

HANOVER INSURANCE GROUP, INC.
Form DEF 14A
April 03, 2014
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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

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The Hanover Insurance Group, Inc.

(Name of Registrant as Specified in Its Charter)

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THE HANOVER INSURANCE GROUP, INC.

Notice of Annual Meeting

and Proxy Statement

Annual Meeting

of Shareholders

to be held

May 20, 2014

Corporate Headquarters

440 Lincoln Street

Worcester, Massachusetts 01653

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THE HANOVER INSURANCE GROUP, INC.

440 Lincoln Street

Worcester, Massachusetts 01653

April 4, 2014

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 20, 2014, at 9:00 a.m. local time, at the Company's headquarters in Worcester, Massachusetts.

We have chosen to furnish proxy materials to our shareholders via the Internet. We believe that doing so provides 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

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THE HANOVER INSURANCE GROUP, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 20, 2014

To the Shareholders of

The Hanover Insurance Group, Inc.:

The Annual Meeting of Shareholders of The Hanover Insurance Group, Inc. will be held at our headquarters, 440 Lincoln Street, Worcester, Massachusetts 01653 on Tuesday, May 20, 2014, at 9:00 a.m. local time, for the purpose of considering and voting on:

1. The election of six individuals to the Board of Directors;
2. Approval of the 2014 Long-Term Incentive Plan;
3. Approval of the Chaucer Share Incentive Plan;
4. Approval of the 2014 Employee Stock Purchase Plan;
5. Approval of the 2014 Executive Short-Term Incentive Compensation Plan;
6. The advisory approval of the Company's executive compensation;
7. The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2014; and
8. Such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed March 25, 2014 as the record date for determining the shareholders 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 4, 2014

Your vote is important. Whether or not you plan to attend the Annual Meeting, you are requested to vote your shares. Please follow the voting instructions set forth in the Proxy Statement. If you 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 20, 2014: The Proxy Statement and Annual Report to Shareholders are available at www.envisionreports.com/thg.

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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 4, 2014 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 our Annual Meeting of Shareholders to be held on May 20, 2014 (the *Annual Meeting* or *Meeting*). In accordance with rules and regulations adopted by the Securities and Exchange Commission (the *SEC*), we have provided 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 unless you request one. The Notice instructs you on how to access 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, please follow the instructions 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, 2013 (the *Annual Report*), including our financial statements and the report of PricewaterhouseCoopers LLP (*PwC*) 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:

election of six directors;
approval of The Hanover Insurance Group 2014 Long-Term Incentive Plan (the *2014 Stock Plan*);
approval of The Chaucer Share Incentive Plan (the *Chaucer SIP*);
approval of The Hanover Insurance Group 2014 Employee Stock Purchase Plan (the *Hanover ESPP*);
approval of The Hanover Insurance Group 2014 Executive Short-Term Incentive Compensation Plan (the *2014 STIC Plan*);
advisory approval of the Company's executive compensation; and
ratification of the appointment of PwC as the Company's independent registered public accounting firm for 2014.

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.

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Who is entitled to vote at the Annual Meeting?

Only shareholders of record at the close of business on March 25, 2014 (the *Record Date*) are entitled to vote at the Meeting.

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 beneficial owners of THG Common Stock.

How does the Board recommend that I vote?

Our Board recommends that you vote your shares **FOR** the election of each nominee to the Board, and **FOR** each of the other proposals specifically identified in this Proxy Statement for action at the Annual Meeting.

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

As of the Record Date, 44,041,715 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 will be treated as present at the Annual Meeting for the purpose of determining a quorum, and because brokers have the discretionary authority to vote on one proposal (the ratification of auditors), broker non-votes will also 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 voting instructions from the beneficial owner. Banks and brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on any matter specifically identified for action at the Annual Meeting other than the ratification of the appointment of the Company's independent registered accounting firm.

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

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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 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. Broker non-votes and abstentions, because they are not votes cast, are not counted for the election of directors and will have no effect on the outcome.

