

HANOVER INSURANCE GROUP, INC.
Form DEF 14A
April 01, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Soliciting Material Under §240.14a-12 | |

The Hanover Insurance Group, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

THE HANOVER INSURANCE GROUP, INC.

Notice of Annual Meeting

and Proxy Statement

Annual Meeting

of Shareholders

to be held

May 14, 2013

Corporate Headquarters

440 Lincoln Street

Worcester, Massachusetts 01653

Table of Contents

THE HANOVER INSURANCE GROUP, INC.

440 Lincoln Street

Worcester, Massachusetts 01653

April 2, 2013

TO OUR SHAREHOLDERS:

You are cordially invited to attend the Annual Meeting of Shareholders of The Hanover Insurance Group, Inc. to be held on Tuesday, May 14, 2013, at 9:00 a.m. local time, at the Company's headquarters in Worcester, Massachusetts.

We have chosen to take advantage of Securities and Exchange Commission rules that allow us to furnish proxy materials to our shareholders via the Internet. We believe that these rules allow us to provide our shareholders with the information they need, while lowering the costs of printing and delivery and reducing the environmental impact of our Annual Meeting.

The accompanying Notice and Proxy Statement describe in detail the matters to be acted on at the Annual Meeting. Your vote is important. Whether or not you plan to attend the Annual Meeting, we hope that you will vote as soon as possible. Please review the instructions concerning each of your voting options described in the Proxy Statement. Your cooperation will assure that your shares are voted and will also greatly assist us in preparing for the Annual Meeting.

Sincerely,

Frederick H. Eppinger

President and Chief Executive Officer

Table of Contents

THE HANOVER INSURANCE GROUP, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 14, 2013

To the Shareholders of

The Hanover Insurance Group, Inc.:

The Annual Meeting of Shareholders of The Hanover Insurance Group, Inc. (*THG* or the *Company*) will be held at THG's headquarters, 440 Lincoln Street, Worcester, Massachusetts 01653 on Tuesday, May 14, 2013, at 9:00 a.m. local time, for the purpose of considering and voting on:

1. The election of four individuals to the Board of Directors;
2. The advisory approval of the Company's executive compensation;
3. The ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of THG for 2013; and
4. Such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed March 20, 2013 as the record date for determining the shareholders of THG entitled to notice of and to vote at the Annual Meeting and any adjournment thereof.

By Order of the Board of Directors,

CHARLES F. CRONIN

Vice President and Secretary

Worcester, Massachusetts

April 2, 2013

Your vote is important. Whether or not you plan to attend the Meeting, you are requested to vote your shares. Please follow the voting instructions set forth in the Proxy Statement. If you do attend the Annual Meeting and desire to withdraw your proxy and vote in person, you may do so.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 14, 2013: The Proxy Statement and Annual Report to Shareholders are available at www.envisionreports.com/thg.

Table of Contents

2013 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS ABOUT PROXY MATERIALS AND THE ANNUAL MEETING</u>	1
<u>What is included in these proxy materials?</u>	1
<u>What is the purpose of the Annual Meeting?</u>	1
<u>Who is entitled to vote at the Annual Meeting?</u>	1
<u>What are the voting rights of the holders of the Company's common stock?</u>	2
<u>Who is soliciting my vote?</u>	2
<u>How does the Board recommend I vote?</u>	2
<u>How many shares are entitled to vote at the Annual Meeting?</u>	2
<u>How many shares must be present to hold the Annual Meeting?</u>	2
<u>What vote is required to approve each item?</u>	2
<u>How do I vote?</u>	3
<u>How do I vote by proxy?</u>	3
<u>Can I change my vote after I submit my proxy?</u>	4
<u>How do participants in The Chaucer Share Incentive Plan vote their shares?</u>	4
<u>Who can attend the Annual Meeting?</u>	4
<u>How much stock do the Company's directors and executive officers own?</u>	5
<u>What are the Company's Stock Ownership Guidelines for named executive officers and directors?</u>	6
<u>Who are the largest owners of the Company's stock?</u>	8
<u>CORPORATE GOVERNANCE</u>	9
<u>Who are the nominees for director?</u>	9
<u>Who are the directors continuing in office?</u>	11
<u>Who are the Company's independent directors and how does the Board determine which directors are considered independent?</u>	13
<u>What is the Company's procedure for approving related-person transactions?</u>	14
<u>What is the Board's leadership structure and who is the director chosen to preside at executive sessions of the Board?</u>	14
<u>How often did the Board meet during 2012?</u>	15
<u>What committees has the Board established?</u>	15
<u>What is the process for consideration of director nominees?</u>	17
<u>How can shareholders and other interested parties communicate with the Board?</u>	18
<u>Are directors expected to attend the Annual Meeting?</u>	18
<u>How are the directors compensated?</u>	18
<u>What is the Board's role in risk oversight?</u>	21
<u>What is the Director Retirement Policy?</u>	21
<u>Where can I find the Company's Code of Conduct?</u>	21
<u>ITEM I ELECTION OF DIRECTORS</u>	22
<u>ITEM II ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION</u>	23

