

OneBeacon Insurance Group, Ltd.
Form DEF 14A
April 06, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

OneBeacon Insurance Group, Ltd.
(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.
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 - (1) Title of each class of securities to which transaction applies:
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**Notice of 2007
Annual General Meeting
of Members and
Proxy Statement**

**ONEBEACON INSURANCE GROUP, LTD.
NOTICE OF 2007 ANNUAL GENERAL MEETING OF MEMBERS
TO BE HELD MAY 22, 2007**

April 6, 2007

Notice is hereby given that the 2007 Annual General Meeting of Members of OneBeacon Insurance Group, Ltd. will be held on Tuesday, May 22, 2007, at 12:00 noon Atlantic Time at the Fairmont Hamilton Princess Hotel, Hamilton, Bermuda. At this meeting you will be asked to consider and vote upon the following proposals:

- 1) election of four Class I directors with a term ending in 2010;
- 2) approval of the 2007 Long-Term Incentive Plan and Performance Criteria; and
- 3) approval of the appointment of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm for 2007.

The Company's audited financial statements for the year ended December 31, 2006, as approved by the Company's Board of Directors, will be presented at this Annual General Meeting.

Members of record of common shares on the record date, March 26, 2007 (1) who are individuals, may attend and vote at the meeting in person or by proxy or (2) which are corporations or other entities, may have their duly authorized representative attend and vote at the meeting in person or by proxy. A list of all Members entitled to vote at the meeting will be open for public examination during regular business hours beginning on or about April 11, 2007 at the Company's registered office located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

All Members are invited to attend this meeting.

By Order of the Board of Directors,

T. Michael Miller
President and Chief Executive Officer

Members are invited to complete and sign the accompanying proxy card to be returned to OneBeacon Insurance Group, Ltd., c/o Wells Fargo Shareowner Services, P.O. Box 64873, St. Paul, MN 55164-9397 in the envelope provided, whether or not they expect to attend the meeting. Members who hold their common shares in a brokerage account, an employee benefit plan or through a nominee may have the added flexibility of voting their shares by telephone or over the internet.

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OneBeacon Insurance Group, Ltd., an exempted Bermuda company, through its subsidiaries (collectively, OneBeacon, the Company, we, us, or our) is a property and casualty insurance writer that provides a range of specialty insurance products as well as a variety of segmented commercial and personal insurance products. OneBeacon was acquired by White Mountains Insurance Group, Ltd. (collectively with its subsidiaries excluding OneBeacon, White Mountains) from Aviva plc (Aviva) in 2001. White Mountains is a holding company whose businesses provide property and casualty insurance, reinsurance and certain other products. During the fourth quarter of 2006, White Mountains sold 27.6 million or 27.6% of the Company s common shares in an initial public offering. Prior to the initial public offering, OneBeacon was a wholly-owned subsidiary of White Mountains. As of December 31, 2006, Lone Tree Holdings Ltd, a subsidiary of White Mountains, beneficially owned all of the Company s issued and outstanding class B common shares, representing 96.3% of the voting power of our voting securities and 72.4% of our outstanding common shares.

Our headquarters are located at the Bank of Butterfield Building, 42 Reid Street, 6th Floor, Hamilton HM 12, Bermuda. Our U.S. headquarters are located at 1 Beacon Lane, Canton, Massachusetts 02021, our principal executive office is located at 601 Carlson Parkway, Minnetonka, Minnesota 55305 and our registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

ONEBEACON INSURANCE GROUP, LTD.
PROXY STATEMENT

This Proxy Statement is being furnished in connection with the solicitation of proxies on behalf of the Company's Board of Directors (the Board) for the 2007 Annual General Meeting of Members (the 2007 Annual Meeting), to be held on Tuesday, May 22, 2007 at the Fairmont Hamilton Princess Hotel, Hamilton, Bermuda. The solicitation of proxies will be made by mail, and the proxy statement and related proxy materials will be distributed to Members on or about April 6, 2007.

Holders of the Company's common shares (Members or shareholders), par value \$0.01 per share, as of the close of business on March 26, 2007, the record date, are entitled to vote at the meeting.

