

HANOVER INSURANCE GROUP, INC.

Form DEF 14A

April 05, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ "

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Under Rule 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)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with written preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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THE HANOVER INSURANCE GROUP, INC.

Notice of Annual Meeting

and Proxy Statement

Annual Meeting

of Shareholders

to be held

May 15, 2007

Corporate Headquarters

440 Lincoln Street

Worcester, Massachusetts 01653

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THE HANOVER INSURANCE GROUP, INC.

440 Lincoln Street

Worcester, Massachusetts 01653

April 6, 2007

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 15, 2007, at 9:00 a.m. local time, at the Company's headquarters in Worcester, Massachusetts.

The accompanying Notice and Proxy Statement describe in detail the matters to be acted on at the meeting. Your vote is important. At your earliest convenience, please sign and return the enclosed proxy card in the envelope provided. Your cooperation will assure that your shares are voted and will also greatly assist us in preparing for the 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 MAY 15, 2007

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 15, 2007, at 9:00 a.m. local time, for the purpose of considering and voting on:

1. Election of three individuals to the Board of Directors;
2. Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of THG for 2007; and
3. Such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed March 23, 2007 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.

The Company's 2006 Annual Report to Shareholders is enclosed with the mailing of this Notice of Annual Meeting of Shareholders, Proxy Statement and proxy card.

By Order of the Board of Directors,

CHARLES F. CRONIN

Vice President and Secretary

Worcester, Massachusetts

April 6, 2007

Your vote is important. Whether or not you plan to attend the meeting, you are requested to sign, date and mail promptly the enclosed proxy. A return envelope, which requires no postage if mailed in the United States, is enclosed for that purpose. If you do attend the Annual Meeting and desire to withdraw your proxy and vote in person, you may do so.

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THE HANOVER INSURANCE GROUP, INC.

440 Lincoln Street

Worcester, Massachusetts 01653

PROXY STATEMENT

We are mailing this Proxy Statement, with the accompanying proxy card, to shareholders on or about April 6, 2007. We are providing this material 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 15, 2007 (the *Annual Meeting* or *Meeting*).

QUESTIONS AND ANSWERS ABOUT PROXY MATERIALS AND THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

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

The election of three directors; and

The ratification of the Company's independent registered public accounting firm.

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 23, 2007 (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 Shareholder Communications, 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 \$8,500 plus reasonable expenses. Proxies may also be solicited on the Company's behalf by directors, officers or employees in person or by telephone, mail, electronic transmission and 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 Company 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** each nominee to the Board, and **FOR** the ratification of the independent registered public accounting firm for the 2007 fiscal year.

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

As of the Record Date, 51,433,696 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 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. Please note that banks and brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on non-routine proposals, but may vote their clients' shares on the election of directors and the ratification of the Company's independent registered public accounting firm for the 2007 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 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 participate in 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, under Delaware law that nominee would not become a director and would not serve on the Board as a holdover director. Abstentions, because they are not votes cast, are not counted for this proposal 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, are not counted for this proposal and will have no effect on the outcome.

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 you are a registered shareholder (that is, if you hold THG stock certificates directly in your name), you may vote by mail. The shares of Common Stock represented by the enclosed proxy will be voted as directed by you, the shareholder, or, if the proxy card is signed and returned without instructions, in favor of the election of

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the director nominees designated herein, and in favor of the ratification of PricewaterhouseCoopers LLP as THG's independent registered public accounting firm for 2007.

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 these proxy materials are being forwarded to you together with voting instructions. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote.

The enclosed 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 notice, 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, the proxies solicited hereby will be voted in accordance with the recommendation of the Board.

Can I change my vote after I return my proxy card?

Yes. Any 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. 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 signed a proxy, however, does not in itself revoke the proxy.

How do participants in the Employees' 401(k) Retirement Savings Plan or the Agents' Retirement Plan vote their shares?

