HANOVER INSURANCE GROUP, INC.
Form DEF 14A
March 30, 2017
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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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

Confidential, for Use of the Commission

Only (as permitted by Rule 14a-6(e)(2))

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)(1) 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:

(5) Total fee paid:

Fee paid previously with 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 16, 2017

Corporate Headquarters

440 Lincoln Street

Worcester, Massachusetts 01653

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THE HANOVER INSURANCE GROUP, INC.

440 Lincoln Street

Worcester, Massachusetts 01653

Letter to our Shareholders from Joseph M. Zubretsky, our President and Chief Executive Officer

March 30, 2017

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 16, 2017, 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 Annual Meeting. Your vote is important. We hope that you will vote as soon as possible. Please review the instructions concerning each of your voting options described in the accompanying Proxy Statement. Your cooperation will assure that your shares are voted and will also greatly assist us in preparing for the Annual Meeting.

Sincerely,

Joseph M. Zubretsky

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 16, 2017

To the Shareholders of The Hanover Insurance Group, Inc.:

Below please find the details regarding the 2017 Annual Meeting of Shareholders of The Hanover Insurance Group, Inc.:

LOCATION:	Our corporate headquarters, 440 Lincoln Street, Worcester, Massachusetts 01653
DATE AND TIME:	Tuesday, May 16, 2017, at 9:00 a.m. local time
ITEMS OF BUSINESS:	1. The election of four individuals to the Board of Directors;
	2. The advisory approval of the Company s executive compensation;
	3. An advisory vote on the frequency of holding an advisory vote on executive compensation;
	4. The ratification of the appointment of PricewaterhouseCoopers LLP to serve as the Company s independent, registered public accounting firm for 2017; and
	5. Such other business as may properly come before the Annual Meeting or any adjournment thereof.
RECORD DATE:	The Board of Directors has fixed March 17, 2017 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

March 30, 2017

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 16, 2017: The Proxy Statement and Annual Report to Shareholders are available at www.envisionreports.com/thg.

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2017 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

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PROXY STATEMENT SUMMARY

This summary provides highlights of the important information contained elsewhere in our Proxy Statement. It does not contain all of the information you should consider. We encourage you to read the entire Proxy Statement before voting.

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PROXY STATEMENT

We have made these proxy materials available to you on or about March 30, 2017 via the Internet or, at your request, have forwarded you paper copies of these proxy materials 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 16, 2017 (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, 2016 (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 four directors;
- advisory approval of the Company s executive compensation;
- advisory vote on the frequency of holding an advisory vote on executive compensation; and
- ratification of the appointment of PwC to serve as the Company s independent, registered public accounting firm for 2017.

Any other business that properly comes before the Annual Meeting will also be considered. In addition, management will provide comments 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 17, 2017 (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 LLC 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 $9,500, 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 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, for every **ONE** year for the frequency of holding advisory votes on executive compensation, and **FOR** each of the other proposals specifically identified in this Proxy Statement for action at the Annual Meeting.

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How many shares are entitled to vote at the Annual Meeting? As of the Record Date, 42,673,496 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 PwC to serve as the Company s independent, registered public accounting firm for 2017.

What vote is required to approve each item, and how are abstentions and broker non-votes treated?

Proposal	**Vote Required**	**Effect of Broker Non-Votes and Abstentions**
1. Election of a director nominee	The affirmative vote of a majority of the votes properly cast (in person or by proxy). For purposes of electing directors, the affirmative vote of a majority of the votes cast means that the number of votes cast for a director must exceed the number of votes cast against that director.	Broker non-votes and abstentions, because they are not votes cast, are not counted for this proposal and will have no effect on the outcome.
2. Advisory vote on executive compensation	The affirmative vote of a majority of the votes properly cast (in person or by proxy).	Broker non-votes and abstentions, because they are not votes cast, are not counted for this proposal and will have no effect on the outcome.
3. Advisory vote on the frequency of holding an advisory vote on executive compensation	The affirmative vote of a majority of the votes properly cast (in person or by proxy). If none of the three frequency options receives the vote of the holders of a majority of the votes properly cast, we will consider the frequency option (one year, two years or three years) receiving the highest number of votes cast by shareholders to be the frequency that has been recommended by shareholders.	Broker non-votes and abstentions, because they are not votes cast, are not counted for this proposal and will have no effect on the outcome.
4. Ratification of the appointment of PwC to serve as the Company s independent, registered public accounting firm for 2017	The affirmative vote of a majority of the votes properly cast (in person or by proxy).	Abstentions, because they are not votes cast, will not be counted and will have no effect on the outcome. However, banks and brokers that have not received voting instructions from their clients may vote their clients shares on this proposal.

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What happens if a director nominee is not elected at the Annual Meeting? If a nominee who is currently serving as a director is not re-elected at the Annual Meeting, then under Delaware law, the director would continue to serve on the Board as a holdover director. However, under our by-laws, any director who is nominated but fails to be re-elected is required to promptly tender his or her resignation to the Board, effective at the end of his or her current term. 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.

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 you directed, 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. However, if any other matters properly come before the Annual Meeting, then the proxies solicited hereby will be voted in accordance with the recommendations of the Board.

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 a submitted proxy.

How do participants in The Hanover Employee Stock Purchase Plan and The Chaucer Share Incentive Plan vote their shares? Participants in The Hanover Insurance Group Employee Stock Purchase Plan (the *ESPP*) who retain shares that have been issued to them are considered to hold such shares in street name in a brokerage account. Such shares may be voted like other street name holders. The brokerage firm or nominee will forward ESPP participants the Notice and/or a printed copy of the proxy materials, together with voting instructions.

If you are a participant in The Chaucer Share Incentive Plan (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

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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, then the trustee will not vote your shares.

ESPP and Chaucer SIP participants voting instructions are kept confidential by the administrator of the ESPP and the trustee of the Chaucer SIP, respectively.

Who can attend the Annual Meeting? The Meeting is open to all THG shareholders 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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COMPANY STOCK OWNERSHIP

Stock Ownership by the Company s Directors and Executive Officers

The following table sets forth information regarding the number of shares of Common Stock beneficially owned as of March 15, 2017 (unless otherwise indicated) by (i) each director (and director nominee) of THG, (ii) the named executive officers (the *NEOs*) in the Summary Compensation Table appearing later in this Proxy Statement, 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	54,306 (1)	*
Richard H. Booth	500 (2)	*
Eugene M. Bullis	(3)	*
Jane D. Carlin	(4)	*
P. Kevin Condron	15,370 (5)	*
Cynthia L. Egan	1,435 (6)	*
Frederick H. Eppinger	95,994 (7)	*
Jeffrey M. Farber	2,500 (8)	*
Karen C. Francis	787 (9)	*
Daniel T. Henry	9,094	*
J. Kendall Huber	96,265 (10)	*
Wendell J. Knox	24,234 (11)	*
Joseph R. Ramrath	22,437 (8)	*
Andrew S. Robinson	2,177 (12)	*
John C. Roche	125,704 (13)	*
Johan G. Slabbert	5,697 (14)	*
Harriett Tee Taggart	14,884 (8)	*
Joseph M. Zubretsky		*
Current directors and executive officers, as a group (20 persons)	464,607 (15)	1.08%

As to shares listed in this column, 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. The Rabbi Trust held 43,530 shares of Common Stock pursuant to deferrals by the directors and executive officers. In accordance with rules and regulations prescribed by the SEC, and even though such director or executive officer has a direct economic interest in such deferred shares, 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 footnotes below.

* Less than 1%.

(1) Excludes 13,542 shares held by the Rabbi Trust, the receipt of which Mr. Angelini has deferred.

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(2) Excludes 6,344 shares held by the Rabbi Trust, the receipt of which Mr. Booth has deferred.
(3) Mr. Bullis retired from the Company effective November 11, 2016. Based on information provided to the Company as of February 7, 2017.
(4) Excludes 647 shares held by the Rabbi Trust, the receipt of which Ms. Carlin has deferred.
(5) Excludes 7,369 shares held by the Rabbi Trust, the receipt of which Mr. Condron has deferred.
(6) Excludes 1,751 shares held by the Rabbi Trust, the receipt of which Ms. Egan has deferred.
(7) Mr. Eppinger retired from the Company effective June 19, 2016. Based on information provided to the Company as of February 10, 2017.
(8) Shares voting and investment power with spouse.
(9) Excludes 7,545 shares held by the Rabbi Trust, the receipt of which Ms. Francis has deferred.
(10) Excludes 3,146 shares held by the Rabbi Trust, the receipt of which Mr. Huber was required to defer. Mr. Huber shares voting and investment power with his wife with respect to 14,387 shares. Includes 58,526 shares underlying options exercisable within 60 days of March 15, 2017.
(11) Excludes 3,186 shares held by the Rabbi Trust, the receipt of which Mr. Knox has deferred.
(12) Mr. Robinson resigned from the Company effective September 1, 2016. Based on information provided to the Company as of March 1, 2017.
(13) Includes 103,620 shares underlying options exercisable within 60 days of March 15, 2017.
(14) Mr. Slabbert resigned from the Company effective February 20, 2017. Based on information as of February 20, 2017. Includes 330 shares held by the trustee of the Chaucer SIP.
(15) Includes 224,360 shares underlying options exercisable within 60 days of March 15, 2017; and 700 shares held by the trustee of the Chaucer SIP. Excludes 43,530 shares held by the Rabbi Trust. See footnotes 1 through 14 above. Group calculation excludes Messrs. Eppinger, Bullis, Robinson and Slabbert since they were not serving as officers as of March 15, 2017.

Stock Ownership Guidelines for Named Executive Officers and Directors

Named Executive Officers

Within 18 months of becoming subject to our stock ownership guidelines, 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 of becoming subject to these guidelines, 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. Shares subject to 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 current NEOs is in compliance with the guidelines. Set forth below is a table that indicates, as of March 15, 2017, each current NEO s share ownership as a multiple of his current annualized base salary. Such figures are calculated in accordance with our stock ownership guidelines, and the multiple has been determined

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assuming a current market value of $91.30 per share (the closing price of our Common Stock on March 15, 2017).

NEO	Year Hired	Number of Shares Counted under Stock Ownership Guidelines	Ownership Level as a Multiple of Base Salary
Joseph M. Zubretsky	2016	52,750	4.8
Jeffrey M. Farber	2016	15,915	2.2
J. Kendall Huber	2000	53,600	8.9
John C. Roche	2006	34,319	5.9

Board of Directors

Within four years from the date of first being elected to the Board, each non-employee director should achieve an ownership level in our Common Stock with a value equal to four times the value of the regular annual stock retainer paid to directors for service on the 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 Company-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 non-employee directors is in compliance with our stock 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 15, 2017, each director s share ownership as a multiple of the value of the current annual stock retainer ($125,000). Such figures are calculated in accordance with our stock ownership guidelines, and the multiple has been determined assuming a current market value of $91.30 per share (the closing price of our Common Stock on March 15, 2017).

Non-Employee Director	Year First Elected to Board	Number of Shares Counted under Stock Ownership Guidelines	Ownership Level as a Multiple of the Value of the Annual Stock Retainer
Michael P. Angelini	1995	67,848	49.6
Richard H. Booth	2013	6,844	5.0
Jane D. Carlin	2016	647	0.5
P. Kevin Condron	2007	22,739	16.6
Cynthia L. Egan	2015	3,186	2.3
Karen C. Francis	2014	8,332	6.1
Daniel T. Henry	2014	9,094	6.6
Wendell J. Knox	1999	27,420	20.0
Joseph R. Ramrath	2004	22,437	16.4
Harriett Tee Taggart	2009	14,884	10.9

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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 15, 2017.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	3,626,251(1)	8.50%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	3,334,572(2)	7.81%
Dimensional Fund Advisors LP Building One 6300 Bee Cave Road Austin, TX 78746	2,934,454(3)	6.88%

(1) Based on a Schedule 13G/A filed on February 13, 2017 by The Vanguard Group that reported sole voting power with respect to 25,150 shares, sole dispositive power with respect to 3,598,523 shares, shared voting power with respect to 4,799 shares and shared dispositive power with respect to 27,728 shares. The Schedule 13G/A filed by The Vanguard Group also reported that Vanguard Fiduciary Trust Company, a wholly owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 22,929 shares and Vanguard Investments Australia, Ltd., a wholly owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 7,020 shares.

