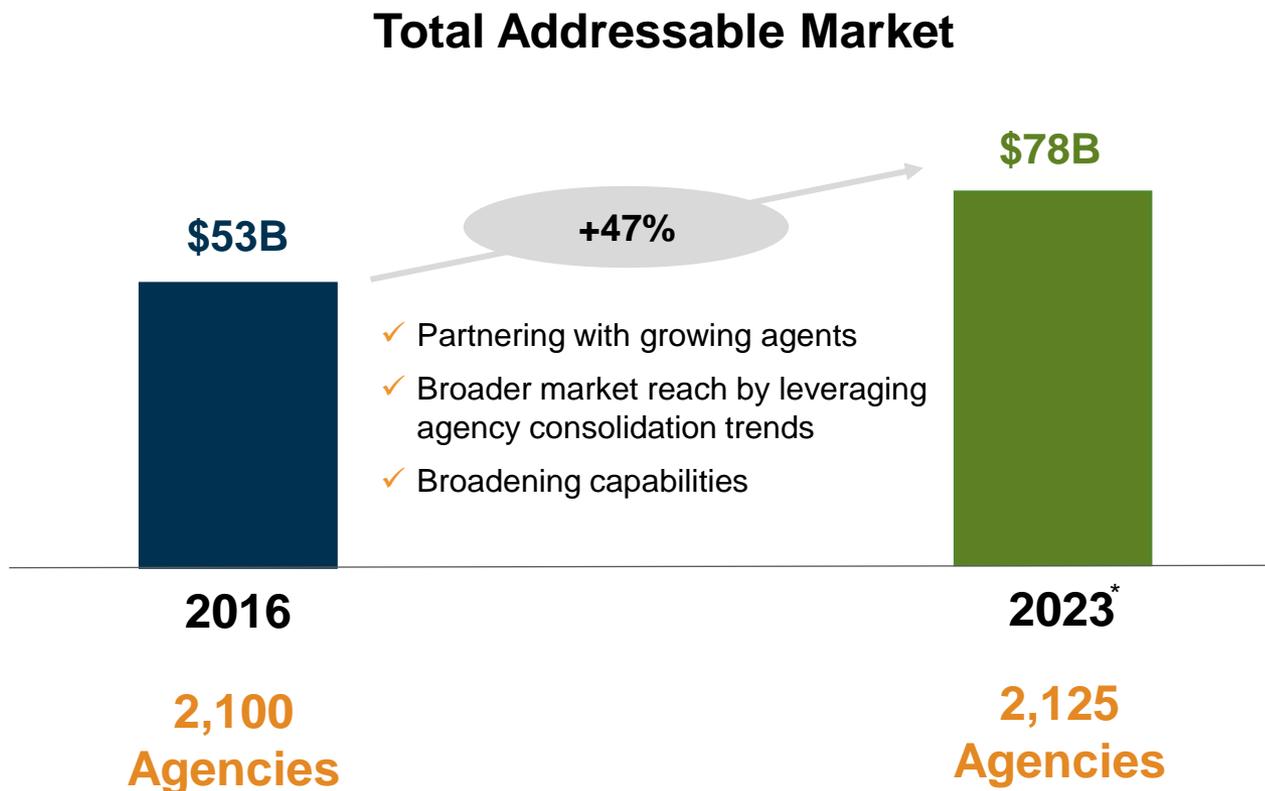


Breadth of Hanover Agency Relationships



Increased depth and breadth of agency relationships drives growth and profitability, and increased relevance leads to higher retention and improved loss ratios

Capitalizing on Industry-Wide Agency Consolidation Trends



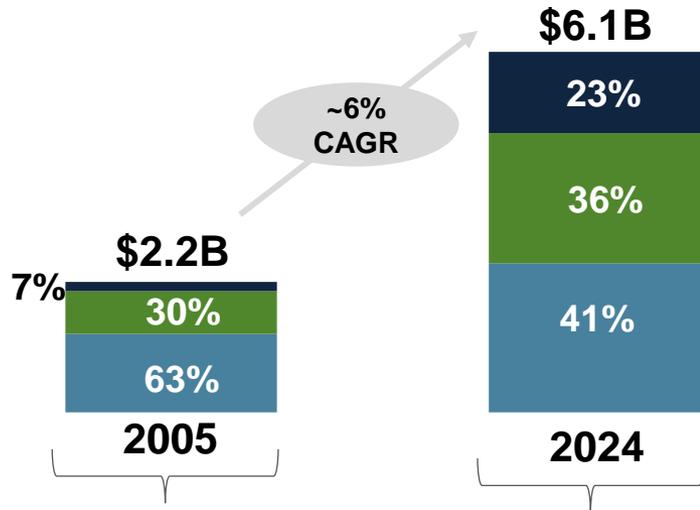
Positioned to drive continued expansion in a consolidating market through organic growth, partnering with consolidators, and new agency appointments

Growth

Transformed Into Diversified P&C Franchise with Broad-Based Profitability and Extensive Growth Opportunities Across the P&C Market

Net Premiums Written

■ Personal Lines ■ Core Commercial ■ Specialty



- Regional footprint
- PL focused
- Property concentration
- National footprint
- Diversified across PL, Core Commercial and Specialty
- Balanced between property/casualty

Pre-tax Operating Income, ex-CAT

by major segment



- ✓ Transformed to a more balanced, differentiated P&C franchise with broad-based profitability and opportunities
- ✓ Diversification allows for greater agility and ability to best navigate varying points in the insurance cycle
- ✓ More geographically diversified through national footprint
- ✓ Change fueled by organic growth and targeted “capabilities” acquisitions
- ✓ Reduced reliance on property lines in challenging geographies
- ✓ Most recent growth primarily driven by pricing increases

Specialty

Leading carrier for small to mid-sized clients primarily served by retail agents, with proven growth strategy on track to deliver ~10% CAGR

\$45B
Market Opportunity

Business Mix

\$1.4B NPW



2024

Market Focus

Independent agency focus, with an emphasis on the lower-end of the risk and account size spectrum