If you are a participant in The Hanover Insurance Group Retirement Savings Plan or The Allmerica Financial Agents' Retirement Plan and you have shares of Common Stock allocated to your account, you may provide voting instructions to the trustees under the Plans by completing and returning the enclosed proxy card. The trustee will vote the shares allocated to your account in accordance with your duly executed instructions or, if your proxy card is signed and returned without instructions, in favor of the election of the director nominees designated herein, and in favor of the ratification of PricewaterhouseCoopers LLP as THG's independent registered public accounting firm for 2007. If you do not submit an executed proxy card, 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.

THG's Annual Report to Shareholders for the fiscal year ended December 31, 2006, including financial statements for THG and its subsidiaries and the report of PricewaterhouseCoopers LLP thereon, accompanies this Proxy Statement. The Annual Report to Shareholders is neither a part of this Proxy Statement nor incorporated herein by reference.

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 10, 2007 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, and (iii) all executive officers and directors (and director nominees) 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	27,364(1)	*
P. Kevin Condrón	1,000(2)	*
Frederick H. Eppinger	564,241(3)	1.1%
Neal F. Finnegan	1,012	*
David J. Gallitano	1,012	*
Gail L. Harrison	5,226(4)	*
J. Kendall Huber	143,908(5)	*
Wendell J. Knox	6,274(6)	*
Robert J. Murray	13,839	*
Edward J. Parry, III	187,248(7)	*
Joseph R. Ramrath	5,570(8)	*
Gregory Tranter	129,296(9)	*
Herbert M. Varnum	15,570(10)	*
Marita Zuraitis	124,500(11)	*
Directors (and director nominees) and executive officers as a group (15 persons)	1,226,060(12)	2.3%

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 stock is held in a rabbi trust (the *Rabbi Trust*), the trustee of which is Computershare Trust Company, N.A. As of March 10, 2007, the Rabbi Trust held 81,532 shares of Common Stock pursuant to deferrals by directors and executive officers. These shares may be voted by the trustee of the Rabbi Trust, but not the individuals on whose behalf the shares are held in the Rabbi Trust. For information regarding specific deferrals, please refer to the notes below. Deferred shares held in the Rabbi Trust are not included in the amounts set forth in this column. For executive officers, the amounts include shares underlying options which are exercisable within 60 days of March 10, 2007.

* Less than 1%.

- (1) Excludes 9,353 shares held by the Rabbi Trust, the receipt of which Mr. Angelini has deferred. Includes 4,000 shares held indirectly 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 of the shares of Common Stock held by the Trust.
- (2) Mr. Condrón is not a current member of the Board. He was nominated for election to the Board on March 27, 2007.
- (3) Excludes 53,361 shares held by the Rabbi Trust, the receipt of which Mr. Eppinger was required to defer. Includes 545,000 shares underlying options exercisable within 60 days of March 10, 2007.
- (4) Excludes 7,881 shares held by the Rabbi Trust, the receipt of which Ms. Harrison has deferred.

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- (5) Mr. Huber shares voting and investment power with his wife with respect to 20,408 shares. Includes 123,500 shares underlying options exercisable within 60 days of March 10, 2007.
- (6) Excludes 4,485 shares held by the Rabbi Trust, the receipt of which Mr. Knox has deferred.
- (7) Includes 29 shares held for the benefit of Mr. Parry by the trustees of the Company's Retirement Savings Plan and 141,500 shares underlying options exercisable within 60 days of March 10, 2007. Mr. Parry is resigning as (i) a director effective at the end of his term (May 15, 2007), and (ii) Executive Vice President and Chief Financial Officer effective June 15, 2007.
- (8) Mr. Ramrath shares voting and investment power with his wife.
- (9) Includes 471 shares held for the benefit of Mr. Tranter by the trustees of the Company's Retirement Savings Plan and 113,500 shares underlying options exercisable within 60 days of March 10, 2007.
- (10) Pursuant to the Company's Director Retirement Policy, Mr. Varnum is retiring from the Board effective May 15, 2007.
- (11) Excludes 6,452 shares of restricted stock held by the Rabbi Trust, the receipt of which is deferred. Includes 124,500 shares underlying options exercisable within 60 days of March 10, 2007.
- (12) Includes 500 shares held by the trustees of the Company's Retirement Savings Plan, and 1,048,000 shares underlying options exercisable within 60 days of March 10, 2007; excludes 81,532 shares held by the Rabbi Trust. See notes 1 through 11 above.