You can ensure that your common shares are properly voted at the meeting by completing, signing, dating, and returning the enclosed proxy card in the envelope provided. Members who hold their common shares in a brokerage account, an employee benefit plan or through a nominee may have the added flexibility of voting by telephone or over the internet. A Member has the right to appoint another person (who need not be a Member) to represent the Member at the meeting by completing an alternative form of proxy which can be obtained from the Secretary or by notifying the Inspectors of Election (see page 41). Every Member entitled to vote has the right to do so either in person or by one or more persons authorized by a written proxy executed by such Member and filed with the Secretary. Any proxy duly executed will continue in full force and effect unless revoked by the person executing it in writing or by the filing of a subsequent proxy.

Sending in a signed proxy will not affect your right to attend the meeting and vote. If a Member attends the meeting and votes in person, his or her signed proxy is considered revoked.

PROPOSAL 1 ELECTION OF THE COMPANY'S DIRECTORS
THE BOARD OF DIRECTORS

The Board is divided into three classes (each a Class). Each Class serves a three-year term.

At the 2007 Annual Meeting, Ms. Grady and Messrs. Miller, Smith and Urness are nominated to be elected as Class I directors with a term ending in 2010. **The Board recommends a vote FOR Proposal 1 which calls for the election of the 2007 nominees.**

The current members of the Board nominees and terms of each Class are set forth below:

Director	Age	Director since
<i>Class I Nominees Term ending in 2010</i>		
Lois W. Grady	63	2006
T. Michael Miller	48	2006
Lowndes A. Smith	67	2006
Kent D. Urness	58	2007
<i>Class II Term ending in 2008</i>		
David T. Foy	41	2006
Richard P. Howard	61	2006
Robert R. Lusardi	50	2006
<i>Class III Term ending in 2009</i>		
Reid T. Campbell	39	2006
Morgan W. Davis	57	2006
Allan L. Waters	48	2006

Of the nominees for election at the 2007 Annual Meeting, Messrs. Miller and Smith were previously elected to the Board by the sole Member, White Mountains, prior to the Company's initial public offering in November 2006. Ms. Grady was previously elected to the Board in December 2006 and was recommended by a member of the Board of Directors. Mr. Urness was previously elected to the Board in February 2007 and was recommended by the Chief Executive Officer of the Company.

The following information presents the principal occupation, business experience, recent business activities involving OneBeacon and other affiliations of the directors:

Class I Nominees Term Ending in 2010

Lois W. Grady has been a director of the Company since December 2006. She has served as an independent consultant since her retirement from Hartford Life, Inc., a subsidiary of The Hartford Financial Services Group, Inc. (The Hartford). Ms. Grady served as Executive Vice President and Director of Information Systems and Services at Hartford Life from 2002-2004 and as Senior Vice President and Director of Investment Product Services at Hartford Life from 1998-2002. Ms. Grady is also a director of Symetra Financial Corporation.

T. Michael Miller has been a director of the Company since August 2006. He joined the Company as Chief Operating Officer in April 2005 and became President and CEO in July 2005. Prior to joining OneBeacon, Mr. Miller spent 10 years at St. Paul Travelers, most recently as Co-Chief Operating Officer. Prior to joining St. Paul Travelers, Mr. Miller spent 14 years with The Chubb Corporation.

Lowndes A. Smith has been a director of the Company since October 2006. Mr. Smith serves as Managing Partner of Whittington Gray Associates. Mr. Smith formerly served as Vice Chairman of The Hartford, and President and CEO of Hartford Life Insurance Company. He joined The Hartford in 1968. Mr. Smith is also a director of White Mountains and 85 investment companies in the mutual funds of The Hartford.

Kent D. Urness has been a director of the Company since February 2007. Since his retirement from St. Paul Travelers in April 2005 until November 2006, Mr. Urness served as Non-Executive Chairman of St. Paul Travelers Insurance Company and as a Non-Executive Director of St. Paul at Lloyds. From 2001 until his retirement, he served as Executive Vice President with responsibility for International and Lloyd's. He served in positions of increasing responsibility over his 34 year career at St. Paul Travelers.