(2) Based on a Schedule 13G/A filed on January 27, 2017 by BlackRock, Inc. that reported sole voting power with respect to 3,173,075 shares and sole dispositive power with respect to 3,334,572 shares.

(3) Based on a Schedule 13G/A filed on February 9, 2017 by Dimensional Fund Advisors LP (*DFA*) that reported sole voting power with respect to 2,885,418 shares and sole dispositive power with respect to 2,934,454 shares. In its Schedule 13G/A filing, DFA disclaims beneficial ownership of the shares and states that it serves as investment manager or sub-adviser to certain commingled funds, group trusts and separate accounts and that all shares of the Company are owned by such commingled funds, group trusts and separate accounts.

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CORPORATE GOVERNANCE

The Board has adopted Corporate Governance Guidelines that can be found on the Company s website at www.hanover.com under About Us-Corporate Governance. 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 four nominees for election to the Board this year. Each of the nominees has served as a director since the last Annual Meeting, except for Ms. Carlin who was elected to the Board in December 2016. In order to comply with our director retirement policy, Mr. Angelini is being nominated to serve for a one-year term expiring in 2018. Ms. Carlin, Mr. Henry and Mr. Knox are each being nominated to serve for a three-year term expiring in 2020. During 2016, the NCGC conducted a search process on behalf of the Board and retained a third-party recruiting firm to assist the NCGC in (i) identifying director candidates that meet the Company s Director Qualifications set forth below, (ii) coordinating interviews with those qualified candidates selected by the NCGC for further consideration, and (iii) complementing the due diligence work of the Committee in conducting reference checks. During the search process and prior to her election to the Board, Ms. Carlin was identified as a potential director candidate by a non-management member of the Board and presented to the NCGC and the Board by the third-party recruiting firm.

Ms. Francis informed the Company in December 2016 that she would not be seeking re-election to the Board at the Annual Meeting, when her current term as a director is scheduled to expire, due to her increasing commitments to business activities in the automotive industry, including engagement on three boards of directors in the industry.

Information regarding the business experience and qualifications of each nominee and each continuing director is provided below.

Director Nominees

Michael P. Angelini *Age: 74* *Director since 1995*	Mr. Angelini has been Chairman of the Board since 2002, and was a director of a predecessor company 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. He is currently the Chairman of the Massachusetts Port Authority. Mr. Angelini is also a director of Commerce Bank & Trust Company, a regional bank headquartered in Worcester, Massachusetts, and a number of privately held businesses. We believe Mr. Angelini s qualifications to serve on our Board include his years of legal and management experience, and his experience as a member of the board of directors of numerous other businesses. Mr. Angelini is Chairman of the Board. If re-elected, Mr. Angelini s term will expire in 2018.

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Jane D. Carlin *Age: 61* *Director since 2016*	Ms. Carlin has provided advisory and consultancy services to financial services companies since 2012. Prior to that Ms. Carlin served in senior roles with leading companies, including Morgan Stanley Group Inc. and Credit Suisse Group AG. At Morgan Stanley, she held a number of leadership positions, most recently, as managing director, global head of financial holding company governance and assurance, from 2006 to 2012, and previously from 1987 to 2003, when she served as managing director and deputy general counsel. From 2003 to 2006, Carlin was managing director and global head of bank operational risk oversight at Credit Suisse. In 2010, Carlin was appointed by the U.S. Treasury Department as chair of the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security (FSSCC) and served in that role until 2012. Prior to that, from 2009 to 2010, she served as vice chair of the FSSCC and as chair of its Cyber Security Committee. Ms. Carlin serves as a director of PHH Corporation, a publicly traded provider of end-to-end mortgage solutions, and iShares Inc., and as a trustee of iShares Trust and iShares U.S. ETF Trust. Ms. Carlin served as a director of Astoria Financial Corporation, a publicly traded bank holding company, and its wholly owned subsidiary, Astoria Bank, from January 2014 to February 2015. We believe Ms. Carlin s qualifications to serve on our Board include her many years of management experience in compliance, risk oversight, and cyber security in the financial services industry, and her experience on the boards of other publicly traded companies. If elected, Ms. Carlin s term will expire in 2020.
Daniel T. Henry *Age: 67* *Director since 2014*	Until his retirement, Mr. Henry served as Chief Financial Officer of American Express Company, a global financial services company, from 2007 to 2013. Mr. Henry joined American Express in 1990 and served in a variety of senior finance roles including Comptroller. Prior to joining American Express, Mr. Henry was a Partner with Ernst & Young LLP. Mr. Henry is also a director of Veritiv Corporation, a publicly traded company that provides business-to-business distribution solutions. Mr. Henry previously served as a director of Groupon, Inc., a publicly traded operator of online local marketplaces, from 2012 to 2016. We believe Mr. Henry s qualifications to serve on our Board include his experience as a CFO at a major financial services company, and his experience on the boards of directors of other publicly traded companies. Mr. Henry is a member of the Audit Committee. If re-elected, Mr. Henry s term will expire in 2020.

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Wendell J. Knox *Age: 69* *Director since 1999*	Until his retirement in 2009, Mr. Knox was President and CEO of Abt Associates, a policy research and business consulting firm, where he had been employed since 1969. Mr. Knox is also a director of Abt Associates, Inc. and Eastern Bank, a mutually owned commercial bank, and is a trustee of the Natixis and Loomis Sayles Mutual Fund Complex, a fund complex comprised of 43 funds. He also serves on the Advisory Board of Maine Pointe, LLC, a logistics and supply chain management consulting firm. We believe Mr. Knox s qualifications to serve on our Board include his experience as a CEO, combined with his corporate governance expertise and experience with other boards of directors. Mr. Knox is member of the Compensation Committee. If re-elected, Mr. Knox s term will expire in 2020.

Directors Continuing in Office

Richard H. Booth *Age: 70* *Director since 2013*	Mr. Booth provides independent consulting and advisory services to financial services companies. From 2009 until his retirement in 2014, Mr. Booth was Vice Chairman of Guy Carpenter & Company, LLC, a global risk management and reinsurance specialist and a wholly owned subsidiary of Marsh McLennan Companies, Inc. Mr. Booth was Chairman of HSB Group, Inc., a specialty insurer and reinsurer, from 2000 to 2009, and President and CEO of HSB Group from 2000 to 2007. In 2008 and 2009, Mr. Booth served as Vice Chairman, Transition Planning and Chief Administrative Officer, of HSB Group s parent company, American International Group, Inc., an insurance and financial services company. Prior to this, Mr. Booth held progressively senior positions in the insurance industry. Mr. Booth is a director of Adamas Pharmaceuticals, Inc., a publicly traded specialty pharmaceutical company. Mr. Booth previously served as a director of Sun Life Financial Inc., a publicly traded life and health insurance and financial services company from 2011 to 2015, and as a trustee of Eversource Energy, a publicly traded utility company from 2001 to 2015. Mr. Booth is a certified public accountant, chartered life underwriter, chartered financial consultant, a certified Board Leadership Fellow with the National Association of Corporate Directors, and a former member of the Financial Accounting Standards Advisory Council and its Steering Committee. We believe Mr. Booth s qualifications to serve on our Board include his high level of insurance, financial and accounting literacy and operating and management experience, gained through his roles as Vice Chairman of Guy Carpenter, Chairman and CEO of HSB Group, and through his service with the Financial Accounting Standards Advisory Council. Mr. Booth is a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Booth s term expires in 2019.

P. Kevin Condron *Age: 71* *Director since 2007*	Mr. Condron has served as Chairman and CEO of The Granite Group LLC, a plumbing and heating wholesaler, and one of its predecessor companies, since 1972. Mr. Condron is a director of TD Bank, Inc., a financial services company, and is former Chairman of the Board of Trustees at the College of the Holy Cross. We believe Mr. Condron s qualifications to serve on our Board include his experience as a CEO, his experience on numerous other boards of directors, including TD Bank, which was a public company during much of his tenure on that board, and his experience as an entrepreneur with substantial business experience. Mr. Condron is Vice Chairman of the Board and Chair of the Compensation Committee. Mr. Condron s term expires in 2018.
Cynthia L. Egan *Age: 61* *Director since 2015*	From 2007 until her retirement in 2012, Ms. Egan was President, Retirement Plan Services for T. Rowe Price Group, a global investment management organization. From 1989 to 2007, Ms. Egan held progressively senior positions with Fidelity Investments, a multinational financial services corporation, serving as Executive Vice President, Head of Fidelity Institutional Services Company and President of the Fidelity Charitable Gift Fund. From 2014 to 2015, she was appointed as an advisor to the U.S. Department of Treasury specializing in retirement security. Ms. Egan began her professional career at the Board of Governors of the Federal Reserve in 1980, and prior to joining Fidelity, worked at KPMG Peat Marwick and Bankers Trust Company. Ms. Egan is also a director of UNUM Corporation, a publicly traded insurance company providing group long-term disability insurance, employee benefits, individual disability insurance and special risk reinsurance, and of the BlackRock Closed End Funds Complex, a fund complex comprised of 75 closed-end funds. From 2013 to 2016, she was a director of Envestnet, Inc., a publicly traded provider of wealth management software and services. We believe Ms. Egan s qualifications to serve on our Board include her many years of management experience in the financial services industry at Fidelity and T. Rowe Price and her experience on other public company boards of directors. Ms. Egan is a member of the Nominating and Corporate Governance Committee. Ms. Egan s term expires in 2018.
Joseph R. Ramrath *Age: 60* *Director 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. Earlier in his career, Mr. Ramrath was a partner at Hill & Barlow, a Boston law firm, and a certified public accountant with Arthur Andersen & Co. We believe Mr. Ramrath s qualifications to serve on our Board include his accounting, financial and legal background, his experience as a member of management and on the board of directors with other public companies, as well as his years of experience as an advisor to investment advisory companies. Mr. Ramrath is Chair of the Audit Committee. Mr. Ramrath s term expires in 2019.

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Harriett Tee Taggart *Age: 68* *Director since 2009*	Ms. Taggart currently manages a professional practice, Taggart Associates. She also serves as an endowment investment committee member, evaluating global portfolio managers and asset allocation strategies, for several major non-profit organizations. From 1983 through 2006, Ms. Taggart was a Partner, Senior Vice President and sector portfolio manager at Wellington Management LLC, a global investment company. Ms. Taggart is a director of Albemarle Corporation, a publicly traded specialty chemical manufacturer, and is a trustee of the Eaton Vance Mutual Fund Complex, a fund complex comprised of 176 funds. She served as a director of The Lubrizol Corporation, a publicly traded specialty chemical manufacturer, from 2007 until its acquisition by Berkshire Hathaway in 2011. Ms. Taggart is also on the boards of trustees and advisory committees of several non-profit organizations and active in a number of corporate governance organizations. We believe Ms. Taggart s qualifications to serve on our Board include her three decades of experience in the financial services industry, as well as her executive leadership and management experience and experience with other public company boards of directors. Ms. Taggart is Chair of the Nominating and Corporate Governance Committee. Ms. Taggart s term expires in 2018.
Joseph M. Zubretsky *Age: 60* *Director since 2016*	Mr. Zubretsky is President and Chief Executive Officer of the Company. He joined the Company after almost nine years at Aetna, Inc., one of the nation s largest healthcare benefits and insurance providers, where he most recently served as Chief Executive Officer of Healthagen Holdings, a group of healthcare services and information technology companies. Prior to that, from 2013 to 2014, he served as Senior Executive Vice President leading Aetna s National Businesses, and from 2007 to 2013 served as Aetna s Chief Financial Officer. Prior to joining Aetna in 2007, Mr. Zubretsky served in a variety of senior management roles in the healthcare and financial services sector. Mr. Zubretsky began his career as an accountant, rising to partnership in the national insurance industry group at the accounting firm then known as Coopers & Lybrand. We believe Mr. Zubretsky s qualifications to serve on our Board include his more than 35 years in the insurance and financial services industry, his management experience leading significant business units at Aetna and elsewhere, his financial experience obtained as the Chief Financial Officer of Aetna and other prominent insurance companies, and as a partner at a major national accounting firm in its national insurance industry group. Mr. Zubretsky s term expires in 2019.