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

The following table lists the persons who, to the best of the Company's knowledge, are beneficial owners (as defined in regulations of the Securities and Exchange Commission) of more than five percent of the issued and outstanding shares of Common Stock as of March 10, 2007.

Name and Address of Principal Shareholder	Shares Beneficially Owned	Percent of Common Stock
Hotchkis & Wiley Capital Management LLC	7,368,250(1)	14.3
725 South Figueroa Street, 39th Floor Los Angeles, CA 90017		

- (1) Based on a Schedule 13G/A filed on February 14, 2007 by Hotchkis & Wiley Capital Management LLC, which has sole dispositive power over 7,368,250 shares and sole voting power over 6,235,550 shares.
- As of March 10, 2007, there were no persons other than Hotchkis & Wiley Capital Management LLC known to THG to be the beneficial owner of more than five percent of the issued and outstanding shares of Common Stock.

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CORPORATE GOVERNANCE

The Board has adopted Corporate Governance Guidelines which can be found on the Company's website at www.hanover.com under Corporate Governance Guidelines. For a printed copy of the Guidelines, shareholders should contact the Company's Corporate Secretary, The Hanover Insurance Group, Inc., 440 Lincoln Street, Worcester, MA 01653.

There are three nominees for election to our Board this year. Each of the nominees, with the exception of Mr. Condrón, has served as a director since the last Annual Meeting. Mr. Condrón was recommended for consideration by the Nominating and Corporate Governance Committee as a potential candidate for director by a non-management member of the Board. Information regarding the business experience of each nominee is provided below. Pursuant to the Company's Director Retirement Policy, Mr. Varnum is retiring from the Board effective May 15, 2007. Additionally, Mr. Parry has elected to resign as a director as of the end of his term (May 15, 2007).

Who are the nominees for director?

Michael P. Angelini, 64, has been a director of THG since its formation in 1995 and Chairman of the Board since 2002, and was a director of First Allmerica Financial Life Insurance Company, an affiliated company (*FAFLIC*), from 1984 to 1996. Mr. Angelini is Chairman of the law firm of Bowditch & Dewey LLP, Worcester, Massachusetts, with which he has been associated since 1968, and is a director of Commerce Bank & Trust Company, a regional bank headquartered in Worcester, Massachusetts. Mr. Angelini is also a director of L. Hardy Company, Inc., a manufacturer of industrial cutting devices, and a number of privately-held businesses primarily located in central Massachusetts. The Board has determined that Mr. Angelini is an independent director, based on the independence standards adopted by the Board and the requirements of the New York Stock Exchange (*NYSE*).

Mr. Angelini is a member of the Nominating and Corporate Governance Committee. If re-elected, Mr. Angelini's term of office as a director of THG will expire in 2010.

P. Kevin Condrón, 61, has served as Chairman and Chief Executive Officer of The Granite Group LLC, a plumbing and heating wholesaler, since 1998. From 1972 until it was merged with Capitol Plumbing and Heating Supply in 1997 to create The Granite Group, LLC, Mr. Condrón was President and Chief Executive Officer of Central/Goulet Supply. Mr. Condrón is a director of TD Banknorth, Inc., a publicly-traded financial services company, and is a Trustee at the College of the Holy Cross. Prior to August 18, 2006, Mr. Condrón served as an independent Trustee of Allmerica Securities Trust, Allmerica Investment Trust and Opus Investment Trust, each of which is an affiliated entity of THG. The Board has determined that Mr. Condrón will be an independent director, based on the independence standards adopted by the Board and the requirements of the NYSE.

If elected, Mr. Condrón's term of office as a director of THG will expire in 2010.