Class II Directors Term Ending in 2008

David T. Foy has been a director of the Company since October 2006. Mr. Foy has served as Executive Vice President and Chief Financial Officer of White Mountains since April 2003. Prior to joining White Mountains in 2003, Mr. Foy served as Senior Vice President and Chief Financial Officer of Hartford Life, Inc. and joined that company in 1993. Prior to joining Hartford Life, Inc., Mr. Foy was with Milliman and Robertson, an actuarial consulting firm. Mr. Foy also serves as the Chairman of the Board of Symetra Financial Corporation.

Richard P. Howard has been a director of the Company since October 2006. Mr. Howard has served as a portfolio manager for Prospector Partners, LLC since August 2005. Prior to that, he was a Managing Director of White Mountains Advisors LLC from 2001 through August 2005. From 1982 through 2001, Mr. Howard was a vice president and portfolio manager of T. Rowe Price Associates, Inc., including responsibility for the management of T. Rowe Price Capital Appreciation Fund. Mr. Howard serves as a Trustee of Milliken University.

Robert R. Lusardi has been a director of the Company since October 2006. Mr. Lusardi has been an Executive Vice President of White Mountains Capital, Inc. and Chief Executive Officer of White Mountains Financial Services LLC since February 2005. Prior to joining White Mountains, he was a member of the Executive Management Board of XL Capital Ltd, where he was first Chief Financial

Officer then Chief Executive Officer of the Financial Products and Services operating segment. From 1980 to 1998, Mr. Lusardi was a Managing Director and head of the global insurance and asset management practices at Lehman Brothers. He is a director and Chairman of the Finance Committee of Primus Guaranty Ltd. and Symetra Financial Corporation.

Class III Directors Term Ending in 2009

Reid T. Campbell has been a director of the Company since October 2006. He has served as a Managing Director of White Mountains Capital, Inc. since January 2004. He joined White Mountains in 1994 and has served in a variety of financial management positions with White Mountains. Prior to joining White Mountains, Mr. Campbell spent three years with KPMG LLP.

Morgan W. Davis has been a director of the Company since October 2006. Mr. Davis is currently the President and a director of American Centennial Insurance Co. He was formerly Managing Director at OneBeacon Insurance Group LLC from 2001 to 2005. From 1994 to 2001, he served in a variety of capacities for White Mountains. Prior to that, he was with Fireman's Fund Insurance Company for seven years and INA/ Cigna for ten years. He is a director of Montpelier Re Holdings, Ltd. and White Mountains.

Allan L. Waters has been a director of the Company since October 2006. Mr. Waters is currently the Chief Executive Officer of White Mountains Re Group, Ltd. He served as Managing Member of Mulherrin Capital Advisors, LLC from 1998 to March 2007. Mr. Waters formerly served as Senior Vice President and Chief Financial Officer of White Mountains from 1993 to 1998, as Vice President and Controller from 1990 to 1993, as Vice President of Finance from 1987 to 1990 and as Assistant Vice President of Finance from 1985 to 1987. He is a director of White Mountains and Artemis Woman, LLC.

CORPORATE GOVERNANCE

OneBeacon is committed to maintaining sound corporate governance practices. Corporate governance is the system by which companies are directed and controlled and involves the distribution of rights and responsibilities among the Board, management and the Company's Members. The Board has adopted Corporate Governance Guidelines that set forth its overall approach towards corporate governance. The Company also has a Code of Business Conduct that applies to all directors, officers and employees in carrying out their responsibilities to and on behalf of the Company. No waivers of the Code of Business Conduct were requested of, or granted by, the Board for any director or executive officer during 2006. The Company's Corporate Governance Guidelines and Code of Business Conduct are available at www.onebeacon.com.

White Mountains, through its subsidiary Lone Tree Holdings, Ltd., beneficially owns all of the Company's issued and outstanding class B common shares, representing 96.3% of the voting power of our voting securities and 72.4% of our outstanding common shares. As a result, we may rely upon the controlled company exemption under the rules of The New York Stock Exchange (the NYSE) with respect to our board of directors and committee composition. Pursuant to this exemption, we are not required to comply with the rules that require that our Board of Directors be comprised of a majority of independent directors as defined by the NYSE. Our Board of Directors currently consists of 10 persons, three of whom are independent as defined under the rules of the NYSE and seven of whom are current or former employees, directors or officers of White Mountains or the Company.