Growth and Profitability Drivers

- ✓ Nearly doubled written premium over the last 10 years using organic and inorganic opportunities
- ✓ Accelerating technology investments to create efficiencies for agents
- ✓ Expanding product capabilities focused on agent needs
 - ✓ Capturing excess & surplus opportunities at strong margins
 - ✓ Expanding marine business
 - ✓ Leveraging Core Commercial for account strategy
- ✓ Expanding shelf space with agent partners
- ✓ Broadening distribution (i.e., wholesale channel)

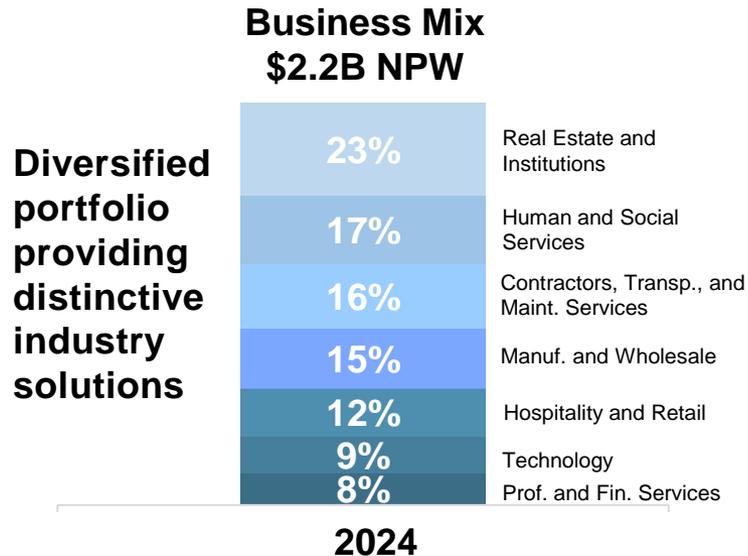
2025 Target:

Boost growth while accelerating investments in technology and talent

Core Commercial

Leading carrier in providing agents with the flexibility between straight through and more complex, risk specific underwriting

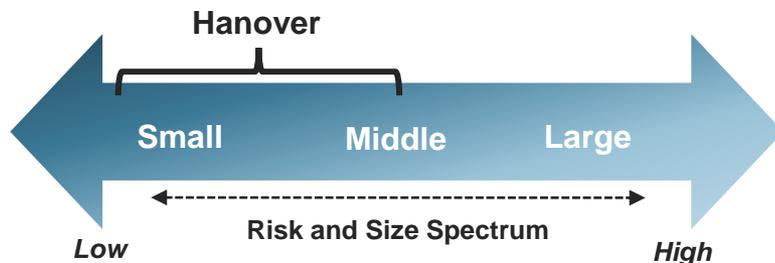
\$190B
Market
Opportunity



Growth and Profitability Drivers

- ✓ Deepen agency relationships, leveraging market insights
- ✓ Enhanced use of granular pricing and segmentation; capitalizing on rate momentum
- ✓ Leveraging our new, state-of-the-art quoting and binding platform in Small Commercial
- ✓ Targeted underwriting appetite expansion

Market Focus



2025 Target:

Middle Market: Pivot to growth while prudently managing liability trends
Small Commercial: Accelerate our successful growth strategy

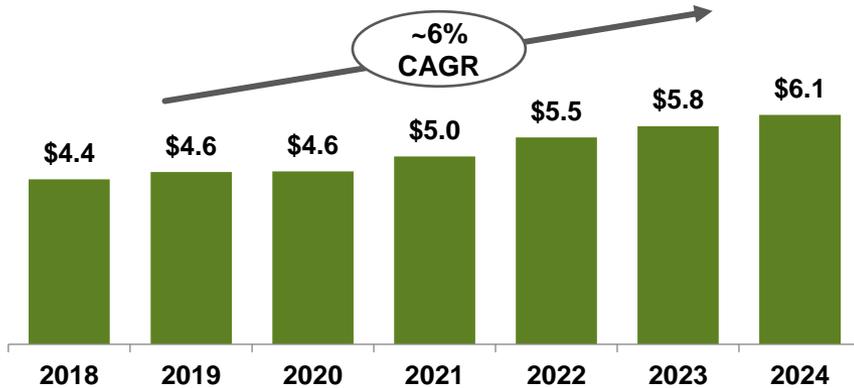
Profitability

Long-term Approach to Financial Discipline Drives Success

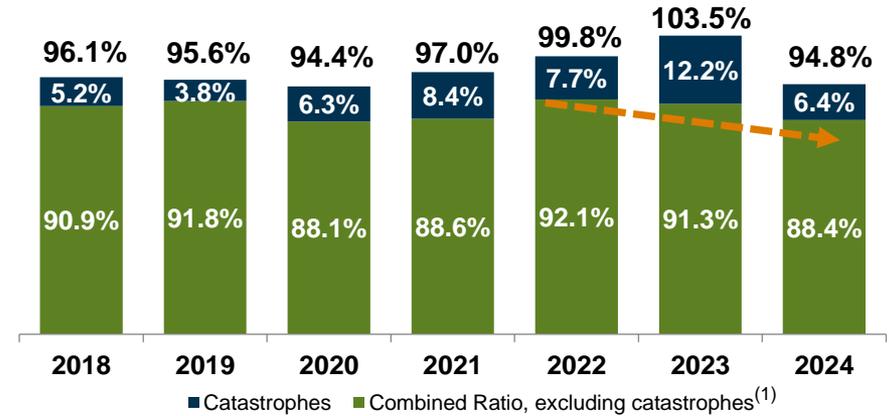


Built a Robust Performance Track Record Over The Last Several Years...