Table of Contents

<u>ITEM III RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	24
<u>Fees Incurred by THG from PricewaterhouseCoopers LLP</u>	24
<u>Pre-Approval Policy</u>	25
<u>Audit Committee Report</u>	26
<u>EXECUTIVE COMPENSATION</u>	27
<u>Compensation Discussion and Analysis</u>	27
<u>Compensation Committee Report</u>	46
<u>Summary Compensation Table</u>	47
<u>Grants of Plan-Based Awards in Last Fiscal Year</u>	50
<u>Outstanding Equity Awards at Fiscal Year-End</u>	52
<u>Option Exercise and Stock Vested Table</u>	55
<u>Pension and Retirement Benefits</u>	55
<u>Potential Payments upon Termination or Change in Control</u>	60
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	68
<u>HOUSEHOLDING INFORMATION</u>	68
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	68
<u>ANNUAL REPORT ON FORM 10-K</u>	68
<u>OTHER MATTERS</u>	68
<u>SHAREHOLDER PROPOSALS</u>	69
<u>EXCERPT FROM CORPORATE GOVERNANCE GUIDELINES</u>	A-1

Table of Contents

THE HANOVER INSURANCE GROUP, INC.

440 Lincoln Street

Worcester, Massachusetts 01653

PROXY STATEMENT

We have made these proxy materials available to you on or about April 2, 2013 via the Internet or, at your request, have forwarded paper copies of these proxy materials to you by mail, in connection with the solicitation of proxies by the Board of Directors (the *Board*) of The Hanover Insurance Group, Inc. (*THG* or the *Company*) for use at the Annual Meeting of Shareholders of THG to be held on May 14, 2013 (the *Annual Meeting* or *Meeting*). In accordance with rules and regulations adopted by the Securities and Exchange Commission (the *SEC*), we have chosen to provide access to our proxy materials over the Internet. If you received a Notice of Internet Availability of Proxy Materials (the *Notice*) by mail, you will not receive a paper copy of the proxy materials in the mail unless you request one. Instead, the Notice instructs you on how to access and review the proxy materials via the Internet. The Notice also instructs you on how to vote your shares via the Internet. If you received a Notice by mail and would like to receive a paper copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice.

QUESTIONS AND ANSWERS ABOUT PROXY MATERIALS AND THE ANNUAL MEETING

What is included in these proxy materials?

These proxy materials include:

Our Proxy Statement for the Annual Meeting; and

Our Annual Report to Shareholders for the fiscal year ended December 31, 2012 (the *Annual Report*), including financial statements for THG and its subsidiaries and the report of PricewaterhouseCoopers LLP thereon. The Annual Report is neither a part of this Proxy Statement nor incorporated herein by reference.

If you requested a paper copy of these materials by mail, these materials also include the proxy card for submitting your vote prior to the Annual Meeting.

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act on the following matters:

The election of four directors;

The advisory approval of the Company's executive compensation; and

The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2013.

Any other business that properly comes before the Annual Meeting will also be considered. In addition, management will report on the performance of the Company and respond to questions from shareholders.

Who is entitled to vote at the Annual Meeting?

Only shareholders of record at the close of business on March 20, 2013 (the *Record Date*) are entitled to vote at the Meeting.

Table of Contents

What are the voting rights of the holders of the Company's common stock?

Each share of THG's common stock, par value \$0.01 per share (the *Common Stock*), entitles its holder to one vote.

Who is soliciting my vote?