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Neal F. Finnegan, 69, has been a director of THG since May 2006. Mr. Finnegan served as President and Chief Executive Officer of Lumber Insurance Company, a specialty insurer to the lumber industry, from 2000 to 2001. From 2000 to 2005, Mr. Finnegan was Chairman of Citizens Bank of Massachusetts. Prior to that, Mr. Finnegan was President and Chief Executive Officer of UST Corporation from 1993 to 2000. Previously, Mr. Finnegan served in the financial services sector as an executive with Bankers Trust Company of New York, Bowery Savings Bank, Worcester Bancorp, and Shawmut Bank, NA. Mr. Finnegan is currently a member of the Board of Directors at SolutionInc., an IP management software provider traded on the Toronto Stock Exchange, and several other privately-held companies and charitable organizations. In addition, Mr. Finnegan is currently the Chairman of the Northeastern University Board of Trustees. The Board has determined that Mr. Finnegan is an independent director, based on the independence standards adopted by the Board and the requirements of the NYSE.

Mr. Finnegan is a member of the Compensation Committee. If re-elected, Mr. Finnegan's term of office as a director of THG will expire in 2010.

Who are the directors continuing in office?

Frederick H. Eppinger, 48, has been a director and the Chief Executive Officer and President of THG since 2003. Prior to joining the Company, Mr. Eppinger was Executive Vice President of Property and Casualty Field and Service Operations for The Hartford Financial Services Group, Inc. From 2000 to 2001, he was Senior Vice President of Strategic Marketing for ChannelPoint, Inc., which specialized in business-to-business technology for insurance and financial service companies. Prior to that, he was a partner in the financial institutions group at McKinsey & Company, an international management consulting firm, which he joined in 1985. Mr. Eppinger began his career as a certified public accountant with the accounting firm then known as Coopers & Lybrand. Mr. Eppinger is a director of Centene Corporation, a publicly-traded multi-line healthcare company. Mr. Eppinger is an employee of THG, and therefore, is not an independent director.

Mr. Eppinger's term of office as a director of THG expires in 2009.

David J. Gallitano, 59, has been a director of THG since May 2006 and is President of Tucker, Inc., a private investment and advisory firm. Mr. Gallitano was Chairman and Chief Executive Officer of APW Ltd., a global contract manufacturing company of technical equipment, from 2003 through 2005, and Chairman and Chief Executive Officer of Columbia National, Inc., a residential and commercial real estate financing company, from 1993 until 2002. Mr. Gallitano was an Executive Vice President at PaineWebber Incorporated, where he headed the company's Principal Transactions Group, from 1986 through 1993. Mr. Gallitano also served as President and Chief Executive Officer of the General Electric Mortgage Capital Corporation from 1984 through 1986. Mr. Gallitano is a director of Wild Oats Markets, Inc., a publicly-traded supermarket chain. The Board has determined that Mr. Gallitano is an independent director, based on the independence standards adopted by the Board and the requirements of the NYSE.

Mr. Gallitano is a member of the Audit Committee. His term of office as a director of THG expires in 2008.

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Gail L. Harrison, 59, has been a director of THG since 1995 and was a director of FAFLIC from 1986 to 1996. Since 2000, Ms. Harrison has been Executive Vice President and a principal at Powell Tate, a public affairs and communications firm and division of Weber Shandwick Worldwide. From 1981 until joining Powell Tate, she was affiliated with The Wexler Group, a government relations consulting firm, where she was a Founding Principal. The Board has determined that Ms. Harrison is an independent director, based on the independence standards adopted by the Board and the requirements of the NYSE.

Ms. Harrison is a member of the Compensation Committee. Her term of office as a director of THG expires in 2009.

Wendell J. Knox, 59, has been a director of THG since 1999. Mr. Knox is President and Chief Executive Officer of Abt Associates, a policy research and business consulting firm, where he has been employed since 1969. Mr. Knox is also a director of Eastern Bank, a mutually owned commercial bank. The Board has determined that Mr. Knox is an independent director, based on the independence standards adopted by the Board and the requirements of the NYSE.

Mr. Knox is Chairman of the Nominating and Corporate Governance Committee. His term of office as a director of THG expires in 2008.