The Board of Directors has determined that each of Ms. Grady and Messrs. Smith and Urness are independent in accordance with NYSE rules. For a director to be independent, the Board must determine that the director has no relationship with the Company (other than being a director or shareholder of the Company) or has only immaterial relationships with the Company. The Company does not apply categorical standards as a basis for determining director independence. Accordingly, the Board considers all relevant facts and circumstances, on a case-by-case basis, in making an independence determination.

The Board notes no relationships (other than being directors or shareholders) between Ms. Grady and Messrs. Smith and Urness and the Company or White Mountains. The Board notes relationships with the other members of the Board as disclosed in this proxy statement on page 29 under the heading Transactions with Related Persons, Promoters and Certain Control Persons . In making its independence determinations, the Board considered all such relationships in light of NYSE standards as well as the attributes it believes should be possessed by independent-minded directors. Those attributes include the relative impact of the transactions to the director's personal finances, the perceived degree of dependence by the director or the Company upon the relationship or transactions continuing in the future and whether the transactions were on terms that were reasonable and competitive.

At each meeting of the Board, the directors meet in executive session without Company management present except for the CEO, who is also a member of the Board. The Chairman presides over these meetings. The procedures for Members, employees and others interested in communicating directly with any or all of the non-management directors are described on page 6.

The Board

The day-to-day management of the Company, including preparation of financial statements and short-term and long-term strategic planning, is the responsibility of management. The primary responsibility of the Board is to oversee and review management's performance of these functions in order to advance the long-term interests of the Company and its Members.

In fulfilling this responsibility, directors must exercise common sense business judgment and act in what they reasonably believe to be in the best interests of the Company and its Members. Directors are entitled to rely on the honesty and integrity of senior management and the Company's outside advisors and auditors. However, it is the Board's responsibility to establish that they have a reasonable basis for such reliance by ensuring that they have a strong foundation for trusting the integrity, honesty and undivided loyalty of the senior management team upon whom they are relying and the independence and expertise of outside advisors and auditors.

Committees of the Board

Audit Committee

The primary purposes of the Audit Committee are to: (1) assist Board oversight of: the integrity of the Company's financial statements; the qualifications and independence of the independent auditors; the performance of the internal audit function and the independent auditors; and the Company's compliance with legal and regulatory requirements; (2) provide an avenue of communication among the independent auditors, management, the internal auditors and the Board; and (3) prepare the Report of the Audit Committee (which appears on page 34).

The Audit Committee is currently comprised of Mr. Foy, Mr. Smith and Mr. Urness (Acting Chairman). Mr. Urness is the acting audit committee financial expert, as defined in SEC rules, based upon his training and experience. Mr. Waters served as the Chairman and as the audit committee financial expert based upon his training and experience until March 2007. The NYSE rules require that we have a majority of independent directors on our Audit Committee until the one year anniversary of our initial public offering, at which time we must have a fully independent Audit Committee. The Board has determined that each current member of the Audit Committee except for Mr. Foy satisfies applicable NYSE requirements as well as the separate independence standards set forth by the SEC. Mr. Foy is not independent because he is an executive officer of White Mountains.

The Audit Committee Charter, which outlines the duties and responsibilities of the Audit Committee, is available at www.onebeacon.com.

Compensation Committee

The primary purposes of the Compensation Committee are to: (1) review and make recommendations on director compensation; (2) discharge the Board's responsibilities relating to the compensation of executives; (3) oversee the administration of the Company's compensation plans, in particular the incentive compensation and equity-based plans; and (4) prepare the Report of the Compensation Committee on Executive Compensation (which begins on page 18). The Compensation Committee approves all compensation for executive officers and the other executives who report directly to the Chief Executive Officer. The Compensation Committee relies on the Chief Executive Officer and the Chief Human Resources Officer to assess, design and recommend compensation programs, plans, and awards for executives and directors, subject to Committee approval, and to administer approved programs for its non-executive officers and employees within the parameters of plan design and Committee direction. The Committee also approves all equity and non-equity incentive compensation plan awards. Currently, the Committee has not delegated any of its authority to a subcommittee or members of management. The Committee has not engaged a compensation consultant to assist it in the performance of its oversight duties, although the Committee may engage a consultant either independently or jointly with management in the future.