The Board is soliciting your vote at the Annual Meeting. We have retained Georgeson, Inc. of New York, N.Y., to help us solicit proxies personally or by mail, phone or Internet. We anticipate the costs of this service will be approximately \$8,500, plus reasonable expenses. Proxies may also be solicited on the Board's behalf by directors, officers or employees of the Company, in person or by telephone, mail, electronic transmission or facsimile transmission. The Company will pay the cost of soliciting proxies, including reimbursing banks, brokerage firms and others for the reasonable expenses incurred by them for forwarding proxy material on behalf of the Board to you as a beneficial owner of THG Common Stock.

How does the Board recommend I vote?

Our Board recommends that you vote your shares **FOR** the election of each nominee to the Board, **FOR** the advisory vote on executive compensation, and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the 2013 fiscal year.

How many shares are entitled to vote at the Annual Meeting?

As of the Record Date, 44,870,734 shares of Common Stock were issued, outstanding and entitled to be voted.

How many shares must be present to hold the Annual Meeting?

A quorum (a majority of the issued and outstanding shares of Common Stock entitled to vote at the Annual Meeting) must be present either in person or by proxy. Abstentions and broker non-votes will be treated as present at the Annual Meeting for the purpose of determining a quorum. A broker non-vote occurs when a broker holding shares for a beneficial owner returns a proxy, but does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Banks and brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on non-routine proposals, including the election of directors and the advisory approval of executive compensation. Such broker non-votes and abstentions, because they are not votes cast, are not counted for these proposals and will have no effect on the outcome. Banks and brokers that have not received voting instructions from their clients may, however, vote their clients' shares on the ratification of the appointment of the Company's independent registered public accounting firm for the 2013 fiscal year.

What vote is required to approve each item?

The affirmative vote of the majority of the votes properly cast (in person or by proxy) is required to elect director nominees. For purposes of electing directors, a majority of the votes cast means that the number of shares voted for a director must exceed the number of votes cast against that director. If a nominee who is serving as a director is not elected at the Annual Meeting, under Delaware law, the director would continue to serve on the Board as a holdover director. However, under our by-laws, any director who fails to be elected

Table of Contents

shall promptly tender his or her resignation to the Board. The Nominating and Corporate Governance Committee (the *NCGC*) will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. In making their determinations, the *NCGC* and the Board may consider any factors deemed relevant. The Board will act on the *NCGC*'s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. The director who tenders his or her resignation will not vote on the *NCGC*'s recommendation or the Board's decision. If a nominee who was not already serving as a director is not elected at the Annual Meeting, then, under Delaware law, that nominee would not become a director and would not serve on the Board as a holdover director.

The affirmative vote of a majority of the votes properly cast (in person or by proxy) is required to approve the advisory vote on executive compensation and to ratify the appointment of the Company's independent registered public accounting firm.

How do I vote?

You may either vote in person at the Annual Meeting or by proxy without attending the Meeting.

How do I vote by proxy?

If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and such brokerage firm or nominee will forward the Notice and/or a printed copy of the proxy materials to you together with voting instructions. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote.

If you are a registered shareholder (that is, if you hold THG stock certificates directly in your name), you may vote via the Internet in accordance with the instructions set forth in the Notice. If you have requested a paper copy of the proxy materials by mail, you may vote by mail, via the Internet, or via the toll-free number in accordance with the instructions set forth on the proxy card that accompanies the printed materials. The shares of Common Stock represented by your proxy will be voted as directed by you, the shareholder, or, if the proxy card is signed, dated and returned without instructions, in accordance with the Board's recommendations as set forth in this Proxy Statement.

The proxy also confers discretionary authority with respect to any other proposals that may properly be brought before the Annual Meeting. As of the date of this Proxy Statement, management is not aware of any other matters to be presented for action at the Annual Meeting. If any other matters properly come before the Annual Meeting, however, then the proxies solicited hereby will be voted in accordance with the recommendations of the Board.

Table of Contents

Can I change my vote after I submit my proxy?

Yes. Any registered shareholder giving a proxy may revoke it at any time before it is exercised by delivering written notice thereof to the Company's Corporate Secretary, The Hanover Insurance Group, Inc., 440 Lincoln Street, Worcester, MA 01653. If you are a beneficial owner of shares held in street name, you may revoke or change your voting instructions prior to the Meeting by timely instructing your broker, trustee or nominee. Any shareholder of record attending the Annual Meeting may vote in person whether or not the shareholder has previously filed a proxy. Shares held beneficially in street name may be voted in person only if you obtain and bring to the meeting a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. Presence at the Annual Meeting by a shareholder who has submitted a proxy, however, does not in itself revoke the proxy.