Director Independence

Under NYSE rules, a member of the Board only qualifies as independent if the 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 *Appendix A*.

The Board has determined that every director and nominee for director is independent under the applicable standards with the exception of Mr. Zubresky, who is the President and Chief Executive Officer of the Company.

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There are no family relationships among any of the directors, director nominees or executive officers of the Company.

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 SEC, provided that the dollar threshold for review and approval in our policy is $100,000, which is more stringent than the $120,000 threshold established by the SEC). Pursuant to such policy, any related-person transaction will be reviewed, approved and/or ratified by the Audit Committee, except that, in the event management determines that it is impractical to convene an Audit Committee meeting to consummate a particular 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) has the authority to 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 may participate in any approval or ratification of a transaction 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 determination of whether a particular relationship constitutes a material interest by a related person. In evaluating a transaction with a related person, the Audit Committee 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. The Company and the Board are unaware of any transactions that required approval under this policy in 2016.

The Related Person Transaction Policy can be found on the Company s website at www.hanover.com under About Us-Corporate Governance Company Policies. For a printed copy of the policy, shareholders should contact the Company s Corporate Secretary.

Board Leadership Structure

We separate the roles of CEO and Chairman of the Board in recognition of the differences between the two positions.

Additionally, we believe that separating the roles and having an independent Chairman of the Board or a designated lead director is consistent with corporate governance best practices and better supports effective management oversight and risk management. While we believe that these goals can be achieved without necessarily separating the CEO and Chairman of the Board designations, we also take into consideration Mr. Angelini s demonstrated skill in leading our Board and counseling management.

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

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Independent Presiding Director. The duties of the Independent Presiding Director are determined by the Board, and include presiding over Board and shareholder meetings and 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. In recognition of Mr. Condron s years of leadership on the Board, including his service as Chair of the Compensation Committee, the Board elected Mr. Condron Vice Chairman in 2016. As Vice Chairman, Mr. Condron helps facilitate the functioning of the Board by assuming the duties and responsibilities that may be assigned to him from time to time by the Chairman or the full Board of Directors and, in the event Mr. Angelini is not present at a meeting, assuming the duties of the Chairman and Independent Presiding Director.

The Board generally convenes in executive session in connection with regularly scheduled Board meetings and at other times as deemed appropriate.

Board Meetings and Attendance

During 2016, there were 12 meetings of the full Board of Directors. All of the directors attended at least 75% of the Board and committee meetings in 2016 held while they were members. In addition, all directors are expected to attend the Annual Meeting. All the directors serving at the time were present at last year s annual meeting.

Board Committees

The standing committees of the Board consist of the Committee of Independent Directors (the *CID*), the Audit Committee, the Compensation Committee, and the NCGC. Each committee is composed solely of directors determined by the Board to be independent. 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 About Us-Corporate Governance-Committee Charters. For a printed copy of any committee charter, shareholders should contact the Company s Corporate Secretary.

The current members of the committees of the Board are:

		Board Committees			
Director	**Independent**	**Committee of Independent Directors**	**Audit Committee**	**Compensation Committee**	**Nominating and Corporate Governance Committee**
Michael P. Angelini (C)					
Richard H. Booth					
Jane D. Carlin*					
P. Kevin Condron (VC)				(Chair)	
Cynthia L. Egan					
Karen C. Francis**					
Daniel T. Henry					
Wendell J. Knox					
Joseph R. Ramrath			(Chair)		
Harriett Tee Taggart					(Chair)
Number of meetings held in 2016		**10**	**11**	**6**	**4**

(C) Denotes the Chairman of the Board; (VC) denotes the Vice Chairman of the Board; (Chair) denotes the Chair of the applicable committee.

* Ms. Carlin joined the Board in December 2016.

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** Ms. Francis has informed the Company that she will not be seeking re-election to the Board at the Annual Meeting, when her current term as a director is scheduled to expire.

Does not include informal meetings held by the committees throughout the year.

In addition to the standing committees of the Board listed above, Mr. Condron (chair), Ms. Egan and Messrs. Angelini, Booth and Ramrath comprised the special ad hoc CEO search committee.

Committee of Independent Directors

The CID, 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 the NCGC, as applicable, with respect to establishing performance criteria (goals and objectives) for our CEO, evaluating the CEO s performance and approving CEO compensation. In addition to meeting the independence requirements under the NYSE regulations, each committee member participating in approving the CEO s compensation must also meet the independence requirements under Section 162(m) (*Section 162(m)*) of the Internal Revenue Code (the *Code*) and must meet the independence requirements under Section 16 (*Section 16*) of the Securities Exchange Act of 1934 (the *Exchange Act*). The independent members of the Board typically meet in executive session at every scheduled Board meeting and from time-to-time meet informally or by telephonic committee meetings. In 2016, the CID met several times in connection with the recruiting process for a new chief executive officer and other matters.

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 each of Messrs. Booth, Henry and Ramrath is an Audit Committee financial expert, as defined by SEC regulations. The Audit Committee is, among other things, responsible for the selection and engagement, compensation, retention, oversight and, when deemed appropriate, termination of the Company s independent, registered public accounting firm. The committee also has oversight responsibility for the Company s General Auditor and must approve matters related to the General Auditor s employment and compensation. The Audit Committee generally meets in executive session separately with representatives of PwC, the Company s independent, registered public accounting firm, the Chief Financial Officer, and the General Auditor, following its in-person, regularly scheduled committee meeting.

Among its other responsibilities, as set forth in its charter, the Audit Committee reviews the arrangements for and the results of the auditor s examination of the Company s books and records, auditors compensation, internal accounting control procedures, and activities and recommendations of the Company s internal auditors, as well as any reports relating to the integrity of our financial statements, internal financial controls or auditing matters that are reported on our anonymous Alertline. It also reviews the Company s accounting policies, control systems and compliance with legal and regulatory requirements, as well as the resources of PwC dedicated to or otherwise supporting the Company s audit. As noted elsewhere, the committee is also responsible for reviewing related-person transactions and assessing the Company s risk management policies and procedures. The Audit Committee annually reviews and reassesses the adequacy of its charter.

Compensation Committee

The Compensation Committee has oversight responsibility with respect to compensation matters involving directors and executive officers of THG. It also provides general oversight of the Company s compensation

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structure, including compensation plans and benefits programs. In addition to meeting the independence requirements under the NYSE regulations, each committee member must meet the independence requirements under Section 16 and Section 162(m). Each of the members of the Compensation Committee satisfies the independence requirements of the NYSE rules and applicable SEC and Code requirements.

Use of Independent Outside Compensation Consultant

In executing its compensation responsibilities, the Compensation Committee engaged Frederic W. Cook & Co., Inc. (*F.W. Cook*), to assist it in making compensation decisions and to provide related information and advice.

During 2016, F.W. Cook:

- regularly attended, either in person or telephonically, Compensation Committee meetings;
- provided relevant market and comparative data and information;
- provided advice regarding compensation trends and developments;
- provided input to the Compensation Committee and management regarding the selection of peer companies against which to evaluate compensation levels and practices;
- assisted in the review and design of our director and executive compensation programs;
- provided advice with respect to compensation decisions relating to our executive officers;
- assisted in the review and design of our compensation packages offered to our new CEO and CFO; and
- reviewed and advised on transition-related compensation for certain former executive officers.

F.W. Cook was selected by, and reports to, the Compensation Committee. F.W. Cook is not engaged by the Company for any other purpose, and the Compensation Committee reviews all compensation payable to this firm.

Pursuant to its charter, the Compensation Committee may select its outside compensation consultant only after taking into consideration factors relevant to that consultant s independence, including such factors required to be considered under the listing standards of the NYSE. The Compensation Committee reviewed such factors as it deemed appropriate, including all such factors required by the NYSE listing standards, and is satisfied as to F.W. Cook s independence from the Company and its management.

Mr. Bullis, who served as our Interim Chief Financial Officer until Mr. Farber s appointment in November 2016, also served as the Chairman of the compensation committee of another public company that also retained F.W. Cook to assist it in making compensation decisions. Similar to the Company, F.W. Cook was engaged directly by that company s compensation committee. F.W. Cook was not involved in advising the Company with respect to the form or amount of any of Mr. Bullis s compensation, and the Company has determined that there was no conflict of interest with respect to this relationship. Mr. Bullis s term as a director of that company expired in May 2016.

Compensation Committee Interlocks and Insider Participation

During 2016, our Compensation Committee consisted of Ms. Francis and Messrs. Condron and Knox. None of our executive officers serve, or during 2016 did serve, as a member of the board of directors or compensation committee of any company that has one of its executive officers serving as a member of our Board or Compensation Committee.

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Nominating and Corporate Governance Committee

The NCGC 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. In addition to formal meetings of the NCGC, members of the committee met numerous times in connection with its director search efforts.

Consideration of Director Nominees

The NCGC may identify candidates for nomination to the Board through several sources, including recommendations of non-management directors, shareholders, the CEO, other executive officers, an outside search firm or other resources. Committee members 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 and background.

Director Qualifications

Members of the Board and nominees for election should possess high personal and professional ethics, integrity and values, and be committed to representing the long-term interests of our shareholders. To maintain a majority of independent directors on the Board, as required by our Corporate Governance Guidelines, the NCGC and the Board have a strong preference that nominees meet our independence standards. 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. While we do not have a formal policy in this regard, when evaluating a candidate for Board membership, the NCGC and the Board may also take into consideration factors such as diversity and age. In addition, without the approval of the NCGC, nominees who are CEOs (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. All directors and nominees for election are in compliance with this policy.

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, 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 chair. To allow the committee sufficient time to consider a candidate in advance of an annual meeting, a shareholder 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 approval of the Board must deliver written notice of such nomination to the Company s Corporate Secretary not less than 60 days or more than 90 days prior to the Annual Meeting. The notice must set forth the name, address and number of shares of THG stock held by the shareholder submitting the nomination, as well as information concerning the nominee that is required to be disclosed pursuant to the Exchange Act 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.

Communicating with the Board

Shareholders and other interested parties can communicate with the Board, including the non-management directors and the Independent Presiding Director, by writing to The Hanover Insurance Group, Inc., Board of Directors, Attn: Corporate Secretary, 440 Lincoln Street, Worcester, Massachusetts 01653, through the website www.HanoverAlertLine.com or by calling 1-800-533-2547. An independent third-party service retrieves all submissions to the website and answers all calls to the toll-free telephone number, and passes the information on to our General Counsel, our General Auditor and the chair of the Audit Committee, who, when appropriate, 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 chair 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 the Board. Further information regarding communications with the Board may be found at the Company s website, www.hanover.com, under About Us-Corporate Governance Contact the Board.

Director Compensation

The Compensation Committee (the *Committee*) is responsible for reviewing and advising the Board with respect to the Company s director compensation practices and programs. In executing such responsibilities, the Committee reviews relevant market data provided by F.W. Cook to assist it in developing compensation recommendations. The market data considered includes analysis of the Comparative Proxy Data Companies, excluding HCC Insurance Holdings, Inc. due to its acquisition (for more information on these companies, please see pages 34-35), size-adjusted general industry survey data from F.W. Cook s 2015 Non-Employee Director Compensation Report, a comprehensive survey source comprised of 300 randomly selected companies from various industries categorized based on their revenue and market cap size, and a review of recent trends and developments in director pay. The Committee presents its recommendations to the full Board, which, usually at its May meeting, makes its compensation decision for the succeeding year (beginning immediately following the Annual Meeting of Shareholders and running until the next Annual Meeting of Shareholders (the *Annual Compensation Cycle*)). In setting director compensation, the Board considers competitive pay levels in light of the amount of time that directors expend in fulfilling their duties to the Company, as well as the level of skill and expertise the Company requires of its Board. Additionally, awards to directors under the Company s 2014 Long-Term Incentive Plan (the *2014 Plan*) must comply with the annual limits contained in the plan.

For the 2016/2017 Annual Compensation Cycle, the Committee engaged in a review of director compensation, including a review of market data from the Comparative Proxy Data Companies and other general industry data. Based on information provided by F.W. Cook and the recommendation of the Committee, all retainer fees remained unchanged from the 2015/2016 Annual Compensation Cycle, with the exception of a

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$25,000 increase in the Chairman of the Board retainer, which was increased based on review of this data and the results of a competitive assessment.