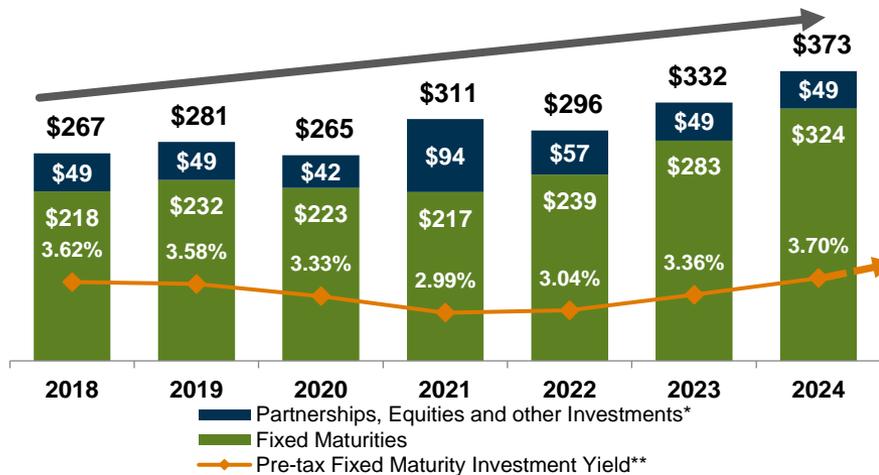
(\$ in billions) **Net Premiums Written**



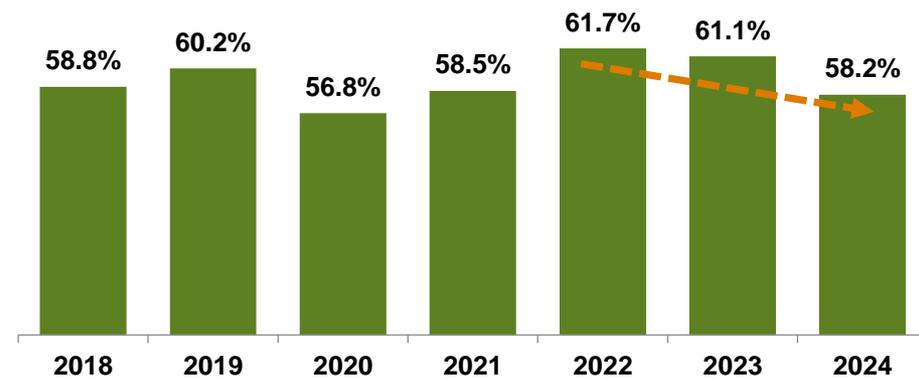
Combined Ratio



(\$ in millions) **Pre-Tax Net Investment Income***



Current Accident Year Loss and LAE Ratio, ex-CAT⁽²⁾



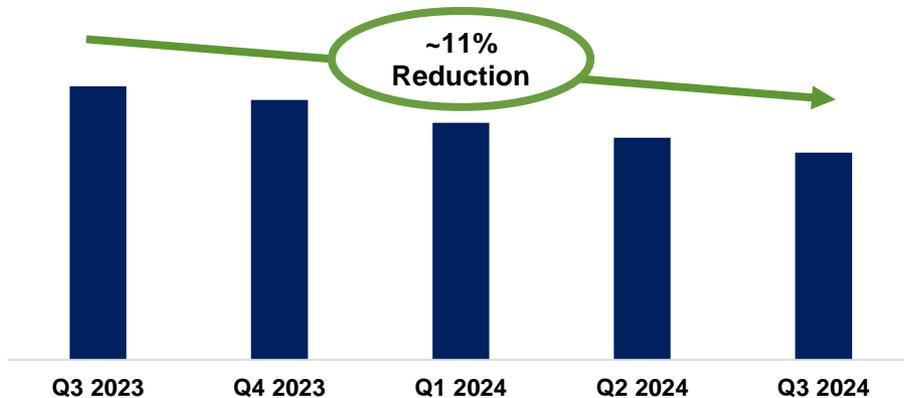
(1) See information about this and other non-GAAP measures and definitions used throughout this presentation on the final pages of this document.

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

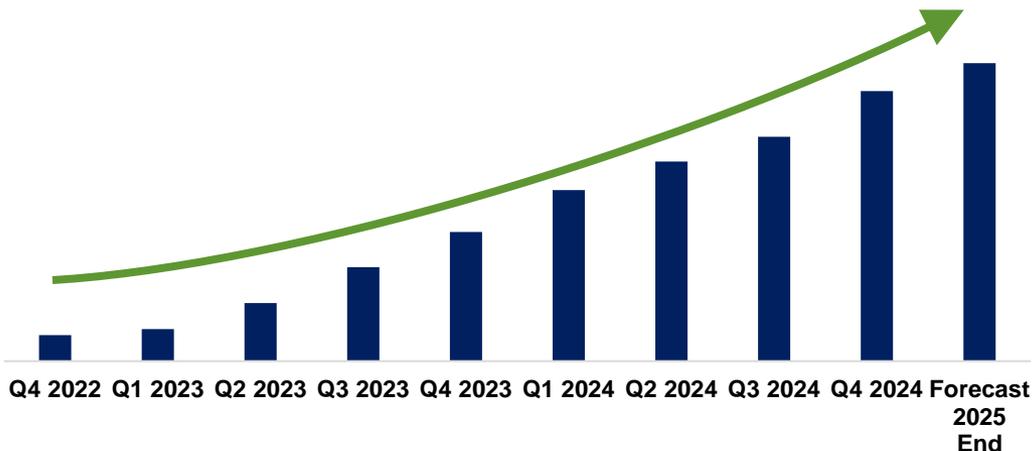
** Pre-tax yields represent annualized net investment income for the period divided by the monthly average invested assets at amortized cost or cost, which excludes accumulated changes in fair value for fixed maturities and equity securities

Robust Progress on CAT Exposure Actions

**Overall Modeled Catastrophe Risk
as % of Total Property Premium**



**Estimated Total Insured Value (TIV)
Protected by Property IoT Sensors in Core Commercial**



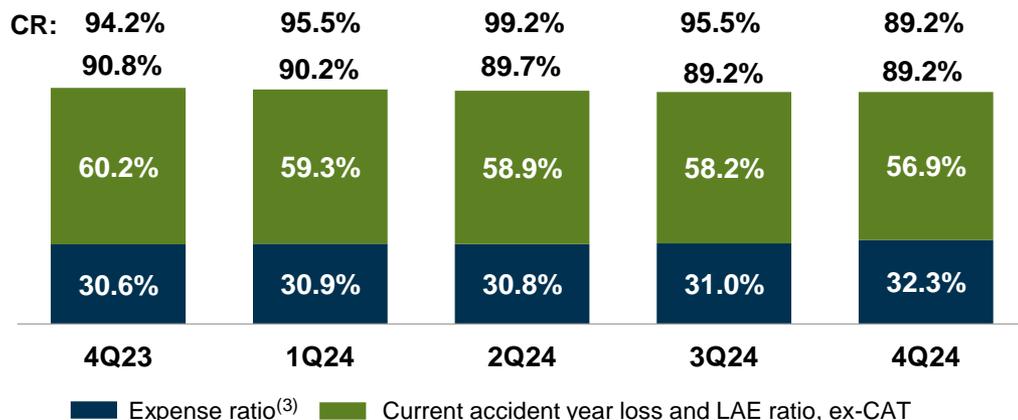
- Elevated catastrophe experience across the industry reinforces the importance of our catastrophe management actions
- Using multiple levers to address including pricing, terms & conditions, geographic and industry mix management
- Majority of Personal Lines portfolio now under new or enhanced deductible levels; meaningful impact expected in 2025
- 75% of the most vulnerable Core Commercial middle market accounts have been addressed through underwriting actions or sensor deployment
- Accelerating implementation of property IoT sensor offerings, primarily in our Core Commercial middle market business, to proactively mitigate risk and prevent losses