Robert J. Murray, 65, has been a director of THG since 1996. He was Chairman of the Board of New England Business Service, Inc. (*NEBS*), a business-to-business direct marketing company, from 1995 until 2004 and served on the Board of Directors of NEBS from 1991 until 2004. He was Chief Executive Officer of NEBS from 1995 through 2003. Prior to joining NEBS, Mr. Murray was an executive officer with The Gillette Company, Inc., a consumer products company. Mr. Murray is also a director of Tupperware Brands Corp., a publicly-traded consumer-direct seller of personal and household products, LoJack Corporation, a publicly-traded automobile security system manufacturer, Delhaize Group, a publicly-traded international food retailer based in Belgium, and IDEXX Laboratories, Inc., a publicly-traded developer, manufacturer and distributor of products and services for veterinary, food and water testing markets. The Board has determined that Mr. Murray is an independent director, based on the independence standards adopted by the Board and the requirements of the NYSE.

Mr. Murray is Chairman of the Compensation Committee. His term of office as a director of THG expires in 2008.

Joseph R. Ramrath, 50, has been a director of THG since 2004. Mr. Ramrath has been Managing Director of Colchester Partners LLC, an investment banking and strategic advisory firm, since 2002. Mr. Ramrath was Executive Vice President and Chief Legal Officer of the United Asset Management division of Old Mutual plc, an international financial services firm headquartered in London, England, from 2000 to 2002. Prior to that, he was Senior Vice President, General Counsel and Secretary of United Asset Management Corporation from 1996 until its acquisition by Old Mutual in 2000. The Board has determined that Mr. Ramrath is an independent director, based on the independence standards adopted by the Board and the requirements of the NYSE.

Mr. Ramrath is Chairman of the Audit Committee. His term of office as a director of THG expires in 2009.

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How does the Board determine which directors are considered independent?

Under NYSE rules, a member of our Board only qualifies as independent if our Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Company's Corporate Governance Guidelines include standards to assist the Board in determining whether a director has a material relationship with the Company. The standards conform to the standards established by the NYSE. The portion of our Corporate Governance Guidelines addressing director independence is attached to this Proxy Statement as Annex 1.

Our Board has determined that every director and director nominee is independent under these standards with the exception of Messrs. Eppinger and Parry, who are senior executives of the Company.

There are no family relationships among any of the directors or executive officers of THG and its subsidiaries.

What is the Company's procedure for approving related-person transactions?

The Board has established a written procedure for the review, approval and/or ratification of transactions with related persons (as such term is defined by the Securities and Exchange Commission, provided that the dollar threshold in our policy was reduced from the \$120,000 threshold established by the SEC, to \$100,000) (the *Related Person Transaction Policy*). Pursuant to such policy, all transactions with related persons will be reviewed, approved and/or ratified by the Audit Committee, except that, in the event Company management determines that it is impractical or undesirable to wait until an Audit Committee meeting to consummate the transaction, the Chair of the Audit Committee (or the Independent Presiding Director, in the event the Chair or any of his or her immediate family members is the related person) shall have the authority to review and approve the transaction. The Chair of the Committee, or Independent Presiding Director, as applicable, shall report to the Audit Committee at its next meeting any approval under this policy pursuant to this delegated authority. No member of the Audit Committee shall participate in any review, approval or ratification of a transaction with a related person with respect to which such member or any of his or her immediate family members is the related person. In preparing the Company's SEC filings and in determining whether a transaction is subject to this policy, the Company's General Counsel is entitled to make the determinations of whether a particular relationship constitutes a material interest by a related person.

In evaluating a transaction with a related person, the Audit Committee (or its Chair), shall consider all relevant facts and circumstances available to it and shall approve or ratify only those transactions that are in, or not inconsistent with, the best interests of the Company and its shareholders, as it determines in good faith. To the extent feasible, a transaction with a related person that is identified as such in advance shall be submitted to the Audit Committee or Chair for review in advance of the transaction's consummation. In the event the Company becomes aware of a transaction with a related person that has not been previously approved or ratified under this policy, the matter shall be submitted promptly to the Audit Committee or Chair for consideration. In such event, the Audit Committee or the Chair shall evaluate all options, including but not limited to ratification, amendment or termination of such transaction. The Audit Committee or the Chair also shall evaluate the facts and circumstances pertaining to the failure of such transaction to have been presented to the Audit Committee or Chair in advance and take such corrective action as it deems appropriate under the circumstances.