Fees		2016/2017 Annual Compensation Cycle
Annual Director Retainer		
Stock Component (issued pursuant to the 2014 Plan)	$	125,000
Cash Component	$	85,000
Chairman of the Board Retainer	$	125,000
Committee Chairperson Retainers		
NCGC	$	10,000
Compensation	$	14,000
Audit	$	24,000
Committee Member Annual Retainer		
NCGC	$	5,000
Compensation	$	7,000
Audit	$	12,000

In addition to the fees set forth in the table above and in recognition of the time and effort devoted by the members of the Board comprising the special CEO search committee (Mr. Condron (chair), Ms. Egan and Messrs. Angelini, Booth and Ramrath), the Committee approved a retainer of $10,000 to each member of the CEO search committee and an additional $10,000 retainer to the chair of the CEO search committee. These retainers were paid at the same time as the annual retainers.

The Company reimbursed Mr. Angelini s employer, Bowditch & Dewey, for estimated expenses for administrative support related to his duties as Chairman of the Board. Additionally, the Company s charitable foundation provides matching contributions to gifts made by directors to qualified charities, up to $5,000 per director per calendar year.

At the election of each director, (i) cash retainers may be converted to Common Stock, and (ii) cash and stock compensation may be deferred pursuant to our non-employee director deferral plan. Deferred cash amounts are accrued in a bookkeeping account that is credited with notional interest based on the so-called General Agreement on Tariffs and Trade (*GATT*) rate (3.03% for 2016, as determined using the November 2015 published rates).

Mr. Zubretsky, as an employee of the Company, receives no additional compensation for his service as a member of the Board. Also, Mr. Eppinger, our former CEO, did not receive any additional compensation for his service as a member of the Board.

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Director Compensation Table

The following table sets forth the total compensation for our non-employee directors for calendar year 2016.

Name	Fees Earned in Cash ($)	Stock Awards ($) (1)	All Other Compensation ($) (2)	Total ($)
Michael P. Angelini	220,011(3)	124,989(3)	5,000	350,000
Richard H. Booth	112,011(3)	124,989(3)	5,000	242,000
Jane D. Carlin (4)	38,591(3)	56,703(3)		95,294
P. Kevin Condron	126,011(3)	124,989(3)	5,000	256,000
Cynthia L. Egan	100,011	124,989	5,000	230,000
Karen C. Francis	92,011(3)	124,989(3)	5,000	222,000
Daniel T. Henry	97,011	124,989	5,000	227,000
Wendell J. Knox	92,011(3)	124,989(3)	5,000	222,000
Joseph R. Ramrath	131,011	124,989	5,000	261,000
Harriett Tee Taggart	100,011	124,989	5,000	230,000

(1) The amounts in this column reflect the grant date fair value of the 2016-2017 annual stock retainer paid in 2016 and computed in accordance with FASB ASC Topic No. 718. Amounts calculated are based on the closing price of our Common Stock on the NYSE on the date of grant. To the extent applicable, assumptions used in the calculation of grant date fair value amounts are included in Note 11 to the Company s audited financial statements for the fiscal year ended December 31, 2016 included in the Company s Annual Report.
None of our non-employee directors held any stock options or other unvested stock-based awards as of December 31, 2016. For information on the share holdings for our directors, please see Stock Ownership by the Company s Directors and Executive Officers on pages 5-6.

(2) Consists of matching contributions by the Company s charitable foundation to qualified charitable organizations.
(3) All or a portion of this amount has been deferred at the election of the director.
(4) Annual cash and stock retainers were pro-rated to reflect that Ms. Carlin joined the Board on December 5, 2016.

Board s Role in Risk Oversight

The Board of Directors is responsible for assessing major risks facing the Company and reviewing options for risk mitigation. Management presentations, business updates and strategic planning discussions with the Board and its committees regularly incorporate a discussion of risks and plans for mitigating or managing such risks. The Board, directly or through its standing committees, periodically receives reports and presentations from management, including the Company s Chief Risk Officer, on various matters which, in its view, merit attention from a risk management perspective, such as with respect to counterparty risks, reserves, insured exposure aggregation levels, reinsurance levels and creditworthiness of our reinsurers, the investment portfolio, litigation and regulatory matters, technology and information security, capital considerations, acquisitions, growth plans and matters relating to leadership and succession.

In order to assist the Board in its responsibility to assess major risks, the Audit Committee is responsible for reviewing with management certain financial and business risk exposures and the steps management has taken to monitor and control such risk exposures, including the Company s enterprise risk assessment and risk management policies and procedures. Throughout the year, the Audit Committee receives periodic reports from the Company s Chief Risk Officer. The Audit Committee reports to the Board its assessment of the Company s risk management policies and procedures.

Additionally, with respect to examining risks associated with the Company s compensation programs, each year a committee comprised of a cross-section of officers of the Company conducts a review and risk assessment of the Company s material incentive compensation plans. The results of this assessment are presented to the Compensation Committee in connection with the committee s approval of the Company s executive compensation plans for the upcoming year and are also reviewed by the committee s independent compensation consultant. The results of the committee s risk assessment are also provided to the other members of the Board. For additional information, see Risk Management and Compensation in the Compensation Discussion and Analysis section on pages 53-54.

The NCGC is charged with, among other things, assessing with the Board risks associated with succession planning.

Director Retirement Policy

It is the policy of the Board that a director submit his or her resignation and retire at the Annual Meeting of Shareholders following his or her attainment of age 72. Notwithstanding the foregoing, by a vote of the Board after completion of an individual director review and assessment process administered by the NCGC, the Board may decline to accept such resignation and (i) with respect to a director who has not served for ten complete annual meeting cycles at the time he or she would otherwise have first been required to retire, such retirement may be deferred for the longer of (X) five additional annual election cycles, or (Y) such number of additional terms such that, including terms previously served, the director will not have served in excess of ten complete annual election cycles; and (ii) with respect to a director whose service is not eligible for an extension under clause (i) above, such director s retirement may be deferred on an annual basis up to the date of the Annual Meeting of Shareholders following his or her attainment of age 75. Any director whose retirement has been deferred in accordance with the foregoing shall again submit his or her resignation, effective at the end of such director s term, for the Board s consideration.

In accordance with the director retirement policy, the NCGC has deferred Mr. Angelini s resignation. If he is re-elected, Mr. Angelini s resignation will be effective at the end of his new term, which would expire in 2018; he would not be eligible for any additional extensions of his term beyond 2018 under the director retirement policy.

Code of Conduct

The Company has adopted a Code of Conduct, which is applicable to all directors, officers and employees of the Company, including our Chief Executive Officer, Chief Financial Officer and Controller. The Code of Conduct is available on the Company s website at www.hanover.com under About Us-Corporate Governance Company Policies. For a printed copy of the Code of Conduct, shareholders should contact the Company s Corporate Secretary. The Company will disclose any amendments to the Code of Conduct (other than technical, administrative or non-substantive amendments), or waivers of provisions of the Code of Conduct for its Chief Executive Officer, Chief Financial Officer or Controller on its website within four business days following the date of such amendment or waiver.

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ITEM I

ELECTION OF DIRECTORS

The Board currently has eleven members and consists of three classes whose terms end in successive years. There are four nominees for election at the Annual Meeting. In order to comply with our director retirement policy, Mr. Angelini is being nominated to serve for a one-year term expiring in 2018. Ms. Carlin, Mr. Henry and Mr. Knox are each being nominated to serve for a three-year term expiring in 2020. Ms. Francis informed the Company in December 2016 that she would not be seeking re-election to the Board at the Annual Meeting, when her current term as a director is scheduled to expire, due to her increasing commitments to business activities in the automotive industry, including engagement on three boards of directors in the industry.

Directors serve until the expiration of their stated term and until their successor has been duly elected and qualified or until their earlier death, resignation, removal or disqualification.

All of the nominees have indicated their willingness to serve and, unless otherwise directed, it is intended that proxies received in response to this solicitation will be voted in favor of the election of each of the nominees.

The affirmative vote of a 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. Broker non-votes and abstentions, because they are not votes cast, are not counted for this proposal and will have no effect on the outcome.

If a nominee who is currently serving as a director is not re-elected at the Annual Meeting, then under Delaware law, the director would continue to serve on the Board as a holdover director. However, under our by-laws, any director who is nominated but fails to be re-elected is required to promptly tender his or her resignation to the Board, effective at the end of his or her current term. 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.

In the event that any of the nominees should be unavailable to serve as a director, it is intended that the proxies will be voted for the election of such substitute nominees, if any, as shall be designated by the Board. Management has no reason to believe that any of the nominees will be unavailable to serve.

Information as to each nominee and as to directors continuing in office can be found under the section of this Proxy Statement entitled Corporate Governance.

The Board recommends a vote FOR each of the director nominees.

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ITEM II

ADVISORY APPROVAL OF THE COMPANY S EXECUTIVE COMPENSATION

Each year since our annual meeting in 2011, we have provided our shareholders with the opportunity to cast an advisory vote regarding the compensation of our named executive officers. At each meeting, our shareholders overwhelmingly approved the proposal, with more than 95% of the votes cast voting in favor of each proposal. As required by Section 14A of the Exchange Act, we are again seeking advisory shareholder approval of the compensation of our named executive officers, as disclosed in the section of this Proxy Statement entitled Executive Compensation. Shareholders are being asked to vote on the following advisory vote:

Voted: *That the shareholders advise that they approve the compensation of the Company s named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which disclosure includes the Compensation Discussion and Analysis, the compensation tables, and any related material).*

A substantial percentage of our named executive officers compensation is directly tied to stock performance and the attainment of financial and other performance measures that the Board believes promote long-term shareholder value and position us for long-term success. As described more fully in the Compensation Discussion and Analysis, the mix of fixed and performance-based compensation, the terms of our short- and long-term incentive compensation programs, and the weighting of variable compensation more heavily toward equity awards, are all designed to enable us to attract and retain top talent and align the interests of our executive officers with those of our shareholders, while balancing risk and reward. The Compensation Committee and the Board believe that the design of the programs, and the compensation awarded to the named executive officers under the current programs, fulfills these objectives.

Shareholders are urged to read the Compensation Discussion and Analysis section beginning on page 29, which discusses in detail how our compensation programs support our compensation philosophy.

Although the vote is non-binding, the Board and the Compensation Committee will consider the voting results in connection with their ongoing evaluation of the Company s compensation programs. Pending the Board s review of the outcome of the non-binding shareholder vote on Item III, as described in more detail on the following page, we currently intend to hold advisory votes on executive compensation annually. Accordingly, we anticipate that the next such vote will be held at the Company s 2018 Annual Meeting of Shareholders.

The affirmative vote of a majority of the votes properly cast (in person or by proxy) is required for approval of this proposal. Abstentions and broker non-votes, because they are not votes cast, are not counted for this proposal and will have no effect on the outcome.

The Board recommends a vote FOR the approval of this proposal.

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ITEM III

ADVISORY VOTE ON THE FREQUENCY OF HOLDING AN ADVISORY VOTE ON EXECUTIVE COMPENSATION

In Item II, we are asking shareholders to cast an advisory vote approving the compensation disclosed in this Proxy Statement that we paid in 2016 to our named executive officers. Such advisory vote is referred to as a say-on-pay vote.

In this Item III, shareholders are being asked to submit a separate, non-binding, advisory vote on how frequently we should have say-on-pay votes in the future. As required by Section 14A of the Exchange Act, we submit this separate question to a shareholder vote at least once every six years. In voting on this resolution, you should mark your proxy for one, two or three years based on your preference as to whether say-on-pay votes should be held every one, two or three years. Alternatively, you may indicate that you are abstaining from voting.

Since our annual meeting in 2011, we have provided our shareholders with the opportunity to cast an advisory vote regarding the compensation of our named executive officers annually. Our 2011 annual meeting was the last time that our shareholders were asked to vote on how frequently we should hold say-on-pay votes, and at that meeting over 86% of the votes cast in favor of a frequency proposal supported an annual say-on-pay vote.