Fourth Quarter 2024 Underwriting Results

(\$ in millions) Net premiums written and growth*



Current accident year combined ratio, ex-CAT⁽¹⁾



- Combined ratio (CR) of 89.2% in the fourth quarter of 2024, 5.0 points improved from the prior-year quarter
- Combined ratio, ex-CAT, of 87.5%, improved 2.7 points from the prior-year quarter, driven by improvement in the current accident year loss and LAE ratio, ex-CAT, partially offset by a higher expense ratio
- Current accident year loss and LAE ratio, ex-CAT, of 56.9%, improved 3.3 points from the prior-year quarter, driven by significant improvement in Personal Lines
- Expense ratio of 32.3%, above the prior-year quarter, impacted by temporarily higher variable expenses reflecting significantly better-than-expected performance and investments in talent and technology
- Prior-year reserve development, ex-CAT, was \$25.6 million favorable, with favorability in each major segment
- Net premiums written growth accelerated to 7.4%, as expected
- Net investment income of \$100.7 million, up 23.4% from the prior-year quarter, driven by higher bond reinvestment yields and higher cashflows

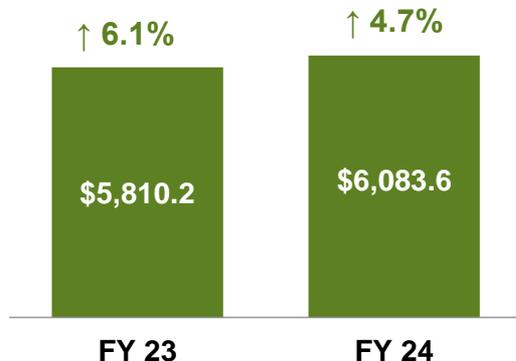
*Unless otherwise stated, net premiums written growth and other growth comparisons are to the same period of the prior year

For additional information regarding forward-looking statements and non-GAAP measures on this page and throughout this presentation, please refer to pages 31-33 of this presentation.

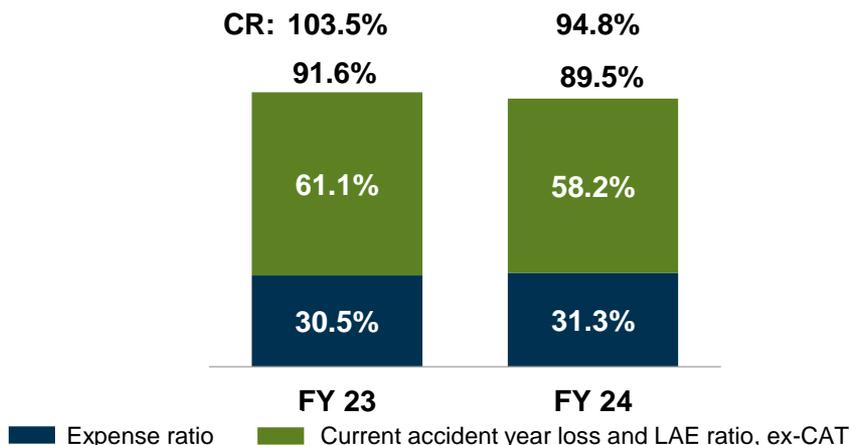
Full Year 2024 Underwriting Results

(\$ in millions)

Net premiums written and growth



Current accident year combined ratio, ex-CAT

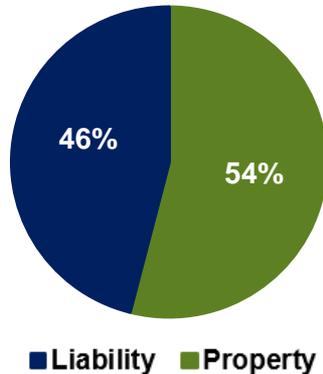


- Combined ratio of 94.8% in the full year 2024, 8.7 points improved from the prior year
- Combined ratio, ex-CAT, improved 2.9 points from the prior year, driven by improvement in the current accident year loss and LAE ratio, ex-CAT, partially offset by an increase in the expense ratio
- Current accident year loss and LAE ratio, ex-CAT, of 58.2%, improved 2.9 points from the prior year, driven by significant improvement in Personal Lines, better-than-expected results in Specialty, and strong, steady margins in Core Commercial
- Expense ratio of 31.3%, above the prior year and the company's expectations, impacted by temporarily higher variable expenses reflecting significantly better-than-expected performance and investments in talent and technology
- Catastrophe losses of \$375.9 million, or 6.4 points, 5.8 points lower than the prior year, and within the company's CAT load assumption
- Prior-year reserve development, ex-CAT, was \$67.4 million favorable, with favorability in each major segment
- Net premiums written of \$6.1 billion in the year, up 4.7% from 2023; growth in each segment was impacted by targeted underwriting actions
- Net investment income of \$372.6 million, up 12.2% from 2023, exceeding the company's expectations, driven by higher bond reinvestment rates and higher cashflows, partially offset by lower partnership income

Committed to navigating the evolving liability environment with vigilance and agility

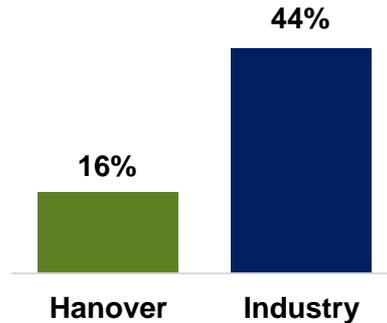
Relatively smaller exposure to liability versus most public peers