The Related Person Transaction Policy can be found on the Company's website at www.hanover.com under Corporate Governance Company Policies. For a printed copy of the policy, shareholders should contact the Company's Corporate Secretary, The Hanover Insurance Group, Inc., 440 Lincoln Street, Worcester, MA 01653.

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Who is the director chosen to preside at executive sessions of the Board?

In accordance with the Company's Corporate Governance Guidelines, each year the Board elects from among its independent members either a non-executive Chairman of the Board or a lead director to serve as the Independent Presiding Director. The duties of the Independent Presiding Director are determined by the Board, and include presiding over executive sessions of non-management directors (including the Committee of Independent Directors). Mr. Angelini, the Chairman of the Board, is the Independent Presiding Director. The Board generally convenes in executive session in connection with regularly scheduled Board meetings (and at other times as deemed appropriate).

How often did the Board meet during 2006?

During 2006, there were six meetings of the full Board of Directors. All of the incumbent directors, except Mr. Finnegan, attended at least 75% of the Board and committee meetings held while they were members during 2006. Mr. Finnegan was elected to the Board and appointed to the Compensation Committee on May 16, 2006. Due to outstanding commitments made prior to his nomination, during 2006 Mr. Finnegan was unable to attend certain Board and committee meetings. During the period from May 16, 2006 until the date of this Proxy Statement, however, Mr. Finnegan attended more than 75% of the Board and committee meetings held while he was a member.

What committees has the Board established?

The standing committees of the Board consist of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Committee of Independent Directors. Each committee is composed solely of directors determined by the Board to be independent in accordance with THG's Corporate Governance Guidelines and the NYSE listing standards. The current responsibilities of each of the committees are set forth in their charters, which are available on the Company's website, www.hanover.com, under Corporate Governance-Committee Charters. For a printed copy of any of the committee charters, shareholders should contact the Company's Corporate Secretary, The Hanover Insurance Group, Inc., 440 Lincoln Street, Worcester, MA 01653. The Committee of Independent Directors, consisting of all the independent members of the Board, discharges such responsibilities as are referred to it from time to time by the Board or one of its committees. In particular, the committee is responsible for reviewing and approving the recommendations of the Compensation Committee and Nominating and Corporate Governance Committee, as appropriate, with respect to establishing performance criteria (goals and objectives) of our CEO, evaluating the CEO's performance and approving CEO compensation.

Audit Committee

The Board has made a determination that the members of the Audit Committee satisfy the requirements of the NYSE as to independence, financial literacy and experience and satisfy the independence requirements of the Sarbanes-Oxley Act of 2002. The Board has determined that Mr. Ramrath is an Audit Committee financial expert, as defined by SEC regulations. The Audit Committee is, among other things, responsible for the retention, oversight and, when deemed appropriate, termination of the Company's independent registered public accounting firm. The Audit Committee reviews the arrangements for and the results of the auditors' examination of the Company's books and records, auditors' compensation, internal accounting control procedures, and activities and recommendations of the Company's internal auditors. It also reviews the Company's accounting policies, control systems and compliance activities. The Audit Committee annually reviews and reassesses the adequacy of its

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charter. The committee held 14 meetings during 2006. The current members of the Audit Committee are listed in the table below. The report of the Audit Committee is included in this Proxy Statement on page 18.

Joseph R. Ramrath (Chair)

Audit Committee
David J. Gallitano

Herbert M. Varnum*

* Pursuant to the Company's Director Retirement Policy, Mr. Varnum is retiring from the Board effective May 15, 2007.
Compensation Committee

The Compensation Committee has oversight responsibility with respect to compensation matters involving directors and executive officers of THG; produces an annual Compensation Committee Report for inclusion in the Company's proxy statement; provides general oversight of the Company's compensation structure, including compensation plans and benefits programs; and retains and approves the terms of the engagement of any outside compensation consultants retained by the committee, among other responsibilities set forth in the committee's charter. The committee met eight times in 2006. The current members of the Compensation Committee are listed in the table below. The Compensation Committee Report is included in this Proxy Statement on page 30.