The Board continues to believe that an advisory vote on executive compensation that occurs every year, or annually, is the most appropriate alternative for the Company because (1) it allows for input from shareholders on the most frequent basis, helping to foster an ongoing dialogue between the Board of Directors and our shareholders; and (2) our shareholders overwhelmingly supported an annual say-on-pay vote the last time they were asked to vote on the frequency of the say-on-pay vote. Therefore, the Board recommends that you vote for an advisory vote on executive compensation every ONE year.

However, because this vote is advisory and not binding on the Board or the Company, the Board reserves the right to decide that it is in the best interests of our shareholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option recommended by our shareholders.

Approval of this proposal requires the affirmative vote of a majority of the votes cast on the proposal. If none of the three frequency options receives the vote of the holders of a majority of the votes cast, then we will consider the frequency option (one year, two years or three years) receiving the highest number of votes cast by shareholders to be the frequency that has been recommended by shareholders.

Abstentions and broker non-votes, because they are not votes cast, are not counted for this proposal and will have no effect on the outcome.

The Board recommends a vote for an advisory vote on executive compensation every ONE year.

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ITEM IV

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of PricewaterhouseCoopers LLP (*PwC*) has been appointed by the Audit Committee of the Board to serve as the Company s independent, registered public accounting firm for 2017. Representatives of PwC will be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions from shareholders.

The Board is submitting the appointment of PwC as the Company s independent, registered public accounting firm for 2017 to the shareholders for their ratification. The Audit Committee bears the ultimate responsibility for selecting the firm and will make the selection it deems best for the Company and its shareholders. Should the shareholders fail to ratify the appointment of PwC, the Audit Committee will reconsider the appointment and may retain PwC or another accounting firm without resubmitting the matter to shareholders. Similarly, ratification of the selection of PwC as the independent, registered public accounting firm does not limit the Audit Committee s ability to change this selection in the future.

The affirmative vote of a majority of the votes properly cast (in person or by proxy) is required for approval of this proposal. Abstentions, because they are not votes cast, are not counted for this proposal and will have no effect on the outcome.

The Board recommends a vote FOR the approval of this proposal.

Fees Incurred from PricewaterhouseCoopers LLP

The following table shows the fees paid or accrued for the audit and other services provided by PwC for 2016 and 2015:

	2016	2015
Audit Fees (1)	$ 3,948,896	$ 3,670,368
Audit-Related Fees (2)	212,284	19,500
Tax Fees (3)	288,973	258,839
All Other Fees (4)	19,604	142,547

(1) Audit fees represent fees for professional services provided in connection with the audit of our financial statements, including the audit of the internal controls over financial reporting, the review of our quarterly financial statements, and audit services provided in connection with statutory or other regulatory filings.
(2) Audit-related fees consisted primarily of attestation services, services provided in connection with reviews by state insurance departments, and other consulting services. Increase in audit-related fees in 2016 was primarily attributable to audit-related work on the Company s 2016 $375 million senior, unsecured debt offering.
(3) Tax fees related to legal entity restructuring undertaken by the Company.
(4) Other services included miscellaneous consulting services, purchased software and miscellaneous data analytics.

Pre-Approval Policy

The Audit Committee is required to pre-approve all services performed by the independent auditor. At the beginning of each annual audit cycle, the Audit Committee pre-approves certain categories of audit, audit-related and other services, but such projects within these categories with fees greater than or equal to $250,000 must be specifically approved.

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The Chair of the Audit Committee (or, in his absence, any other member of the Audit Committee) has the authority to pre-approve other audit-related and non-audit services to be performed by the independent auditors and associated fees, provided that such services are not otherwise prohibited and any decisions to pre-approve such services and fees are reported to the full Audit Committee at its next regular meeting. During 2016, the Audit Committee reviewed and pre-approved all services performed by the independent auditor, including non-audit services, in accordance with the policy set forth above. The Audit Committee reviews and considers aggregate fees for all audit-related and non-audit services compared to the overall audit fee in assessing the independence of PwC.

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Audit Committee Report

Review of Audited Financial Statements with Management

The Audit Committee reviewed and discussed with management the audited financial statements of the Company.

Review of Financial Statements and Other Matters with Independent Auditors

An integral part of the audit process is to ensure that the Audit Committee receives information regarding the scope and results of the audit. Various communication requirements pertaining to the conduct of an audit exist to enhance the information flow and to assist the Audit Committee in discharging its oversight responsibility. In this regard, the Audit Committee discussed with the Company s independent, registered public accounting firm, PricewaterhouseCoopers LLP, the matters required to be discussed by Auditing Standards No. 16, *Communication with Audit Committees*, issued by the Public Company Accounting Oversight Board (*PCAOB*). The Audit Committee also received written disclosures and a letter from PricewaterhouseCoopers LLP regarding its communications with the Audit Committee concerning independence from the Company, pursuant to applicable requirements of the PCAOB, and has discussed with PricewaterhouseCoopers LLP its independence from the Company. The Audit Committee has considered whether the provision of the non-audit professional services to the Company in 2016 is compatible with maintaining PricewaterhouseCoopers LLP s independence from the Company.

Responsibility and Oversight

Management is responsible for the Company s financial statements, the overall reporting process and the system of internal control over financial reporting. PricewaterhouseCoopers LLP, as our independent, registered public accounting firm, is responsible for conducting annual audits and quarterly reviews of the Company s financial statements and expressing an opinion as to the conformity, in all material respects, of the annual financial statements with generally accepted accounting principles in the United States and expressing an opinion on the effectiveness of our internal control over financial reporting as of the end of the fiscal year. In performing their oversight responsibility, the members of the Audit Committee rely, without independent verification of the information provided to them, on the representations made by management and PricewaterhouseCoopers LLP.

Recommendation that Financial Statements be Included in the Annual Report

Based on the reviews and discussions referred to above and relying thereon, the Audit Committee recommended to the Board that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC.

Other Matters

The Audit Committee satisfied its responsibilities under its Charter for the year 2016.

In accordance with the rules of the SEC, this report is not to be deemed soliciting material, or deemed to be filed with the SEC or subject to the SEC s Regulation 14A, other than as provided in Item 407 of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act, except to the extent the Company specifically requests that the information be treated as soliciting material or specifically incorporates it by reference in documents otherwise filed.

February 16, 2017

AUDIT COMMITTEE

Joseph R. Ramrath, Chair

Richard H. Booth

Daniel T. Henry

The Audit Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that THG specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

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EXECUTIVE COMPENSATION

Note Regarding Non-GAAP Financial Measures - The discussion of our results in this CD&A includes a discussion of our operating income (including and excluding the Fourth Quarter Reserve Adjustment, as defined below), ex-cat operating income (including and excluding the Fourth Quarter Reserve Adjustment), and net premium written excluding the impact from the sale of the U.K. motor division. Each of these financial measures is a non-GAAP financial measure. Reconciliations to the most directly comparable GAAP measure and/or explanations of how we calculate these measures are contained in *Appendix B* to this Proxy Statement, which is incorporated herein by reference.

Compensation Discussion and Analysis (*CD&A*)

The Compensation Committee (the *Committee*), in consultation with the Board s Committee of Independent Directors (the *CID*), is responsible for reviewing and establishing our executive compensation programs. More specifically, the Committee is responsible for approving the compensation for our executive officers, including those identified in the Summary Compensation Table on page 57 (our *named executive officers*, or *NEOs*), subject, in the case of our CEO, to ratification by the CID. Although this discussion and analysis refers principally to compensation of our NEOs, the same general compensation principles and practices apply to all of our executive officers.

Leadership Transition

During 2016, we announced the hiring of Mr. Zubretsky as our new CEO and Mr. Farber as our new CFO. Mr. Zubretsky succeeded Mr. Eppinger, who after 13 years as our CEO, announced in September of 2015 that he planned to retire effective immediately following the appointment of his successor. Mr. Farber succeeded Mr. Bullis, who was serving as CFO in an interim capacity while we sought a permanent replacement following the untimely death in 2015 of our previous CFO, David Greenfield. Because the compensation packages for each of the individuals serving in these roles during 2016 were established, in the case of our departing executives, with the understanding that there would be a mid-year transition, and in the case of Mr. Zubretsky and Mr. Farber, in an effort to recruit and entice these individuals to join the Company, the rationale and elements of compensation for each of these individuals was unique and not necessarily consistent with the annual pay decisions for our other NEOs or senior executives. Accordingly, the compensation for the individuals serving as our CEO and CFO will often be discussed separately.

Additionally, since at the time 2016 pay decisions were made, it was understood that both Mr. Eppinger and Mr. Bullis would be leaving the company mid-year, when we are otherwise discussing the compensation of our NEOs, as a group, for 2016 this discussion will generally exclude Messrs. Eppinger and Bullis, whose compensation will be discussed separately, as noted above. It will include the compensation for Messrs. Robinson and Slabbert, who were employed at the time such pay decisions were made, but who have also since separated from the Company in September 2016 and February 2017, respectively. We believe this approach will provide a more representative view of our pay programs with respect to our executive team.

Executive Summary and Overview

Fiscal 2016 Highlights

While in part dampened by net unfavorable prior year loss and loss adjustment expense development from our domestic operations of $174.1 million during the fourth quarter of 2016 (the *Fourth Quarter Reserve Adjustment*)(see discussion in 2016 Executive STIP below), our 2016 performance remained strong with significant contributions from virtually every component of our business. Highlights include:

- **Net Income** - net income of $155.1 million;
- **Operating Income** - pre-tax operating income of $322.8 million;
- **Ex-Cat Operating Income** - ex-cat operating income of $447.9 million;

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- **TSR** - total shareholder return of 62.5% (assuming reinvestment of dividends) for the three-year period ending on December 31, 2016;
- **Net Premium Written** - approximately 1.6% increase in net premium written from 2015 (excluding impact from sale of U.K. motor division in 2015);
- **Dividend Yield and Stock Repurchases** - increased our quarterly dividend by 8.7% to $0.50 per share, and repurchased approximately 1.3 million shares of Common Stock for approximately $105.6 million;
- **Book Value** - book value per share increased 1.8% from 2015;
- **Industry Recognition** - recognized by *Forbes* as one of America s Best Mid-Size Employers ; and
- **Strategic Objectives** - executed on several major strategic priorities, as discussed under 2016 Executive STIP below.

2016 Pay Decisions

During 2016, we maintained our commitment to pay for performance , continuing to emphasize variable compensation over fixed pay, and further aligning our compensation programs with evolving best practices. To that end, during 2016:

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Additionally, our compensation decisions reflect, in part, the overwhelming support our shareholders have expressed by approving our say on pay proposals. In each year since we began holding an annual say on pay vote, more than 95% of the shares cast on these proposals have been voted in favor of our executive pay programs and practices.

2016 NEO Pay Mix

The following charts represent the 2016 pay mix for Mr. Zubretsky, our CEO, and our other NEOs as a group (excluding Messrs. Eppinger and Bullis), expressed as a percentage of total target compensation opportunity for the year.

Relationship Between Pay and Performance

One of the primary objectives in the design and implementation of our executive compensation programs is to ensure that a meaningful relationship exists between the compensation earned by our executives and the overall success of our organization. This objective, however, must also be weighed against other important considerations, such as the importance of rewarding individual achievement, recognizing the longer-term value of achieving strategic and operating objectives, attracting and retaining key executives and maintaining stability in our organization. The Committee also gives consideration to events or circumstances that we have limited ability to manage, such as unusual weather-related losses and catastrophes. In an effort to achieve these objectives, we design our executive compensation programs to include what we believe is an appropriate mix of fixed versus variable compensation elements.

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Over the past three years, variable compensation opportunities (long-and short-term incentive target awards) have comprised nearly three-quarters of our NEOs total target annual compensation opportunity, nearly two-thirds of which has been in the form of long-term equity awards tied to stock price performance. We believe tying such a large portion of our NEOs target compensation opportunity to variable compensation, while providing competitive levels of base salary, strikes an appropriate balance and has resulted in a meaningful relationship between our performance over the period and pay actually earned and realized by our executives.