How do participants in The Chaucer Share Incentive Plan vote their shares?

If you are a participant in The Chaucer Share Incentive Plan (*Chaucer SIP*) and you have shares of Common Stock allocated to your account, then you may provide voting instructions to the trustee under the plan in accordance with the instructions provided by the trustee. The trustee will vote the shares allocated to your account in accordance with your instructions. If you do not instruct the trustee how to vote, the trustee will not vote your shares. Your voting instructions will be kept confidential by the trustee.

Who can attend the Annual Meeting?

The Meeting is open to all shareholders of the Company and to invited guests of the Board. Individuals who hold shares in street name may be required to provide a brokerage account statement or some other proof of their share ownership as of the Record Date, March 20, 2013.

Table of Contents**How much stock do the Company's directors and executive officers own?**

The following table sets forth information regarding the number of shares of Common Stock beneficially owned as of March 7, 2013 by (i) each director of THG, (ii) the named executive officers in the Summary Compensation Table appearing later in this Proxy Statement (the *NEOs*), and (iii) all directors, NEOs and other executive officers of THG as a group. This information has been furnished by the persons listed in the table.

Name of Beneficial Owner	Shares Beneficially Owned	Percent of Class
Michael P. Angelini	40,266(1)	*
John J. Brennan	12,526	*
P. Kevin Condron	1,000(2)	*
Frederick H. Eppinger	923,075(3)	2.0%
Neal F. Finnegan	22,973	*
David J. Gallitano	10,012(4)	*
David B. Greenfield	29,540(5)	*
J. Kendall Huber	155,492(6)	*
Wendell J. Knox	17,701(7)	*
Robert J. Murray	23,337	*
Joseph R. Ramrath	15,068(8)	*
Robert A. Stuchbery	17,703(9)	*
Harriett Tee Taggart	7,515(8)	*
Marita Zuraitis	273,324(10)	*
Directors, NEOs and other executive officers as a group (19 persons)	1,838,330(11)	4.0%

As to shares listed in this column of the table, each person has sole voting and investment power, except as indicated in other footnotes to this table. Certain directors and executive officers have deferred, or under certain compensation programs were required to defer, receipt of certain stock grants. Deferred shares are held in a rabbi trust (the *Rabbi Trust*), the trustee of which is Wells Fargo Bank, N.A. As of March 7, 2013, the Rabbi Trust held 243,372 shares of Common Stock pursuant to deferrals by the directors and executive officers identified in this table. Deferred shares held in the Rabbi Trust are *not* included in the amounts set forth in this column. These shares may be voted by the trustee of the Rabbi Trust, but not by the individuals on whose behalf the shares are held in the Rabbi Trust. For information regarding specific deferrals, please refer to the notes below.

* Less than 1%.

- (1) Excludes 16,683 shares held by the Rabbi Trust, the receipt of which Mr. Angelini has deferred. Includes 4,000 shares held by the Domenic A. Angelini Residuary Trust, under Agreement dated October 25, 2003 (the *Trust*). Mr. Angelini is a co-trustee of the Trust and shares voting and investment power with respect to the shares held by the Trust.
- (2) Excludes 14,370 shares held by the Rabbi Trust, the receipt of which Mr. Condron has deferred.