Based on 2023 Hanover Direct Written Premiums



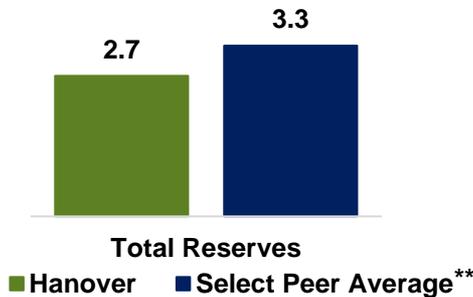
Grew slower than the industry in occurrence liability lines* from 2019 to 2023

Based on Direct Written Premiums
Source: S&P Global



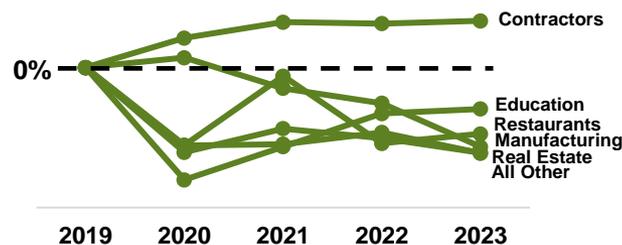
Shorter reserve duration compared to peers

(duration in years)



Seeing continued frequency benefit in many industry classes

Core Commercial BOP, CPP, and OCL Liability
Frequency Indexed to 2019



- Maintaining attentive focus on current liability trends, which have remained within expectations, supported by:
 - Prior initiatives to de-emphasize industry classes most impacted by social inflation, particularly in large metro areas
 - Advantageous industry and geographic mix has driven substantial reduction in loss frequency relative to pre-pandemic periods (lower exposure to contractors class)
 - Prudent severity assumptions
 - Slowed down growth over the last several years, in reaction to challenging loss trends
 - Do not write standalone excess umbrella
 - Casualty reinsurance attaches at \$2.5 million
- Remain confident in the strength of our reserves and disciplined in our loss ratio picks

*Occurrence liability lines includes other liability occurrence and CMP liability

**Select peer average includes Allstate, Chubb, Cincinnati, CNA, Hartford, RLI, Selective, Travelers, and W.R. Berkley – Source: Dowling & Partners

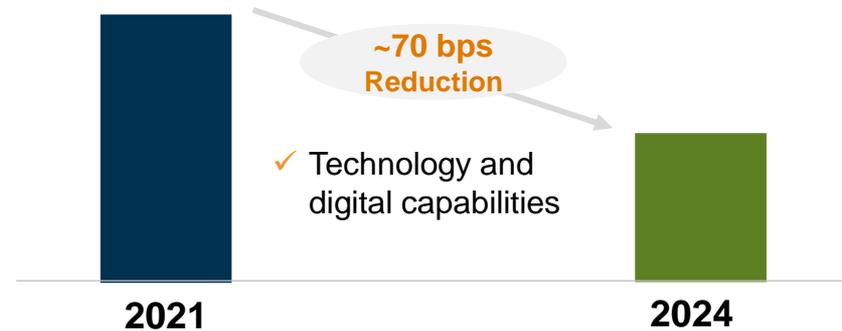
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Our Claims Organization is a Strong Contributor to Earnings and Growth

Claims Strategy

- Enhance customer experience through digital and self-service
- Reduce operating costs through the integration of AI and automation
- Leverage claims data for insights and analytics to optimize indemnity outcomes

Loss Adjustment Expense (“LAE”)



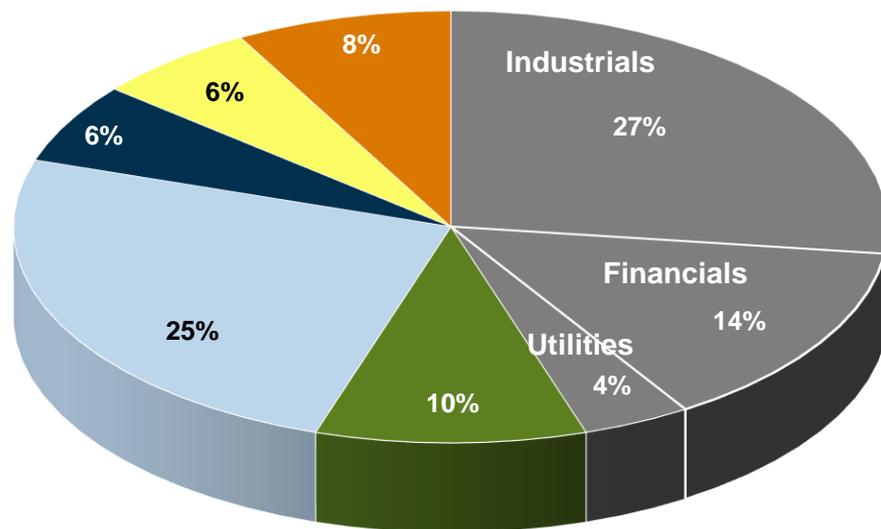
Remain on track to deliver 80 to 100 basis point reduction in the loss adjustment expense (“LAE”) ratio by 2026, as a result of our claims strategy implementation

Investment Portfolio – Total Invested Assets and Cash of \$9.9 Billion

As of December 31, 2024

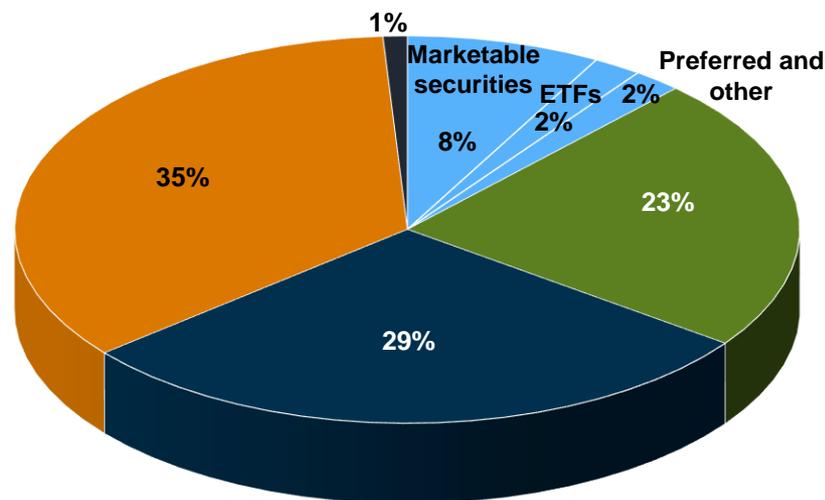
High quality, well-diversified investment portfolio