To demonstrate the relationship between pay and performance, compensation consultants and proxy advisory firms have promoted the use of various realized, realizable or earned pay formula analyses. We believe such an analysis is useful and may serve as a valuable tool to measure the effectiveness of our compensation program design, but we recognize that no standard definition of realized, realizable or earned pay has emerged, and each variation utilized by consultants and proxy advisory firms has significant limitations. Accordingly, rather than devise and illustrate alternative formulaic measures, we believe an examination of variable compensation earnings over the past three years sufficiently demonstrates the connection between our overall performance and the amounts earned by our NEOs.

By most measures, we have demonstrated very strong performance over the past three years. During this period, we achieved high levels of operating income, our stock price appreciated 52%, our annual dividends paid per share increased over 24% ($1.52 per share in 2014 to $1.88 per share in 2016), and we returned over $474.9 million to shareholders in the form of stock buy-backs and dividend payments. Moreover, we significantly strengthened our balance sheet and continued to diversify our business across product lines and geographies and managed through the transitions of our CEO and CFO. We believe that our executive compensation programs over this period appropriately rewarded our executives for the value generated for our shareholders.

Short-Term Incentive Compensation Awards

Year	Performance Measure Targets	Actual Results / Percent of Target	Payout Relative to Target Award
2014	Operating Income - $390M - $430M Ex-Cat Operating Income - $625M - $665M Pre-Established Strategic Priorities	$406.2M - 100% $629.2M - 100% Achieved - 100%	100%
2015	Operating Income - $445M - $485M Ex-Cat Operating Income - $680M - $720M Pre-Established Strategic Priorities	$465.6M - 100% $646.9M - 92% Achieved - 100%	100%
2016*	Operating Income - $455M - $495M Ex-Cat Operating Income - $705M - $745M Pre-Established Strategic Priorities	$322.8M - 52% $447.9M - 0% Achieved - 100%	51%

* Represents payout amount for participating NEOs. For additional details, please see 2016 Executive STIP beginning on page 39.

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Long-Term Incentive Compensation: PBRSUs Vesting During 2014, 2015 and 2016

Year Ended	Target (100%)	3-Year Total Shareholder Return	Relative Total Shareholder Return	Payout
2014	Relative Total Shareholder Return at the 50th Percentile	121.51%	87th Percentile	150%
2015		133.81%	96th Percentile	150%
2016		62.48%	79th Percentile	150%

Long-Term Compensation: Options Granted in 2014, 2015 and 2016

		FY End 2014		FY End 2015		FY End 2016	
Year of Option Award	Option Exercise Price	THG Closing Price	Intrinsic Value per Option	THG Closing Price	Intrinsic Value per Option	THG Closing Price	Intrinsic Value per Option
2014	$57.99	$71.32	$13.33	$81.34	$23.35	$91.01	$33.02
2015	$70.24	N/A		$81.34	$11.10	$91.01	$20.77
2016*	$82.74	N/A				$91.01	$8.27

* Does not reflect 2016 awards to Messrs. Zubretsky and Farber because each received off-cycle awards in connection with their hiring.

Other Significant Compensation Practices

- **Vesting** - our long-term equity incentives, including performance-based incentives, generally vest over a period of three years to ensure that our executives maintain a longer-term view of shareholder value creation and to encourage retention;
- **Clawback Policy** - we maintain a clawback policy that requires NEOs, in certain circumstances, to return cash and equity incentive compensation payments if our financial statements are restated as a result of their wrongdoing. Additionally, the terms of our equity award agreements require the executive to return the value received upon vesting of such award in the event the executive breaches certain non-solicitation, non-interference or confidentiality provisions or otherwise violates our Code of Conduct;
- **Limited Perquisites** - we limit the perquisites provided to our executives;
- **Prohibition on Pledging/Hedging** - executives and directors are prohibited from pledging any of their THG shares or hedging their exposure to ownership of, or interests in, our stock and from engaging in speculative transactions with respect to our stock;
- **Stock Ownership Guidelines** - we require our executives to maintain substantial levels of ownership of our stock to ensure that their interests are effectively aligned with those of our shareholders (see Stock Ownership Guidelines for Named Executive Officers and Directors beginning on page 6);

- **Contractual Protections for the Company** - every executive is subject to non-solicitation, non-interference and confidentiality agreements that extend one year or more beyond termination of employment;
- **No Dividend Equivalent Rights** - time- and performance-based restricted stock units and options do not carry dividend equivalent rights;
- **No Re-pricing of Stock Option Grants** - we have never re-priced stock option grants;
- **Limited Tax Gross-Ups** - new participants in the Employment Continuity Plan (the change in control or *CIC Plan*) are not entitled to receive any 280G tax gross-up payments; and
- **Double Trigger for Change in Control Benefits** - our CIC Plan and our long-term award agreements each contain double trigger provisions that generally require an involuntary or constructive termination of employment in connection with a change in control as a condition to receiving change in control benefits.

In summary, our NEO compensation has been significantly affected by our performance and, with respect to long-term awards, our stock price. The Committee continues to grant *target* compensation at levels that it believes are appropriate in light of current circumstances, but *actual* compensation is, and is expected to continue to be, highly dependent on our financial performance and stock price appreciation.

Executive Compensation Policy and Objectives

The overall objectives of our executive compensation programs are to:

- attract and retain qualified, high-performing individuals who will contribute to our continued success;
- balance risk and reward and tie a significant portion of compensation to overall performance;
- motivate executives to achieve our financial and business objectives; and
- align the long-term interests of our executives with those of our shareholders.

Each component of compensation is intended to achieve particular objectives, and the entire compensation package is designed to align with our business strategy and be reasonably competitive in the marketplace. Although we do not have a policy for a fixed allocation between either cash and non-cash or short-term and long-term incentive compensation, we design our NEO compensation packages with greater emphasis on variable compensation tied to performance rather than base salary, and a significant portion of total targeted compensation is in the form of long-term, equity-based awards, which are subject to substantial vesting requirements and the value of which are dependent on our stock performance. This approach is intended to balance short- and long-term performance goals and promote shareholder value.

Setting Executive Compensation

Use of Compensation Consultants and Comparative Data

In evaluating our executive compensation programs, the Committee is advised by its independent compensation consultant, F.W. Cook, as discussed in the Corporate Governance section beginning on page 17. F.W. Cook provides information as to compensation levels for comparable positions at other companies that compete with us for executive talent. For 2016, this data was prepared based upon the publicly disclosed proxy materials of the group of property and casualty insurance companies listed below (the *Comparative Proxy Data*) and market pay data collected from the Mercer U.S. Property & Casualty Insurance Company Survey (size-adjusted data collected from 55 property and casualty insurance companies) (the *Comparative Market Data*). The companies included in the group providing the Comparative Proxy Data were determined by the Committee based upon the recommendation of F.W. Cook and remain unchanged from the group used in 2015.

Comparative Proxy Data Companies

Alleghany Corporation	Selective Insurance Group, Inc.
American Financial Group, Inc.	State Auto Financial Corporation
Cincinnati Financial Corporation	The Chubb Corporation*
CNA Financial Corporation	The Hartford Financial Services Group, Inc.
HCC Insurance Holdings, Inc.*	The Progressive Corporation
Markel Corporation	White Mountains Insurance Group, Ltd.
Mercury General Corporation	W.R. Berkley Corporation
Old Republic International Corporation	XL Group plc

** Given that the merger of Chubb with ACE Limited and the acquisition of HCC were not announced until late 2015, pay practices set forth in their 2015 proxy statements were still deemed suitable for comparison purposes.*

The Committee reviews the Comparative Proxy Data and the Comparative Market Data, including information on base pay levels, target and actual total cash levels, long-term incentive opportunities and target and actual total compensation levels, as well as comparative financial metrics, such as direct premium written, market capitalization, and net income. While the Committee believes the Comparative Proxy Data and the Comparative Market Data are useful, such data is intended solely to serve as one of several reference points to assist the Committee in its compensation discussions and deliberations. Accordingly, rather than relying on or setting benchmarks for our executive compensation against such data, the Committee instead relies on the general knowledge, experience and judgment of its members, both with regard to competitive compensation levels and the relative success that we have achieved in recruiting and retaining personnel.

Role of Executive Officers in Compensation Decisions and CEO Performance Review

Committee meetings are regularly attended by our CEO, General Counsel, Chief Human Resources Officer and our Chairman of the Board (who is an independent director, but not a Committee member), as well as a representative of F.W. Cook. Each individual generally participates in these meetings and provides counsel and advice at the Committee s request. Other independent directors also attend meetings from time to time. In addition, the Committee regularly meets in executive sessions without members of management present. An executive is not permitted to be present while the Committee conducts its deliberations on that executive s compensation.

Following a process that was established by the Nominating and Corporate Governance Committee (the *NCGC*) and the Board, our independent Chairman of the Board leads an annual performance review of the CEO. This review includes discussions with directors and officers, and a review of the CEO s self-assessment and of our financial and operational performance. The results of this performance evaluation are reviewed and discussed by the CID. Preliminary or final results of this review process help form the basis for establishing the CEO s annual compensation package, although the process was less formal at 2016 year-end in light of the transition to a new CEO. The CID has final authority to ratify the compensation of our CEO.

For compensation decisions regarding NEOs (other than the CEO), the Committee primarily considers the recommendations of our CEO, its own observations regarding each executive, as well as information provided by F.W. Cook.

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Principal Components of Executive Compensation

*	For Chaucer, amount is generally paid in two equal tranches during April 2017 and January 2018.

**	For Mr. Slabbert, also consists of PBRSUs that are earned only to the extent that Chaucer achieves predetermined levels of return on allocated capital over the period.

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Annual Base Salary

Annual salary is designed to provide a fixed level of compensation to our NEOs based on their roles, skills, qualifications and competitive pay levels, as well as to attract (in the case of our new CEO and CFO) and retain employees. Base salary, however, is only one of several different components of an executive s total compensation package and makes up a significantly smaller portion of total target compensation than the short- and long-term incentive opportunities described below.

2016 Base Salary

NEO	2016 Base Salary ($)	% Change
Joseph M. Zubretsky President and CEO	1,000,000	N/A
Jeffrey M. Farber EVP and CFO	650,000	N/A
J. Kendall Huber EVP and General Counsel	510,000	2.0
John C. Roche EVP, President, Commercial Lines*	485,000	5.4
Former Officers		
Frederick H. Eppinger Former President and CEO	1,000,000	
Eugene M. Bullis Former EVP and Interim CFO	1,200,000	
Andrew S. Robinson Former EVP, Corporate Development and President, Specialty	465,000	1.1
Johan G. Slabbert Former CEO, Chaucer	418,500	21.6

** As previously announced by the Company, on April 1, 2017 Mr. Roche will assume the role of EVP, President, Agency Markets.*

In each case, the 2016 base salary adjustments were deemed warranted in light of the expertise and experience of the NEO, the breadth of his responsibilities and competitive compensation trends. For Mr. Zubretsky and Mr. Farber, base salary levels were established by the Committee and the CID, in part, to attract these individuals to join the Company (see Management Transition Arrangements below for additional details). Given his interim role, substantially all of Mr. Bullis s total annual compensation was in the form of base salary. Mr. Slabbert s increase reflected his promotion to CEO of Chaucer in September 2015.

Short-Term Incentive Compensation

Our short-term incentive compensation programs are annual performance-based bonus programs intended to provide cash compensation opportunities for our NEOs. Opportunities are generally targeted at a percentage of

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annual base salary, based on each NEO s role and overall pay package. Specifically, these programs are designed to motivate and reward:

- achievement of annual targeted financial goals;
- overall contribution to the Company;
- achievement of annual operating business goals and strategic priorities that are linked to overall corporate financial results and other business priorities; and
- demonstration of core leadership competencies.

As in past years, at the beginning of 2016, we implemented two separate short-term incentive plans for our NEOs: the 2016 Executive Short-Term Incentive Compensation Program (*2016 Executive STIP*) for our domestic NEOs; and the 2016 Chaucer Annual Bonus Scheme (the *2016 Chaucer STIP*) for Mr. Slabbert, our then President and CEO of Chaucer. This year, however, due to the mid-year appointments of a new CEO and CFO, we also implemented customized short-term incentive plans (*STIPs*) for the individuals serving in these roles. Each of these programs is discussed below. Since Mr. Robinson terminated employment mid-year and received severance compensation upon such termination (see Robinson Separation Agreement below), he was not entitled to a payment of a 2016 Executive STIP award.