Robert J. Murray (Chair)

Compensation Committee
Neal F. Finnegan

Gail L. Harrison

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee advises and makes recommendations to the Board on all matters concerning directorship and corporate governance practices and the selection of candidates as nominees for election as directors. The committee recommended this year's candidates for election and recommends Board member committee assignments to the full Board. The committee met six times in 2006. The current members of the Nominating and Corporate Governance Committee are listed in the table below.

Wendell J. Knox (Chair)

Nominating and Corporate Governance Committee
Michael P. Angelini

Herbert M. Varnum*

* Pursuant to the Company's Director Retirement Policy, Mr. Varnum is retiring from the Board effective May 15, 2007.
What is the process for consideration of director nominees?

The NCGC may identify candidates for nomination to the Board through several resources, including recommendations of non-management directors, shareholders, the Chief Executive Officer, other executive officers, an outside search firm or other resources. Committee members may, as appropriate under the circumstances, review the backgrounds of candidates in light of the current needs of the Board, interview qualified candidates, conduct inquiries with references and review available information pertaining to the candidate's qualifications.

Director Qualifications

The NCGC believes that members of the Board and nominees for election to the Board should possess high personal and professional ethics, integrity and values, and be committed to representing the long-term interests of

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the shareholders. To maintain a majority of independent directors on the Board, as required by the Corporate Governance Guidelines established by the Board, the committee has a strong preference that nominees meet the independence standards established by the Board. Board members and nominees should demonstrate initiative, be participatory and contribute a perspective based on practical experience and mature judgment. The Board seeks members who represent a broad array of experiences and expertise in the context of the evolving needs of the Board. When evaluating a candidate for Board membership, the NCGC and the Board will consider these factors, as well as diversity, age and availability to serve. In addition, without the approval of the NCGC, nominees who are Chief Executive Officers (or others with similar responsibilities) should serve on no more than two other public company boards, and other nominees should serve on no more than three other public company boards.

Shareholder Nominees

The NCGC will consider qualified director candidates recommended in writing by shareholders. Shareholders who wish to suggest qualified candidates for consideration by the committee may do so by writing to the Company's Corporate Secretary, The Hanover Insurance Group, Inc., 440 Lincoln Street, Worcester, Massachusetts 01653, giving the candidate's name, biographical data, qualifications and confirmation that the candidate has agreed to serve if nominated and elected. All such submissions will be forwarded to the committee chairman. To allow the committee sufficient time to consider a candidate in advance of an annual meeting, shareholders should submit recommendations to the Company's Corporate Secretary by no later than December 31 of the year prior to the annual meeting. Shareholder-proposed candidates who meet the committee's minimum qualification standards, discussed in the preceding paragraph, will be evaluated in the same manner as other candidates considered by the committee for Board nomination.

Pursuant to the Company's by-laws, shareholders seeking to nominate a candidate for election to the Board without the approval of the NCGC must deliver written notice of such nomination to the Company's Corporate Secretary not less than 60 days nor more than 90 days prior to the Annual Meeting. The notice must set forth the name, address and THG stockholdings of the shareholder submitting the nomination, as well as information concerning the nominee that is required to be disclosed pursuant to the Securities Exchange Act of 1934, as amended, in a proxy statement soliciting proxies for the election of such nominee as a director, including a signed consent of the nominee to be named in a proxy statement and to serve as a director, if elected. In addition, the notice must be accompanied by a petition signed by at least 100 record holders of THG Common Stock representing in the aggregate at least one percent of the outstanding shares entitled to vote on the election of directors.

How can shareholders and other interested parties communicate with the Board?

Shareholders and other interested parties can communicate with the Board, including the non-management directors and the Independent Presiding Director, either by writing to The Hanover Insurance Group, Inc., Board of Directors, Attn: Corporate Secretary, 440 Lincoln Street, Worcester, Massachusetts, 01653, or by calling 1-866-656-4232. An independent third-party service answers all calls to this toll-free telephone number, and passes the caller's information on to our General Counsel, our Director of Internal Audit and the Chairman of the Audit Committee, who in turn transmit the information to the appropriate member of the Board. Communications may be anonymous or confidential. Complaints relating to the Company's accounting, internal accounting controls or auditing matters will be referred to the Chairman of the Audit Committee. Other concerns will be referred to the Chairman of the Board. All shareholder-related complaints and concerns will be received, processed and acknowledged by THG's Board. Further information regarding communications with the Board may be found at the Company's website, www.hanover.com, under Corporate Governance Contact The Hanover Board.