Fixed maturities: \$8.6 billion



- Corporates
- RMBS
- US Government
- Municipals (taxable)
- CMBS
- ABS

Equities, cash and other: \$1.3 billion



- Equities
- Limited partnerships
- Other
- Mortgage loans
- Cash and cash equivalents

High-quality, well-laddered fixed income portfolio

- 95% of fixed maturity securities are investment grade
- Weighted average quality: A+
- Duration: 4.4 years

The Hanover Technology Strategy:

Enable the Evolution of Capabilities and Technologies Which Advance The Hanover's Competitive Position in the Marketplace

Areas of Focus

Streamline Operations

For Agents

- ✓ Quote and Issue Platform (TAP Sales)
- Tighter Data Integration

For Employees

- ✓ Claims System (CMX)
- ✓ Microsoft Copilot
- ✓ Document Summarization
- Workflow Automation

For Customers

- ✓ Digital Payments
- ✓ Texting
- ✓ Status tracking

Augment Risk Analytics

- ✓ Property Tools for Underwriters
- ✓ Jumper Models
- ✓ Third-Party Data Integration
- ✓ Customer 360 Views
- Continued Investment in Operational Data Stores
- Drone Capabilities
- Further expanding Sensor and Telematic Usage

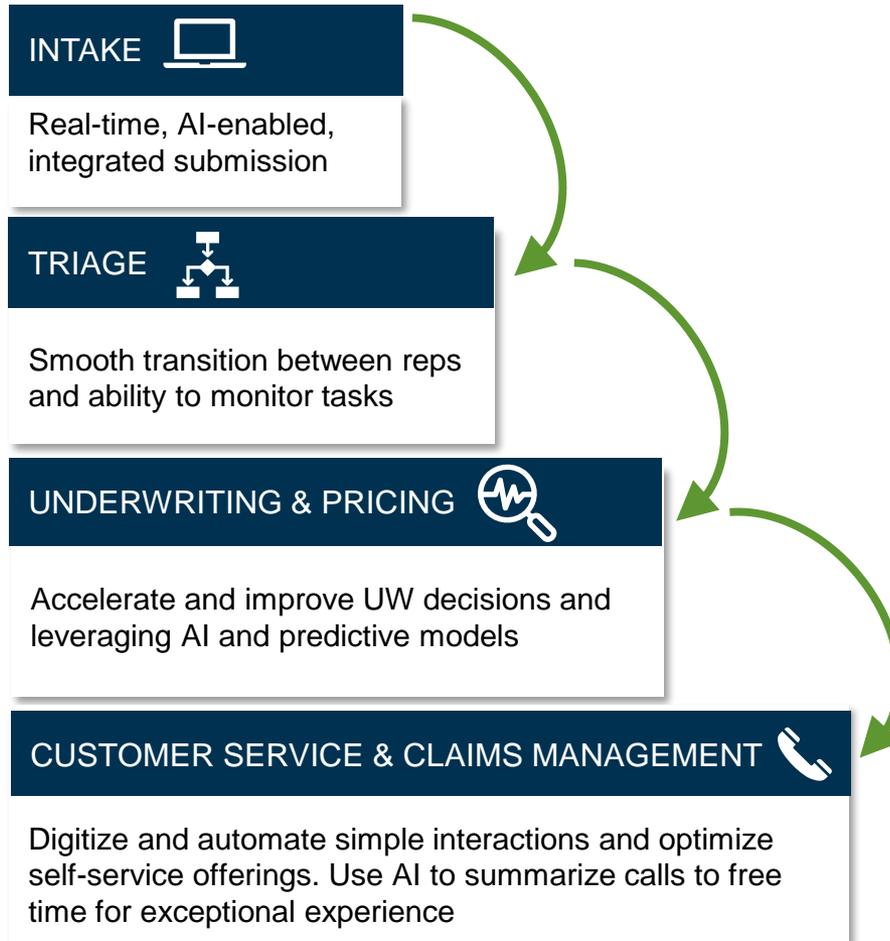
Ensure Governance and Security

- ✓ Governance
- ✓ Cybersecurity
- ✓ Data Privacy Safeguards
- AI Governance and Model Oversight

- ✓ Executed
- In progress

Building On Our Modernized Platforms

Optimizing Our Operating Model Ecosystem as a Strategic Differentiator



OUTCOMES

-  Straight-through processing
-  Improved decision-making
-  Realization of operational efficiencies
-  Improved customer service and satisfaction

Case Study: Innovative Technology Solutions Augment Our Strong Claims Capabilities

An organization of 1,400 professionals and an extremely broad and sophisticated set of capabilities

Experienced best-in-class specialists driving advanced insights and differentiated performance

Deploying new capabilities and tools to enhance growth opportunities, increase operating efficiency and further improve claims expenses as the industry undergoes rapid change

Digitally transforming business through leverage of AI capabilities to bolster accuracy, speed and scalability

