

HANOVER INSURANCE GROUP, INC.

Form 10-Q

November 04, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number 1-13754

THE HANOVER INSURANCE GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

440 Lincoln Street, Worcester, Massachusetts 01653

04-3263626
(I.R.S. Employer

Identification No.)

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(Address of principal executive offices) (Zip Code)

(508) 855-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock was 45,109,681 as of November 1, 2010.

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Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1 - FINANCIAL STATEMENTS****THE HANOVER INSURANCE GROUP, INC.****CONSOLIDATED STATEMENTS OF INCOME**

	(Unaudited)		(Unaudited)	
	Quarter Ended		Nine months Ended	
	September 30,		September 30,	
(In millions except per share data)	2010	2009	2010	2009
REVENUES				
Premiums	\$ 728.0	\$ 637.4	\$ 2,092.3	\$ 1,899.4
Net investment income	61.3	62.1	184.2	188.3
Net realized investment gains (losses):				
Net realized gains from sales and other	7.1	6.1	24.3	19.6
Total other-than-temporary impairment losses on securities	(0.2)	(4.5)	(3.5)	(39.1)
Portion of loss transferred (from) to other comprehensive income	(1.2)	(1.6)	(4.0)	9.8
Net other than temporary impairment losses on securities recognized in earnings	(1.4)	(6.1)	(7.5)	(29.3)
Total net realized investment gains (losses)	5.7	-	16.8	(9.7)
Fees and other income	9.0	9.0	25.6	25.8
Total revenues	804.0	708.5	2,318.9	2,103.8
LOSSES AND EXPENSES				
Losses and loss adjustment expenses	454.6	403.0	1,384.6	1,225.1
Policy acquisition expenses	173.4	146.8	490.8	434.7
Gain from retirement of debt	-	(0.2)	-	(34.5)
Other operating expenses	102.9	91.4	308.0	281.1
Total losses and expenses	730.9	641.0	2,183.4	1,906.4
Income before federal income taxes	73.1	67.5	135.5	197.4
Federal income tax expense (benefit):				
Current	21.2	17.8	(8.5)	42.8
Deferred	0.5	1.1	48.2	22.7
Total federal income tax expense	21.7	18.9	39.7	65.5
Income from continuing operations	51.4	48.6	95.8	131.9
Discontinued operations (See Note 3):				
Gain from discontinued FAFLIC business (net of tax benefit of \$0.3 and \$0.3 for the quarters ended September 30, 2010 and 2009 and \$0.3 and \$0.3 for the nine months ended September 30, 2010 and 2009)	0.5	0.4	0.4	6.3

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Gain (loss) from operations of discontinued accident and health insurance business (net of income tax benefit (expense) of \$0.1 and (\$0.4) or the quarters ended September 30, 2010 and 2009 and \$0.3 and (\$0.5) for the nine months ended September 30, 2010 and 2009)

	0.2	0.7	(0.9)	(2.4)
Gain on disposal of variable life and annuity business	0.1	-	1.0	4.1
Other discontinued operations	0.1	-	0.1	-

Net income	\$ 52.3	\$ 49.7	\$ 96.4	\$ 139.9
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**THE HANOVER INSURANCE GROUP, INC.****CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)**

	(Unaudited)		(Unaudited)	
	Quarter Ended		Nine months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
PER SHARE DATA				
<u>Basic</u>				
Income from continuing operations	\$ 1.14	\$ 0.96	\$ 2.09	\$ 2.59
Discontinued operations:				
Gain from discontinued FAFLIC business (net of income tax benefit of \$0.01 and \$0.01 for the quarters ended September 30, 2010 and 2009 and \$0.01 and \$0.01 for the nine months ended September 30, 2010 and 2009)	0.01	0.01	0.01	0.12
Gain (loss) from operations of discontinued accident and health insurance business (net of income tax benefit (expense) of \$0.01 and (\$0.01) for the quarters ended September 30, 2010 and 2009 and \$0.01 and (\$0.01) for the nine months ended September 30, 2010 and 2009)	0.01	0.01	(0.02)	(0.04)
Gain on disposal of variable life insurance and annuity business	-	-	0.03	0.08
Net income per share	\$ 1.16	\$ 0.98	\$ 2.11	\$ 2.75
Weighted average shares outstanding	44.9	50.7	45.7	51.0