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Storms, economy buffet Hanover

\$61.8M net loss reported for 3Q

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WORCESTER— Buffeted by hurricanes Ike and Gustav, and turbulence in the financial markets, The Hanover Insurance Group posted a third-quarter 2008 net loss of \$61.8 million, or \$1.21 a share, compared with net income of \$53.9 million, or \$1.03 per share in the same quarter of 2007.

Despite the losses for the period ended Sept. 30, Chief Executive Officer Frederick H. Eppinger said the company is well-positioned to generate positive results for the year.

The quarter's financial results included net investment losses of \$52.8 million, and pretax catastrophe and related storm losses of \$98.2 million. That was consistent with the company's prereleased estimate three weeks ago of \$95 million to \$100 million storm-related losses.



Mr. Eppinger

Mr. Eppinger said the company's operations generated some cash despite two major hurricanes. The hurricanes would have only a short-term impact on the company's finances.

"The point I would make is that it was one of the worst catastrophic months in history, and we still made operating money," he said. "We do a good job spreading our risk. It shows how far we've come as a company. There are not many (property and casualty) companies that made money from operations" during the quarter.

Despite the turbulent financial market, The Hanover is still financially strong, he said, pointing out that there was about 1 percent of investment impairment out of a portfolio of \$60 billion.

“The net take is that the company is in great position to move forward,” Mr. Eppinger said. “We can capitalize on the strain on weaker companies that don’t have strong balance sheets. Part of what we do is take care of people who go through these horrible storms.”

Net premiums in personal lines written in the quarter were \$397.5 million, compared to \$392.9 million in the same quarter of 2007, an increase of 1.2 percent, the company said. Commercial lines written were \$254.1 million for the quarter, compared with \$228.9 million in the same quarter of 2007, an increase of 11 percent.

“We have almost \$60 billion in assets, and the impairments were very small percent of our total assets,” he said. “They’re still paying interest, but we have to write it down to the market value. The market price has been low for a while. We feel good in what we’ve invested in.”

Mr. Eppinger said that analysts will start to downgrade insurance companies, especially those having trouble getting capital. That will present opportunities to gain business and possible acquisitions, he added.

He said that in a time when insurance companies have not fared well, The Hanover has been upgraded by Standard & Poor and Moody’s, and is one of the few property and casualty companies with a positive outlook from A.M. Best.

“We’ve been conservative on purpose because we saw this coming. The economy has been unstable for 15 months. We have excess capital. Everyone knows we’re financially strong. We can get business and recruit people who can do the business.

“We’re in a good position, even though the market is difficult,” Mr. Eppinger said.