Since we rely on the controlled company exemption under the rules of the NYSE, we are not required to have a fully independent compensation committee. The Compensation Committee is currently comprised of Mr. Smith (Chairman), Ms. Grady and Mr. Urness. The Board has determined that each current member of the Compensation Committee satisfies NYSE independence standards.

The Compensation Committee Charter, which outlines the duties and responsibilities of the Compensation Committee, is available at www.onebeacon.com.

Nominating and Governance Committee

The primary purposes of the Nominating and Governance Committee are to: (1) identify individuals qualified to become Board members and recommend such individuals to the Board for nomination for election to the Board; (2) make recommendations to the Board concerning committee appointments; (3) develop, recommend and annually review corporate governance guidelines applicable to the Company and oversee corporate governance matters and (4) oversee the evaluation of the Board and management.

Since we rely on the controlled company exemption under the rules of the NYSE, we are not required to have a fully independent nominating committee. The Nominating and Governance Committee is currently comprised of Mr. Foy (Chairman), Mr. Campbell, Mr. Davis and Ms. Grady. The Board has determined that Ms. Grady satisfies NYSE independence standards.

The Nominating and Governance Committee Charter, which outlines the duties and responsibilities of the Nominating and Governance Committee, is available at www.onebeacon.com.

General Criteria and Process for Selection of Director Candidates. The Committee considers director candidates from diverse sources and welcomes suggestions from Members, management and the Board of Directors. The Committee's goal is to have a balanced, engaged and collegial Board whose members possess the skills and background necessary to ensure that Member value is maximized in a manner consistent with all legal requirements and the highest ethical standards. There is no difference in the way in which the Committee evaluates nominees for director based upon the source of the nomination. From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates.

In identifying and evaluating director candidates, including those nominated by Members, the Nominating and Governance Committee does not set specific criteria for directors. The Committee is responsible for determining desired Board skills and attributes such as independence, integrity, expertise,

breadth of experience, knowledge about the Company's business or industry and ownership interest in the Company. Directors must be willing to devote adequate time and effort to Board responsibilities. As set forth in the Company's Corporate Governance Guidelines and its Charter, the Committee is responsible for recommending director candidates to the Board.

Consideration of Director Candidates Nominated by Members. The Company has not adopted a specific policy regarding consideration of director candidates from Members. Members who wish to recommend candidates for consideration by the committee may submit their nominations in writing to the Secretary at the address provided in this Proxy Statement or on the Company's web site at www.onebeacon.com. The Committee may consider such Member recommendations when it evaluates and recommends candidates to the Board for submission to Members at each annual general meeting. In addition, subject to the rights of White Mountains as the holder of the Class B common shares, Members may nominate director candidates for election without consideration by the Committee by complying with the eligibility, advance notice and other provisions of our Bye-Laws as described below.

Procedures for Nominating Director Candidates. Member nominations of director candidates may be made if received timely by the Secretary as outlined below. Under the Company's Bye-laws, nominations for the election of directors may be made by the Board or by any Member entitled to vote for the election of directors (a Qualified Member). A Qualified Member may nominate persons for election as directors only if written notice of such Qualified Member's intent to make such nomination is delivered to the Secretary not later than: (1) with respect to an election to be held at an annual general meeting, between 90 days and 120 days prior to the anniversary date of the immediately preceding annual general meeting or not later than 10 days after notice or public disclosure of the date of the annual general meeting is given or made available to Qualified Members, whichever date is earlier, and (2) with respect to an election to be held at a special general meeting for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to Qualified Members. Each such notice shall set forth: (a) the name and address of the Qualified Member who intends to make the nomination and of the person or persons to be nominated; (b) the class and number of shares that are owned beneficially and of record by the Qualified Member; (c) a representation that the Qualified Member is a holder of record of common shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (d) a representation as to whether the Qualified Member intends or is part of a group that intends to deliver a proxy statement or form of proxy to holders of at least the percentage of outstanding shares required to elect the nominee or otherwise to solicit proxies from Members in support of such nomination; (e) a description of all arrangements or understandings between the Qualified Member and each such candidate and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Qualified Member; (f) such other information regarding each candidate proposed by such Qualified Member as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each such candidate been nominated, or intended to be nominated, by the Board; and (g) the consent of each such candidate to serve as a director of the Company if so elected.