Chief Executive Officer Programs

In June, Mr. Zubretsky succeeded Mr. Eppinger as our President and CEO. This was expected, since Mr. Eppinger announced during the previous year his desire to retire. Accordingly, given the unique circumstances associated with the planned transition, the Company established separate STIPs for each executive.

Joseph Zubretsky

With respect to Mr. Zubretsky, his 2016 STIP award provided for a payment equal to the *lesser* of (i) 1% of our pre-tax operating income (adjusted to exclude interest expense and the impact of catastrophes) (*ex-Cat Operating Income*) measured over the six-month period ending December 31, 2016, or (ii) $1,400,000, which is 140% of his 2016 annualized base salary (see Zubretsky Offer Letter below). When choosing this metric and performance period, the Committee took into account that Mr. Zubretsky would have limited influence on the Company s underlying financial performance during the last six months of 2016 and that his primary responsibility during this time was to manage the transition and develop a long-term strategy for the organization.

Additionally, the bonus formula was selected in part to recruit Mr. Zubretsky and to also enhance deductibility of his award under Section 162(m) of the Internal Revenue Code (*Section 162(m)).* One percent of our ex-Cat Operating Income for the six-month period ending December 31, 2016 was $1.506 million. Accordingly, Mr. Zubretsky s 2016 STIP award was $1,400,000.

For 2017, Mr. Zubretsky s STIP award is on substantially the same terms and conditions as our other domestic NEOs.

Frederick Eppinger

During September 2015, Mr. Eppinger announced his intention to retire effective upon the appointment of his successor. At that time, it was expected that his successor would soon be appointed and that he would

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terminate his employment with the Company during the early part of 2016. Accordingly, when the 2016 Executive STIP was approved in early 2016, Mr. Eppinger was not granted an award opportunity under the plan. Instead, the Committee agreed that Mr. Eppinger would be eligible for a short-term award targeted at 140% of his annualized base salary (similar to his 2015 target STIP award), but pro-rated to reflect the number of days he served as our CEO during 2016 (see Eppinger Transition Arrangements below). The actual amount to be paid, however, was to be based upon the Committee s evaluation of both the Company s and his performance during his tenure as CEO during 2016. It was intended, generally, that his payout would be reasonably commensurate with the funding levels for short-term awards for other executive officers.

Based upon (i) Mr. Eppinger s continued leadership, focus, and commitment during the transition to a new CEO; (ii) the Company s overall performance (as discussed above in Fiscal 2016 Highlights); and (iii) the funding level achieved under the Leadership Short-Term Incentive Compensation Program (the *Annual Bonus Plan*) (discussed below), Mr. Eppinger s 2016 pro-rated STIP award was $357,000 (i.e., 51% of target, pro-rated based on time of service as CEO).

Chief Financial Officer Programs

In October, Mr. Farber joined the Company, and he succeeded Mr. Bullis as our CFO in November. Mr. Bullis had been appointed interim CFO following the passing of David Greenfield in late 2015. Given the unique circumstances associated with the planned transition, the Company established separate STIPs for each executive.

Jeffrey Farber

With respect to Mr. Farber, his 2016 STIP award provided for a payment equal to the *lesser* of (i) 1% of our ex-Cat Operating Income measured over the three-month period ending December 31, 2016, or (ii) 50% of his 2016 annualized base salary ($325,000) (see Farber Offer Letter below). When choosing this metric and performance period, the Committee considered the level of payment that would be required to recruit Mr. Farber and that Mr. Farber would have limited influence on the Company s underlying financial performance during the last few months of 2016. Due to the Fourth Quarter Reserve Adjustment (discussed below), we did not record any ex-Cat Operating Income during the three-month period ending December 31, 2016. Accordingly, Mr. Farber did not receive a 2016 STIP Award.

For 2017, Mr. Farber s STIP award is on substantially the same terms and conditions as our other domestic NEOs.

Eugene Bullis

Because Mr. Bullis served in an interim capacity, substantially all of his compensation was in the form of base salary. However, in lieu of any short or long-term compensation for 2016, he was given a $100,000 retention award (See Bullis Interim CFO Arrangements below).

Programs for Other NEOs

2016 Executive STIP

The 2016 Executive STIP is intended to comply with the qualified performance-based compensation requirements of Section 162(m) and thereby, to the extent it so qualifies, enable bonuses paid to our NEOs under

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it to be treated as tax deductible by the Company. The 2016 Executive STIP was established by the Committee pursuant to the shareholder-approved 2014 Executive Short-Term Incentive Compensation Plan. Under the 2016 Executive STIP, a maximum funding pool for annual awards (*Maximum Funding Pool*) is determined in accordance with the level of achievement of a pre-determined performance metric. For 2016, the Maximum Funding Pool for awards to our NEOs was set at 2% of 2016 *ex-Cat Operating Income,* and the maximum award payable under the 2016 Executive STIP to each NEO was equal to the *lesser* of (i) 17.5% of the Maximum Funding Pool, or (ii) 200% of the NEO s target award. For 2016, the target STIP award for Messrs. Huber and Roche was 75% and 65% of base salary, respectively.

The Committee has discretion, subject to the maximum amounts described above, to determine the individual bonus amount to be paid to each NEO. The Committee does not intend for the Maximum Funding Pool to represent an expectation as to the amounts to be paid to the NEO. Rather, an individual NEO s actual award under the 2016 Executive STIP is determined after considering:

- the NEO s target award;
- the funding level achieved under the *Annual Bonus Plan*, as discussed below;
- our financial performance and success in achieving other financial, operating and strategic goals;
- historical compensation awards; and
- the executive s overall performance and contribution.

For 2016, the maximum funding available for Messrs. Huber and Roche under the plan was $1.4 million. Because the maximum funding level under the plan produced a larger funding pool than the Committee determined was necessary for awarding bonuses consistent with its objectives, the Committee awarded less than the maximum amount available to be awarded under the plan.

In determining the individual awards for our NEOs, for 2016, the Committee primarily considered:

- the funding level achieved under the Annual Bonus Plan; and
- each NEO s overall individual performance.

Each of these is described below.

The funding level achieved under the Annual Bonus Plan. The Annual Bonus Plan is a performance-based bonus program that provides incentive cash compensation opportunities to key domestic officers and employees, excluding our NEOs. For 2016, potential funding under the Annual Bonus Plan ranged from 0% to a maximum of 200% of target based on the following three equally weighted performance components: (i) as-reported operating income (pre-tax and excluding interest on debt) (*Operating Income*); (ii) ex-Cat Operating Income; and (iii) the strategic objectives discussed below. The Committee chose this combination of performance metrics because these are the primary measures by which the Board evaluates our financial and operating performance. Achievement of these performance metrics is expected to enhance our stock value and shareholder returns in both the short- and long-term. However, the Committee expressly retains the discretion to increase or decrease the funding pool and individual awards based upon any factor it deems appropriate. Set forth below are the Operating Income and ex-Cat Operating Income levels required to obtain threshold, target and maximum funding levels for the plan:

Funding Level	**Operating Income (in millions)**	**Ex-Cat Operating Income (in millions)**
Threshold (50% Funding)	$315	$490
Target	$455 - $495	$705 - $745
Maximum	$645	$970

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The minimum levels of Operating Income and ex-Cat Operating Income required to achieve target funding levels were increased by $10.0 million (2.2%) and $25.0 million (3.7%), respectively, over the prior year to reflect the Company s anticipated increased earnings power and our desire to set goals, that while reasonably obtainable, represent a legitimate and meaningful challenge to the organization.

During 2016, and after applying the Fourth Quarter Reserve Adjustment, Operating Income was $322.8 million, and ex-Cat Operating Income was $447.9 million. Accordingly, under the formula set forth in the Annual Bonus Plan, these two funding components of the program were achieved at 52% and 0% of target, respectively.

In addition to the financial metrics discussed above, for 2016, the following strategic objectives were considered:

Strategic Objective	Measure of Achievement
continued improvement for financial prospects	see Fiscal 2016 Highlights above improved core earnings
succession planning and talent development	improved internal mobility initiated talent development programs for select key senior leaders
effective selection, transition and onboarding/assimilation of leadership	successfully recruited and onboarded a new CEO, CFO and EVP, Corporate Development and Strategy developed an assimilation strategy for new leaders
continue to enhance technology platforms	improved capacity management, financial governance and workforce strategy completed six major technology releases implemented an enterprise-wide vulnerability management platform

After reviewing the Company s performance in 2016, the Committee determined that the strategic objectives described above had been achieved in full.

Applying the formula set forth in the Annual Bonus Plan, the Company s performance measured against the pre-determined metrics produced a funding level at 51% of target. While the Committee is reluctant to fund its bonus plans materially above the levels determined in accordance with its pre-established metrics, the Annual Bonus Plan, by its terms, expressly grants the Committee the discretion to increase or decrease funding levels, to the extent it believes such levels are not commensurate with actual Company performance during the relevant year, or are otherwise unreasonable, or not in the Company s best interest, or unfair. The reservation of this discretion is critical to mitigate risk and provide the needed flexibility to avoid unintended consequences and address unforeseen circumstances that could lead to inappropriately low or high funding levels. In determining the funding level for the Annual Bonus Plan, the Committee made the determination to consider, but to reduce the impact of, the Fourth Quarter Reserve Adjustment. The Committee established the Company funding level at approximately 75% of target. However, as discussed below, the Committee made a different determination with respect to the level of adjustment for NEO awards under the 2016 Executive STIP.

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The primary considerations for adjusting the funding level under the Annual Bonus Plan were as follows:

- excluding the impact of the Fourth Quarter Reserve Adjustment, Operating Income and ex-Cat Operating Income were achieved at 100.8% ($496.9 million) and 80.7% ($622.0 million) of target, respectively, and produced an Annual Bonus Plan funding level at 94%, reflecting strong performance during the performance period;
- recognizing a portion of the impact of the Fourth Quarter Reserve Adjustment on 2016 STIP payments holds leadership accountable, while acknowledging that reserving actions are primarily attributable to business written in prior years;
- had the amount of the Fourth Quarter Reserve Adjustment been recognized during the applicable prior accident year periods, the estimated impact on previous year STIP funding would not have been significant;
- a disproportionate amount of the Fourth Quarter Reserve Adjustment was due to performance in discreet business units;
- progress the Company had made on other financial, operating, organizational and strategic objectives; and
- a desire to maintain morale and retention during a period of senior management transition.

The Committee ordinarily intends that the percentage of target paid to NEOs be comparable to the percentage paid to participants under the Annual Bonus Plan and, as a result, the funding level for this plan typically serves as the primary reference point for determining individual NEO awards under the 2016 Executive STIP. This year, however, with respect to the NEOs, the Committee thought it advisable to pay NEOs consistent with the unadjusted formulaic result. Accordingly, while other employees of the Company may benefit from the adjustments approved by the Committee, the primary reference point for NEOs bonuses under the 2016 Executive STIP was the 51% unadjusted formulaic funding level.

NEO s overall individual performance. An important factor in determining the level of payment to our NEOs is the Committee s evaluation of each NEO s overall performance within his area of responsibility. Set forth below are various contributions and accomplishments considered by the Committee in its evaluation of the overall performance of Messrs. Huber and Roche.

J. Kendall Huber

- managed our legal and compliance organization within budget and headcount expectations, and supported various regulatory, compliance, legal and related matters;
- provided advice to the Board and management in connection with leadership transition and other issues;
- supported various Government Affairs activities and strengthened our overall compliance function; and
- assisted management and the Board with respect to various human resources, corporate, investor relations and corporate finance issues.

John C. Roche

- successfully led the business insurance lines and field operations;
- assumed management responsibility for the domestic specialty businesses formerly managed by Mr. Robinson; and
- provided advice to the Board and management in connection with leadership transition and other issues.

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The 2016 Executive STIP awards were as follows:

NEO	Award ($)	Percent of Target
J. Kendall Huber	195,000	51%
John C. Roche	161,000	51%

2016 Chaucer STIP

The 2016 Chaucer STIP is an annual performance-based bonus program that provides incentive cash compensation opportunities to key officers and employees of Chaucer, including Mr. Slabbert. The Committee elected to adopt a separate plan for Chaucer employees because Chaucer is, for the most part, operated and evaluated as a separate entity. In addition, in order to attract and retain talent, we must offer pay and incentive programs competitive with the London and Lloyd s markets.