Table of Contents

- (3) Excludes 160,362 shares held by the Rabbi Trust, the receipt of which Mr. Eppinger was required to defer. Includes 834,700 shares underlying options exercisable within 60 days of March 7, 2013, and 13,750 shares of restricted stock that, prior to vesting (January 20, 2014), are subject to forfeiture and restrictions on transfer.
- (4) Excludes 18,279 shares held by the Rabbi Trust, the receipt of which Mr. Gallitano has deferred.
- (5) Mr. Greenfield shares voting and investment power with his wife with respect to 6,000 shares. Includes 15,000 shares underlying options exercisable within 60 days of March 7, 2013 and 5,500 shares of restricted stock that, prior to vesting (January 20, 2014), are subject to forfeiture and restrictions on transfer.
- (6) Mr. Huber shares voting and investment power with his wife with respect to 14,387 shares. Includes 111,050 shares underlying options exercisable within 60 days of March 7, 2013, and 3,750 shares of restricted stock that, prior to vesting (January 20, 2014), are subject to forfeiture and restrictions on transfer.
- (7) Excludes 4,694 shares held by the Rabbi Trust, the receipt of which Mr. Knox has deferred.
- (8) Shares voting and investment power with spouse.
- (9) Includes 203 shares held by the trustee of the Chaucer SIP.
- (10) Excludes 28,984 shares held by the Rabbi Trust, the receipt of which Ms. Zuraitis was required to defer. Includes 225,750 shares underlying options exercisable within 60 days of March 7, 2013, and 5,750 shares of restricted stock that, prior to vesting (January 20, 2014), are subject to forfeiture and restrictions on transfer.
- (11) Includes 1,419,736 shares underlying options exercisable within 60 days of March 7, 2013; 40,500 shares of restricted stock that, prior to vesting (January 20, 2014), are subject to forfeiture and restrictions on transfer; and 203 shares held by the trustee of the Chaucer SIP. Excludes 243,372 shares held by the Rabbi Trust. See notes 1 through 10 above.

What are the Company's Stock Ownership Guidelines for named executive officers and directors?**Named Executive Officers**

Within 18 months of becoming subject to the policy, each NEO should achieve an ownership level in THG's Common Stock with a value equal to one times his or her base salary. Within three years, each NEO should achieve and maintain an ownership level in THG's Common Stock with a value equal to two to four times his or her base salary (four to six times base salary for the CEO). The guidelines credit shares held outright, unvested restricted stock, restricted stock units, performance-based restricted stock units (measured at target) and any shares that have been earned but the payment of which has been deferred. Unexercised stock options, whether or not vested, are not counted when determining ownership under the guidelines. For these purposes, shares are valued based upon the then current market value, or if higher, the value on the date of acquisition. Each of our NEOs is in compliance with the policy. Set forth below is a table that indicates, as of March 7, 2013, each NEO's share ownership as a multiple of their current annualized base salary. Such figures are calculated in accordance with the share ownership guidelines and the multiple has been determined assuming a current market value of \$43.18 per share (the closing price of THG's Common Stock on March 7, 2013).

NEO	Year Hired	Number of Shares Counted under Stock Ownership Guidelines	Ownership Level as a Multiple of Base Salary
Frederick H. Eppinger	2003	364,737	16.1
Robert A. Stuchbery	2011	38,703	2.8
Marita Zuraitis	2004	125,208	9.3
David B. Greenfield	2010	52,140	4.1
J. Kendall Huber	2000	67,255	6.8

Table of Contents**Board of Directors**

Within four years from the date of first being elected to the Board (six years for those directors initially elected to the Board prior to May 15, 2012), each non-employee director should achieve an ownership level in THG's Common Stock with a value equal to four times the value of the regular annual stock retainer paid to directors for service on our Board. This requirement can be satisfied by purchases in the open market or by holding grants received from the Company (including share grants that the director has elected to defer under Hanover-sponsored deferred compensation programs). For these purposes, shares are valued based upon the then current market value, or if higher, the value on the date of acquisition.

Each of our directors is in compliance with the ownership guidelines or is expected to become compliant within the prescribed time following his or her initial election to the Board. Set forth below is a table that indicates, as of March 7, 2013, each director's share ownership as a multiple of the current annual stock retainer (\$100,000). Such figures are calculated in accordance with the share ownership guidelines and the multiple has been determined assuming a current market value of \$43.18 per share (the closing price of THG's Common Stock on March 7, 2013).

Non-Employee Director	Year First Elected to THG Board	Number of Shares Counted under Stock Ownership Guidelines	Ownership Level as a Multiple of Annual Stock Retainer
Michael P. Angelini	1995	56,949	26.1
John J. Brennan	2010	12,526	5.4
P. Kevin Condron	2007	15,370	6.9
Neal F. Finnegan	2006	22,973	10.2
David J. Gallitano	2006	28,291	12.5
Wendell J. Knox	1999	22,395	10.2
Robert J. Murray	1996	23,337	11.0
Joseph R. Ramrath	2004	15,068	6.7
Harriett Tee Taggart	2009	7,515	3.3

Table of Contents

Who are the largest owners of the Company's stock?

The following table lists the only persons who, to the best of the Company's knowledge, are beneficial owners (as defined by SEC regulations) of more than five percent of the issued and outstanding shares of Common Stock as of March 7, 2013.