The affirmative vote of a majority of the votes properly cast (in person or by proxy) is required to approve each of the 2014 Stock Plan, the Chaucer SIP, the Hanover ESPP, the 2014 STIC Plan and the advisory vote on executive compensation. 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.

The affirmative vote of a majority of the votes properly cast (in person or by proxy) is required to ratify the appointment of the Company's independent registered public accounting firm. Abstentions, because they are not votes cast, will not be counted 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 2014 fiscal year.

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 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, 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. The shares of Common Stock represented by your proxy will be voted as directed by you, 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.

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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 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.

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The following table sets forth information regarding the number of shares of Common Stock beneficially owned as of March 10, 2014 by (i) each director (and director nominee) of THG, (ii) the named executive officers in the Summary Compensation Table appearing later in this Proxy Statement (the *NEOs*), and (iii) all current directors and 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	42,109(1)	*
Richard H. Booth	500(2)	*
P. Kevin Condon	1,000(3)	*
Frederick H. Eppinger	833,526(4)	1.9%
Neal F. Finnegan	26,891	*
Karen C. Francis	(5)	*
David J. Gallitano	10,012(6)	*
David B. Greenfield	54,254(7)	*
J. Kendall Huber	86,771(8)	*
Wendell J. Knox	17,701(9)	*
Robert J. Murray	25,590	*
Joseph R. Ramrath	17,321(10)	*
Andrew S. Robinson	72,714(11)	*
Robert A. Stuchbery	24,936(12)	*
Harriett Tee Taggart	9,768(10)	*
Marita Zuraitis	7,098(13)	*
Current directors and executive officers as a group (19 persons)	1,415,355(14)	3.1%

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 from the Company. Deferred shares are held in a rabbi trust (the *Rabbi Trust*), the trustee of which is Wells Fargo Bank, N.A. As of March 10, 2014, the Rabbi Trust held 229,627 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 20,609 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 *Angelini Trust*). Mr. Angelini is a co-trustee of the Angelini Trust and shares voting and investment power with respect to the shares held by the Angelini Trust.

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- (2) Excludes 1,228 shares held by the Rabbi Trust, the receipt of which Mr. Booth has deferred.
- (3) Excludes 16,623 shares held by the Rabbi Trust, the receipt of which Mr. Condran has deferred.
- (4) Excludes 160,362 shares held by the Rabbi Trust, the receipt of which Mr. Eppinger was required to defer. Includes 661,666 shares underlying options exercisable within 60 days of March 10, 2014.
- (5) Ms. Francis is not a current member of the Board, but she has been nominated for election to the Board at the Annual Meeting.
- (6) Excludes 22,266 shares held by the Rabbi Trust, the receipt of which Mr. Gallitano has deferred.
- (7) Includes 38,333 shares underlying options exercisable within 60 days of March 10, 2014.
- (8) Mr. Huber shares voting and investment power with his wife with respect to 14,387 shares. Includes 53,750 shares underlying options exercisable within 60 days of March 10, 2014.
- (9) Excludes 8,539 shares held by the Rabbi Trust, the receipt of which Mr. Knox has deferred.
- (10) Shares voting and investment power with spouse.
- (11) Includes 60,425 shares underlying options exercisable within 60 days of March 10, 2014.
- (12) Includes 341 shares held by the trustee of the Chaucer SIP.
- (13) Ms. Zuraitis resigned from the Company effective May 10, 2013.
- (14) Includes 940,381 shares underlying options exercisable within 60 days of March 10, 2014; 341 shares held by the trustee of the Chaucer SIP; and 4,000 shares held by the Angelini Trust. Excludes 229,627 shares held by the Rabbi Trust. See notes 1 through 13 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 our 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 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 10, 2014, each NEO's share ownership as a multiple of his 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 \$59.66 per share (the closing price of our Common Stock on March 10, 2014).

NEO	Year Hired	Number of Shares Counted under Stock Ownership Guidelines	Ownership Level as a Multiple of Base Salary
Frederick H. Eppinger	2003	457,604	27.3
Robert A. Stuchbery	2011		