For 2016, potential funding under the 2016 Chaucer STIP ranged from 0% to a maximum of 200% of target based on Chaucer s post-tax return on allocated capital (a return on allocated capital calculation obtained by dividing Chaucer s adjusted after-tax operating income by Chaucer s allocated capital, as determined by the Company) (*Chaucer ROAC*). The Committee chose the Chaucer ROAC performance metric with the view that it is a reasonable measure for evaluating relative performance, is consistent with our strategic goals and philosophy, and is generally consistent with Chaucer s historical pay practices. Set forth below are the performance levels generally required to obtain threshold, target and maximum funding levels for this plan.

Funding Level	2016 Chaucer ROAC
Threshold (25% Funding)	6.5%
Target	14.0%
Maximum	24.0%

Once the overall plan funding level has been determined, each participant s actual payment under the plan is determined according to the following formula: 25% of the funding pool is distributed pro rata to participants based upon their pre-determined individual target awards, and the remaining 75% of the funding pool is distributed to participants based upon individual performance. Each participant s total award is paid in two equal tranches: the first tranche to be paid in April 2017 and, provided the participant remains employed by Chaucer through such date, the second tranche is to be paid in January 2018. This tiered payment plan is consistent with Chaucer s historical pay practices and is designed to serve as a retention tool. However, the Committee retains the discretion to increase or decrease the funding pool and/or Mr. Slabbert s individual award, based upon any factors it deems appropriate. Mr. Slabbert s target award for 2016 was fixed at 110% of his base salary.

For 2016, Chaucer ROAC was achieved at a level that permitted plan funding at approximately 112% of target. Mr. Slabbert s total award under the program was $515,592 (£381,920). The Company agreed to pay Mr. Slabbert at the formulaic funding level in connection with his separation from the Company (see Slabbert Separation Agreement below).

Long-Term Incentive Compensation

Our long-term incentives are designed to:

- encourage management to achieve long, as well as short-term goals, invest in our future and avoid short-term excessive risk taking;
- align management s financial incentives with our stock price and the longer-term financial interests of shareholders; and
- recruit and retain key leaders.

Factors considered in determining our NEOs award opportunities under the long-term program include:

- the importance of the NEO s responsibilities within the organization;
- the expected contributions of each NEO to our long-term performance;
- the expense attributable to the award;
- the dilutive impact to shareholders;
- recruitment and retention considerations;
- awards made to other executive officers;
- competitive pay data;
- the value of prior compensatory awards;
- historical compensation; and
- the projected value of prior grants and vesting schedules.

As a condition to each long-term incentive compensation award, each participant must agree to certain non-solicitation, non-interference and confidentiality provisions in our favor.

2016 Long-Term Awards

For 2016, depending on the NEO, the Committee used a combination of performance-based restricted stock units (*PBRSUs*), time-based restricted stock units (*TBRSUs*) and stock options. For each of our domestic executive officers who received grants, other than Mr. Zubretsky and Mr. Farber, the Committee granted a mix of all three awards. To reinforce the connection between the long-term award and THG s overall performance, neither Mr. Zubretsky nor Mr. Farber received any TBRSUs. Instead, each was awarded stock options and PBRSUs. With respect to Mr. Slabbert, consistent with prior practice for Chaucer s CEO, he was awarded a combination of PBRSUs and TBRSUs. Because it was anticipated that both would retire from the Company during 2016, neither Mr. Eppinger nor Mr. Bullis were granted 2016 long-term awards.

The mix of awards for our NEOs is intended to provide a balanced portfolio of equity awards and was chosen to motivate long-term stock appreciation through the achievement of operating goals, while encouraging retention. Long-term awards serve to align management s financial incentives with longer-term, sustained growth in our stock price, and are subject to multi-year vesting periods to encourage both retention and a longer-term stake in our well-being and prosperity.

In order to attract and recruit Mr. Zubretsky, in addition to an annual award, he was given a one-time sign-on award of equal value to his 2016 long-term award, consisting of both PBRSUs and stock options. Accordingly, his aggregate 2016 award is not indicative of future annual awards. Additionally, with respect to

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Mr. Farber, his 2016 award was adjusted, in part, to reflect his hire date. Accordingly, his 2016 award is also not indicative of future annual awards (see Management Transition Arrangements below for additional details).

2016 Long-Term Awards (Number of Shares Underlying Awards)

NEO	PBRSUs (target)	TBRSUs	Options
Joseph M. Zubretsky	36,300		277,100
Jeffrey M. Farber	6,010		47,500
J. Kendall Huber	2,000	2,000	19,980
John C. Roche	2,015	2,015	20,160
Former Officers			
Andrew S. Robinson*	2,015	2,015	20,160
Johan G. Slabbert*	2,180	940	

* *All awards were forfeited in connection with the NEO s separation from the Company.*

Description of 2016 Performance-Based Restricted Stock Units

Except with respect to Mr. Slabbert s award (discussed in greater detail below), the PBRSUs:

- are earned only to the extent that our three-year (2016-2018) total shareholder return as compared to the companies that comprise the PBRSU Comparison Group set forth below (*Relative Total Shareholder Return* or *RTSR*) places our performance above a certain percentile (for Mr. Zubretsky and Mr. Farber, RTSR is measured from the grant date of their awards through December 31, 2018);
- may be achieved between 0% and 150% of the target award, based upon the level of RTSR achieved; and
- are subject to a three-year time-based cliff vesting requirement (assuming achievement of performance goals, PBRSUs vest on the third anniversary of the grant date).

The table below sets forth the level of RTSR required to achieve various payouts under the program:

RTSR	Percentage of Target Award Achieved
³ 75.0th %tile	150%
62.5th %tile	125%
50.0th %tile	100%
37.5th %tile	75%
25.0th %tile	50%
<25.0th %tile	0%

In the event that our total shareholder return is negative for the period, payout is capped at target even if our RTSR is above the 50th percentile. If RTSR falls below the 25th percentile, but our total shareholder return exceeds our three-year compounded dividend yield during the period, payout will equal 25% of target.

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PBRSU Comparison Group

Allied World Assurance Company Holdings, AG	Old Republic International Corporation
American Financial Group, Inc.	OneBeacon Insurance Group Ltd.
American International Group Inc.	ProAssurance Corporation
Argo Group International Holdings Ltd.	RLI Corp.
Chubb Limited (formerly ACE Limited)	Safety Insurance Group, Inc.
Cincinnati Financial Corporation	Selective Insurance Group, Inc.
CNA Financial Corporation	State Auto Financial Corporation
Donegal Group Inc.	The Allstate Corporation
EMC Insurance Group Inc.	The Hartford Financial Services Group, Inc.
Employers Holdings, Inc.	The Navigators Group, Inc.
Horace Mann Educators Corporation	The Progressive Corporation
Infinity Property and Casualty Corporation	The Travelers Companies, Inc.
Kemper Corporation	United Fire Group Inc.
Markel Corporation	W.R. Berkley Corporation
Mercury General Corporation	XL Group plc

We chose the 30 companies listed above because we believe these companies are most representative of the companies against which we compete for business. This list is the same as the one used for the 2015 PBRSU award except that three companies (HCC Insurance Holdings, Inc., Meadowbrook Insurance Group, Inc. and The Chubb Corporation) were removed as a result of being acquired by or merged with other companies in 2015. Although most of the companies that comprise our Comparative Proxy Data Companies are also included in this list, that group of companies was specifically chosen because it is representative of the companies against which we compete for executive talent.

The Committee chose RTSR as the performance metric with respect to PBRSUs to further align our NEOs interests with those of our shareholders, to encourage long-term share price performance and to include a metric which explicitly measures our performance against other public companies in our industry.

PBRSUs do not carry dividend or dividend equivalency rights.

Because of his role at Chaucer and to further align his interests with the interests of both the Company and the Chaucer business, Mr. Slabbert s PBRSU award was divided equally into two components, each of which was subject to a three-year time-based cliff vesting. One half of his award was on the same terms as that of the other NEOs described above, and the second half of his award was on the following terms:

- could be earned only to the extent Chaucer achieved a certain level of Chaucer ROAC for the years 2016-2018; and
- may have been achieved between 0% to 200% of target, based upon the level of Chaucer ROAC achieved (threshold, target, and maximum payouts achieved at ≥ 6.5%, 14%, ≥ 24%, respectively).

Mr. Slabbert s 2016 equity awards were forfeited in connection with his separation from the Company in 2017.

Description of Time-Based Restricted Stock Units

TBRSUs will vest on the third anniversary of the grant date and convert into an equivalent number of shares of Common Stock, in each case, generally subject to the executive remaining employed by us through the applicable vesting date. The principal purpose of the awards is to encourage executive retention.

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TBRSUs do not carry dividend or dividend equivalency rights.

Description of Stock Options

Each option has a ten-year term and, provided the NEO remains employed by us through such dates, vests as to one-third of the shares on each of the first three anniversaries of the grant date. Stock options directly align a portion of total compensation with our stock performance since they become valuable only if and to the extent the share price increases over a longer period of time after the date of grant. Additionally, because stock options do not fully vest for three years, they encourage executive retention.

Prior Plan Year Long-Term Award Pay-Outs

As previously reported in our 2016 Proxy Statement, during 2016, the final 50% of the stock options, PBRSUs and TBRSUs granted in 2012 vested; the PBRSUs and TBRSUs granted in 2013 vested; and one-third of the stock options granted in 2013, 2014, and 2015 vested. For additional information regarding vesting of awards in 2016, please see Option Exercises and Stock Vested in 2016 on page 65.

During the first half of 2017:

- the PBRSUs (earned at 150% of target award level based on a 62.5% total shareholder return over the 2014-2016 period, as described above) and TBRSUs granted in 2014 vested;
- one-third of the stock options granted in each of 2014, 2015 and 2016 vested; and
- Mr. Slabbert s 2014 long-term cash award granted under Chaucer s 2014 Long-Term Cash Incentive Plan vested at 112% of target ($252,214 (£186,825)).

Management Transition Arrangements

Zubretsky Offer Letter

In connection with Mr. Zubretsky s hire, the Company and Mr. Zubretsky entered into an offer letter, the material terms of which are as follows:

- fixed Mr. Zubretsky s annual base salary at $1,000,000;
- established the terms of Mr. Zubretsky s 2016 STIP (see Short-Term Incentive Compensation above for additional details); and fixed his target 2017 STIP award at 140% of base salary;
- set the target value of Mr. Zubretsky s 2016 long-term equity award at approximately $3,000,000, to be comprised of approximately equally weighted grants of PBRSUs and stock options and provided for a sign-on long-term equity award identical to the 2016 long-term equity award (see Long-Term Incentive Compensation above for additional details);
- provided that Mr. Zubretsky will participate in the Company s CIC Plan as an Executive Tier Participant with a 2x Multiplier (without a Section 280G tax gross-up)(see Potential Payments Upon Termination or Change in Control beginning on page 69);
- provided that in the event Mr. Zubretsky s employment is involuntarily terminated, other than for cause or in connection with a change in control, or he terminates his employment with the Company for good reason, he will be eligible to receive severance compensation equal to 2.4 times his base salary paid in a lump sum and one year s continued vesting of his then outstanding equity awards (see Potential Payments Upon Termination or Change in Control beginning on page 69);
- provided that Mr. Zubretsky will be entitled to reimbursement for certain relocation expenses and will be eligible to participate in the Company s benefit plans applicable to other senior executives of the Company; and

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required Mr. Zubretsky to agree to certain non-solicitation, non-interference and confidentiality provisions in favor of the Company that will survive for at least one year following his termination of employment.

The terms of Mr. Zubretsky s offer letter were agreed upon in order to recruit Mr. Zubretsky to join the Company. The compensation package was established by the Committee and the CID based upon consultation with F.W. Cook on the overall package and the competitive data provided by F.W. Cook from the Comparative Proxy Data Companies, taking into consideration the compensation he received from his prior employer, the projected compensation package that would be necessary to attract other potential qualified applicants in the market at that time, as well as the compensation paid to other Company executives.

Farber Offer Letter

In connection with Mr. Farber s hire, the Company and Mr.&nb