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Are directors expected to attend the Annual Meeting?

All directors are expected to attend the Annual Meeting. All directors were present at last year's annual meeting.

How are the directors compensated?

The Compensation Committee (the *Committee*) is responsible for reviewing and advising the Board with respect to the Company's director compensation practices and policies. In executing its compensation responsibilities, the Committee engages an external consultant, Towers Perrin, to provide relevant market data and to assist in developing compensation recommendations. The Committee also confers with another consulting firm, Frederick W. Cook & Co., Inc. (*F.W. Cook*) with respect to such matters. The Committee generally receives recommendations from such consultants prior to the Annual Meeting of Shareholders. Based upon the information received from its consultants and discussions with senior management, the Committee presents its recommendation to the full Board. The Board, at its May meeting, reviews such recommendation and makes its compensation decision for the succeeding year (which begins immediately following the Annual Meeting of Shareholders and runs until the next Annual Meeting of Shareholders). In setting director compensation, the Board considers the amount of time that directors expend in fulfilling their duties to the Company as well as the skill level the Company requires of its Board.

For the period from the 2006 Annual Meeting of Shareholders to this year's Annual Meeting, non-employee directors received an annual retainer consisting of 1,012 shares of Common Stock issued pursuant to the Company's Amended and Restated Non-Employee Director Stock Ownership Plan (the *Director Plan*) and a cash payment of \$30,000. The Committee intended the value of the shares granted to each non-employee director (established as of the close of business on May 16, 2006) and the cash payment to equate to an annual retainer of \$80,000. Directors who are employees of the Company receive no additional compensation for their services as members of the Board.

In addition to the annual retainer, Mr. Angelini received a retainer of \$60,000 as Chairman of the Board; the Chairperson of the Audit Committee received a \$15,000 annual retainer; the Chairperson of the Compensation Committee received a \$10,000 annual retainer; and the Chairperson of the Nominating and Corporate Governance Committee received a \$7,500 annual retainer. Non-employee directors of THG also received a fee of \$2,200 for each meeting of the Board that they attended and a fee of \$1,500 for each meeting of their committee that they attended. Meetings of the independent directors designated as meetings of the Committee of Independent Directors (the *CID*) are compensated as a meeting of the Board. Meetings of the CID that are held in conjunction with Board meetings are not separately compensated.

Directors who are unable to attend, in person, meetings of the Board or any committee of which they are members that are held in person, but who fully participate by telephone, or directors who participate in substantive meetings conducted by telephone (rather than in person), are paid a fee equal to one-half the regular Board or committee fee for such meeting. All directors are reimbursed for reasonable travel and other expenses of attending meetings of the Board and its committees. The Company provides Mr. Angelini with appropriate office space and secretarial assistance at the Company's headquarters. Additionally, the Company has established a program for directors that provides matching contributions to qualified charities up to \$5,000 per director per year.

Directors may defer receipt of their cash and stock compensation. Deferred cash amounts can be converted into Common Stock or accrued in a memorandum account that is credited with interest based on the so-called General Agreement on Tariffs and Trade (GATT) rate (4.73% in 2006; 4.69% in 2007). At the election of each director, cash meeting fees and retainers may also be converted to Common Stock.

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Director Compensation Table

The following table sets forth the total compensation earned by our current non-employee directors for their service on our Board and committees of the Board during the fiscal year ended December 31, 2006. Mr. Condrón, a nominee for election to our Board, was not a member of our Board during 2006 and, therefore, received no compensation in connection with service to our Board. Prior to August 18, 2006, Mr. Condrón served as an independent Trustee of Allmerica Securities Trust, Allmerica Investment Trust and Opus Investment Trust, each of which is an affiliated entity of THG. In connection with his performance of services to those entities, Mr. Condrón was paid \$2,500 during 2006.

Name