

HANOVER INSURANCE GROUP, INC.

Form 8-K

December 01, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of The**

**Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): November 28, 2011**

**THE HANOVER INSURANCE GROUP, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction**

**of incorporation)**

**1-13754**  
**(Commission**

**File Number)**

**04-3263626**  
**(I.R.S.Employer**

**Identification No.)**

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**440 Lincoln Street, Worcester, Massachusetts 01653**

(Address of principal executive offices)

(Zip Code)

**Registrant's telephone number, including area code: (508) 855-1000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 Entry into Material Definitive Agreements**

Chaucer Holdings plc (Chaucer), a wholly-owned, indirect subsidiary of The Hanover Insurance Group, Inc. (the Company), has replaced its existing Standby Letter of Credit Facility, used to provide Funds at Lloyd's for the 2011 year of account and prior open years of account, with a new Standby Letter of Credit Facility for the 2012 and 2013 years of account and each open prior year of account. The following is a description of the new facility and related Company Guaranty.

*Facility Agreement*

On November 28, 2011, Chaucer, as account party, and 440 Tessera Limited (a wholly-owned subsidiary of the Company and the parent of Chaucer) and certain subsidiaries of Chaucer, as guarantors, entered into a Standby Letter of Credit Facility Agreement (the Facility Agreement) with the lenders party thereto from time to time, Lloyds TSB Bank plc, Barclays Bank PLC and The Royal Bank of Scotland plc as mandated lead arrangers and Lloyds TSB Bank plc as bookrunner, overdraft provider, facility agent of the other Finance Parties (as defined therein) and security agent to the Secured Parties (as defined therein). The Facility Agreement replaces the £90,000,000 Standby Letter of Credit Facility entered into by Chaucer on November 29, 2010.

The Facility Agreement provides for a U.S. Dollar-denominated letter of credit facility for Chaucer, not to exceed \$180,000,000 outstanding at any one time, with the option to increase the amount available for issuances of letters of credit to \$270,000,000 in the aggregate on one occasion only during the term of the Facility Agreement (subject to the consent of all Lenders thereunder and assuming no default and satisfaction of other specified conditions). Chaucer intends to use the letters of credit as Funds at Lloyd's to provide regulatory capital supporting Chaucer's underwriting through two managed Lloyd's syndicates for the 2012 and 2013 years of account and each prior open year of account. A letter of credit commission fee on outstanding letters of credit is payable quarterly, and ranges from 1.50% to 2.125% per annum, depending on the Company's credit ratings, for letters of credit that are not cash collateralized. The letter of credit commission fee on any portion of any letter of credit that is cash collateralized is 0.30% per annum. A commitment fee in respect of the unutilized commitments under the Facility Agreement is payable quarterly, and ranges from 0.60% to 0.85% per annum, depending on the Company's credit ratings. Chaucer is also required to pay customary agency fees.

The Facility Agreement contains covenants that limit the ability of Chaucer and its subsidiaries and guarantors thereunder, among other things, to incur or assume certain debt, merge or reconstruct, dispose of assets and materially change the nature or conduct of its business or investment strategy (except, in each case, as provided by certain exceptions). The Facility Agreement also contains certain customary representations and warranties, affirmative covenants and events of default, including payment defaults, breach of representations and warranties, covenant defaults, cross defaults to certain indebtedness, certain events of insolvency, certain events under ERISA, noncompliance with certain final judgments, change of control and material adverse effect. If such an event of default occurs, the lenders under the Facility Agreement would be entitled to take various actions, including the acceleration of

amounts due under the Facility Agreement, requiring Chaucer to cash collateralize outstanding letters of credit and cancelling the Facility Agreement. Letters of credit are available for issuance under the Facility Agreement until December 31, 2012. No letters of credit issued under the Facility Agreement may expire after December 31, 2016.

As of November 29, 2011, there was a \$180,000,000 letter of credit outstanding under the Facility Agreement issued to the Society of Lloyd s.

#### *Guaranty Agreement*

Also on November 28, 2011, the Company entered into a Guaranty Agreement (the Guaranty Agreement ) with Lloyds TSB Bank plc, as Facility Agent and Security Agent (each as defined therein), pursuant to which, the Company unconditionally guarantees the obligations of Chaucer under the Facility Agreement. The Guaranty Agreement contains certain financial covenants that require the Company to maintain a minimum net worth, a minimum risk-based capital ratio at each of The Hanover Insurance Company and Citizens Insurance Company of America (the Company s principal U.S. operating insurance companies) and a maximum leverage ratio, and certain negative covenants that limit the Company s and its subsidiaries ability, among other things, to incur or assume certain debt, grant liens on its property, merge or consolidate, dispose of assets, materially change the nature or conduct of its business and make restricted payments (except, in each case, as provided by certain exceptions). The Guaranty Agreement also contains certain customary representations and warranties.

The above summaries of the Facility Agreement and the Guaranty Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the Facility Agreement and the Guaranty Agreement. Copies of the Facility Agreement and the Guaranty Agreement are included as Exhibits 10.1 and 10.2, respectively, to this Current Report on Form 8-K.

#### **Item 1.02 Termination of a Material Definitive Agreement**

The information provided in Item 1.01 of this Current Report on Form 8-K is hereby incorporated by reference into this Item 1.02.

Concurrent with Chaucer s entry into the Facility Agreement, Chaucer terminated its existing £90,000,000 Letter of Credit Facility Agreement, previously filed as Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q filed on August 9, 2011, entered into by Chaucer, as account party, Lloyds TSB Bank plc, Barclays Bank PLC and The Royal Bank of Scotland plc as mandated lead arrangers, and Lloyds TSB Bank plc, as bookrunner, facility agent and security agent, dated November 29, 2010, as Amended by the Amendment Letter dated February 28, 2011.

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information provided in Item 1.01 of this Current Report on Form 8-K is hereby incorporated by reference into this Item 2.03.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

- 10.1 Standby Letter of Credit Facility Agreement, dated November 28, 2011, among Chaucer Holdings plc, as Account Party (as defined therein), 440 Tessera Limited and certain subsidiaries of the Account Party, as Guarantors (as defined therein), the Lenders (as defined therein) party thereto from time to time, Lloyds TSB Bank plc, Barclays Bank PLC and The Royal Bank of Scotland plc as mandated lead arrangers and Lloyds TSB Bank plc as bookrunner, overdraft provider, facility agent of the other Finance Parties (as defined therein) and security agent to the Secured Parties (as defined therein).
- 10.2 Guaranty Agreement, dated November 28, 2011, among The Hanover Insurance Group, Inc. and Lloyds TSB Bank plc, as Facility Agent and Security Agent (each as defined therein).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

The Hanover Insurance Group, Inc.

(Registrant)

Date: November 30, 2011

By: /s/ David B. Greenfield  
Name: David B. Greenfield  
Title: Executive Vice President, Chief Financial Officer and  
Principal Accounting Officer

**EXHIBIT INDEX**

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