Yielding Exceptional Results

325k

Claims paid per year

71%

Net Promoter Score

~80%

Of auto physical damage claims settled with virtual appraisal

**50
people**

Robust Medical Management Team

Living Our CARE Values Through A People-First Culture



Collaboration

Accountability

Respect

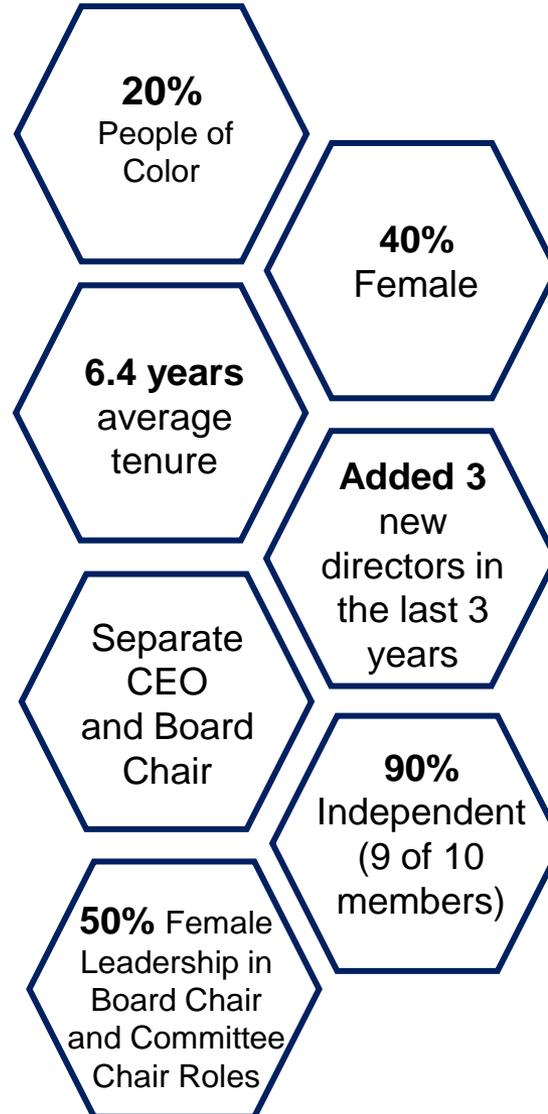
Empowerment



Diverse Board Focused on Delivering Sustainable, Long-Term Stakeholder Value Through Strong Governance

Board Member	Selected Experience
 Cynthia Egan <i>Chair of the Board</i>	T. Rowe Price, Fidelity
 Francisco Aristeguieta	Citigroup, State Street
 Kevin Bradicich	McKinsey
 Theodore Bunting, Jr.	Entergy
 Jane Carlin*	Morgan Stanley, Credit Suisse
 J. Paul Condrin III*	Liberty Mutual, KPMG
 Kathleen Lane	TJX, National Grid, Gillette, GE, Pepsi
 Joseph Ramrath*	Colchester Partners, United Asset Management
 Elizabeth Ward	MassMutual, Babson Capital Management
 Jack Roche <i>CEO, The Hanover</i>	Travelers, Fireman's Fund, Atlantic Mutual

* Committee Chair



Collective Expertise

- ✓ P&C Insurance
- ✓ Financial Services
- ✓ Mergers and Acquisitions
- ✓ Finance / Accounting
- ✓ Investments / Portfolio Management
- ✓ Technology
- ✓ Operations
- ✓ Marketing and Distribution
- ✓ Governance
- ✓ Government and Public Policy
- ✓ Capital Markets
- ✓ Risk Management
- ✓ Information Security
- ✓ Artificial Intelligence
- ✓ Legal / Regulatory
- ✓ Investor Relations
- ✓ Corporate Strategy
- ✓ Human Resources
- ✓ Sustainability

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

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,” “intends,” “may,” “projects,” “projections,” “plan,” “likely,” “potential,” “targeted,” “forecasts,” “should,” “could,” “continue,” “outlook,” “guidance,” “modeling,” “target profitability,” “target margins,” “confident,” “optimistic,” “committed,” “will,” “line of sight,” “clear visibility to,” “designed,” 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; interest rate assumptions and investment portfolio management, renewal price change, rate, and/or the effective tax rate;
- The company’s ability and timing to deliver on expectations set forth related to target margins, target returns and/or return to target profitability in total or by line of business;
- The company’s ability to deliver on catastrophe loss estimates and expectations, including preliminary estimates for events;
- The company’s ability to deliver on its long-term targets, including, but not limited to, return on equity;
- Confidence in achieving the company’s outlook and expectations, including, but not limited to, pricing increases and growth opportunities, in total or by line of business;
- The impacts of general economic and socioeconomic 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, the potential impacts of inflation, and/or claims severity from higher cost of repairs due to, among other things, supply chain disruptions and inflation;
- Uses, including the timing of 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, and overall comfort with liquidity and capital levels;
- Catastrophe modeling and variability of catastrophe losses due to risk concentrations, changes in weather patterns, severe weather including hurricanes, tornadoes and other windstorms, hail, flood, earthquakes, fire, explosions, severe winter weather and other convective storms, or pandemics, 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 in Core Commercial, Specialty and/or Personal Lines;
- Ability to manage the impact of inflationary pressures, global market disruptions, economic conditions, geopolitical events or otherwise, including, but not limited to, supply chain disruptions, tariffs, labor shortages, and increases in cost of goods, services, labor, 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 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;
- The positive impact of mix improvement, underwriting initiatives, coverage restrictions, non-renewals, changes in terms and conditions, and pricing segmentation, among others, on the company’s results;
- The ability to grow businesses believed to be more profitable or reduce premiums attributable to products or lines of business or geographies believed to be less profitable, as well as the ability to balance rate actions and retention;
- The ability to offset long-term and/or short-term loss trends due to increased frequency; increased “social inflation” from a more litigious environment, lawsuit abuse and higher average cost of resolution; increased property replacement or repair 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 governmental and/or central banking initiatives taken in response to inflationary pressures, and geopolitical circumstances, on new money yields, as well as individual investment and overall investment returns.

Additional Risks and Uncertainties

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:

- Changes in regulatory, legislative, economic, market and political conditions, particularly with respect to rates, the use of data, technology, artificial intelligence (AI), cybersecurity, policy terms and conditions, restrictions on cancellations and/or non-renewals, payment flexibility, and regions where the company has geographical concentrations;
- Heightened financial market 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, difficult economic, market and political conditions 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, or otherwise impact the company's results, and which may be accompanied by higher claims activity in certain lines;
- Data security and privacy incidents, including, but not limited to, those resulting from malicious cybersecurity attacks on the company or its business partners and service providers, or intrusions into the company's information network systems, including cloud-based data information storage, or data sources;
- Adverse claims experience, including those driven by large or increased frequency and/or severity of catastrophe events, including those related to hurricanes, tornadoes and other windstorms, hail, flood, earthquakes, fire, explosions, severe winter weather and other convective storms, or due to terrorism, civil unrest, riots, or cybersecurity events (including from products not intended to provide cyber coverage);
- The limitations and assumptions used to model non-catastrophe 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 or reinsurance contracts and reinsurance recoverables), leading to potential adverse development of loss and loss adjustment expense reserves;
- The inherent difficulties in arriving at catastrophe loss estimates, which may change as more information becomes available and the company finalizes its financial results;
- Impacts of changing climate conditions and weather patterns causing higher levels of losses from weather events to persist and leading to new or enhanced regulations;
- 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" and third-party litigation funding 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 or its operating model, including the impact of competition and consolidation in the industry and among agents and brokers, and the impact of AI tools;
- Competition, particularly from competitors who have resource and capability advantages, including the advancing use of AI technology;
- The global macroeconomic environment, including inflation, recessionary effects, global trade disputes, war, energy market disruptions, equity price risk, tariffs, and interest rate fluctuations, which, among other things, could result in reductions in market values of fixed maturities and other investments, and/or increases in loss costs;
- Adverse state and federal regulation, legislative and/or regulatory actions (including significant revisions to Michigan's automobile personal injury protection system and related litigation, and various regulations, orders and proposed legislation regarding bad faith, premium grace periods and returns, changes to policy terms and conditions, 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, the evolving use of AI, and cybersecurity threats;
- 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 availability and 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, except as required by law.

Non-GAAP Financial Measures

Non-GAAP Financial Measures

As discussed on page 40 of the company's Annual Report on Form 10-K for the year ended December 31, 2023, the company uses non-GAAP financial measures as important measures of its operating performance, including operating income (loss), operating income (loss) before interest expense and income taxes, operating income (loss) per diluted (basic) 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 2023 Annual Report on pages 64-67.

Operating income and operating income per diluted 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 (loss) from: Core Commercial, Specialty, Personal Lines, and Other, after interest expense and income taxes. In reference to one of the company's four reporting segments, "operating income (loss)" is the segment income (loss) before both interest expense and income taxes. The company also uses "operating income per diluted share" (which is after both interest expense and income taxes). Operating income per share is calculated by dividing operating income by the weighted average number of diluted shares of common stock. Operating loss per share is calculated by dividing operating loss by the weighted average number of basic shares of common stock due to antidilution. The company believes that metrics of operating income and operating income (loss) in relation to its four reporting 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 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 prior-year reserve development. These non-GAAP measures should not be misconstrued as substitutes for income from continuing operations or net income determined in accordance with GAAP.

The company may 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 and other windstorms, hail, flood, earthquakes, fire, explosions, severe winter weather and other convective storms, riots, 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.

Book value per share is total shareholders' equity divided by the number of common shares outstanding. Book value per share excluding net unrealized appreciation (depreciation) on fixed maturity investments, net of tax, is total shareholders' equity excluding the after-tax effect of unrealized appreciation (depreciation) on fixed maturities and market risk divided by the number of common shares outstanding.

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 prior-year reserve development. The presentation of loss and combined ratios calculated excluding the effects of catastrophe losses and/or prior-year reserve development should not be misconstrued as substitutes for the loss and/or combined ratios determined in accordance with GAAP.

End Notes

(1) Combined ratio, excluding catastrophes, and current accident year combined ratio, excluding catastrophes, are non-GAAP measures. The combined ratio (which includes catastrophe losses and prior-year loss reserve development) is the most directly comparable GAAP measure. A reconciliation of the GAAP combined ratio to the combined ratio, excluding catastrophes, and the current accident year combined ratio, excluding catastrophes, is shown below.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total combined ratio (GAAP)	96.1%	95.6%	94.4%	97.0%	99.8%	103.5%	94.8%
Less: Catastrophe ratio	5.2%	3.8%	6.3%	8.4%	7.7%	12.2%	6.4%
Combined ratio, excluding catastrophe losses (non-GAAP)	90.9%	91.8%	88.1%	88.6%	92.1%	91.3%	88.4%
Less: Prior-year reserve development ratio	0.0%	0.0%	-0.3%	-1.2%	-0.4%	-0.3%	-1.1%
Current accident year combined ratio, excluding catastrophe losses (non-GAAP)	<u>90.9%</u>	<u>91.8%</u>	<u>88.4%</u>	<u>89.8%</u>	<u>92.5%</u>	<u>91.6%</u>	<u>89.5%</u>

	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Total combined ratio (GAAP)	94.2%	95.5%	99.2%	95.5%	89.2%
Less: Catastrophe ratio	4.0%	6.0%	10.7%	7.2%	1.7%
Combined ratio, excluding catastrophe losses (non-GAAP)	90.2%	89.5%	88.5%	88.3%	87.5%
Less: Prior-year reserve development ratio	-0.6%	-0.7%	-1.2%	-0.9%	-1.7%
Current accident year combined ratio, excluding catastrophe losses (non-GAAP)	<u>90.8%</u>	<u>90.2%</u>	<u>89.7%</u>	<u>89.2%</u>	<u>89.2%</u>

End Notes Continued

(2) 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. A reconciliation of the GAAP loss ratio to the current accident year loss and LAE ratio, excluding catastrophe losses is shown below.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Loss and LAE ratio (GAAP)	64.0%	64.0%	62.8%	65.7%	69.0%	73.0%	63.5%
Less: Catastrophe ratio	5.2%	3.8%	6.3%	8.4%	7.7%	12.2%	6.4%
Less: Prior-year reserve development ratio	0.0%	0.0%	-0.3%	-1.2%	-0.4%	-0.3%	-1.1%
Current accident year loss and LAE ratio, ex cat losses (non-GAAP)	<u>58.8%</u>	<u>60.2%</u>	<u>56.8%</u>	<u>58.5%</u>	<u>61.7%</u>	<u>61.1%</u>	<u>58.2%</u>

	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Total Loss and LAE ratio (GAAP)	63.6%	64.6%	68.4%	64.5%	56.9%
Less: Catastrophe ratio	4.0%	6.0%	10.7%	7.2%	1.7%
Less: Prior-year reserve development ratio	-0.6%	-0.7%	-1.2%	-0.9%	-1.7%
Current accident year loss and LAE ratio, ex cat losses (non-GAAP)	<u>60.2%</u>	<u>59.3%</u>	<u>58.9%</u>	<u>58.2%</u>	<u>56.9%</u>

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