Meetings of the Board

The Company was formed in July 2006 and completed its initial public offering in November 2006. During 2006, the following meetings of the Board were held: 4 meetings of the full Board, 1 meeting of the Compensation Committee and 1 meeting of the Nominating and Governance Committee. The Audit Committee did not meet during 2006. During 2006, each director attended all of the meetings of the Board (held during the period for which he or she has been a director); and (2) the meetings held by all committees of the Board on which he or she served (during the periods that he or she served). Because the Company's initial public offering was in November 2006, there was no Annual General Meeting in 2006.

All directors are encouraged but not required to attend the Annual General Meetings of Members. All directors plan to attend the 2007 Annual Meeting.

Communication with the Board

The Nominating and Governance Committee has approved a process by which anyone who has a concern about our conduct may communicate that concern to the Chairman of the Board of Directors on behalf of the non-management directors as a group. You may contact the Chairman of the Board in writing care of the Secretary at the address in this Proxy Statement. Interested parties also may contact the Chairman of the Board electronically by submitting comments on our web site at www.onebeacon.com under the heading Investor Relations/Corporate Governance.

Anyone who has a concern regarding our accounting, internal accounting controls or auditing matters may communicate that concern to the Audit Committee. You may contact the Audit Committee in writing care of the Secretary at our Bermuda office. Interested parties may also contact the Audit Committee electronically by submitting comments on our web site at www.onebeacon.com under the heading Investor Relations/Corporate Governance.

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VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Voting Rights of Members

As of March 26, 2007, there were 28,258,554 Class A common shares outstanding and 71,754,738 Class B common shares outstanding. Members of record of Class A common shares shall be entitled to one vote per common share, provided that if and so long as the votes conferred by Controlled Class A common shares (as defined below) of any person, other than White Mountains, constitute more than 9.5% percent of the votes conferred by the outstanding common shares of the Company, the vote conferred by each Class A common share comprised in such Controlled Class A common shares shall be reduced by whatever amount is necessary so that after any such reduction the votes conferred by such shares constitute 9.5% of the votes conferred by our outstanding common shares.

In giving effect to the foregoing provisions, the reduction in the vote conferred by the Controlled Class A common shares of any person shall be effected proportionately among all the Controlled Class A common shares of such person; provided, however, that if a holder of our common shares owns, or is treated as owning by the application of Section 958 of the Internal Revenue Code of 1986, as amended, of the United States (the Code), interests in another holder of our common shares, the reduction in votes conferred by Controlled Class A common shares of such holder (determined solely on the basis of Controlled Class A common shares held directly by such holder and Controlled Class A common shares attributed from such other holder) shall first be effected by reducing the votes conferred on the Controlled Class A common shares held directly by such holder and any remaining reduction in votes shall then be conferred proportionally among the Controlled Class A common shares held by the other holders (in each case, to the extent that doing so does not cause any person to be treated as owning Controlled Class A common shares constituting more than 9.5% of the votes conferred by the outstanding common shares of OneBeacon). In the event that the aggregate reductions required by the foregoing provisions result in less than 100 percent of the voting power over the votes entitled to be cast, the excess of 100 percent of the voting power over the votes entitled to be cast shall be conferred on the Class A common shares held by our holders proportionately, based on the number of Class A common shares held by each holder; to the extent that doing so does not cause any person to be treated as owning Controlled Class A common shares constituting more than 9.5% of the votes conferred by the outstanding common shares of OneBeacon.

Controlled Class A common shares in reference to any person other than White Mountains means:

- (1) all Class A common shares directly, indirectly or constructively owned by such person within the meaning of Section 958 of the Code; and
- (2) all Class A common shares directly, indirectly or constructively owned by any person or group of persons within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations promulgated thereunder; provided that this clause (ii) shall not apply to (a) any person (or any group that includes any person) that has been exempted from the provisions of this clause or (b) any person or group that the Board, by the affirmative vote of at least seventy-five percent (75%) of the entire Board, may exempt from the provisions of this clause.

Lone Tree Holdings Ltd., the Member of record of the outstanding Class B common shares, is entitled to ten votes for every Class B common share.

Principal Holders of Common Shares

To the knowledge of the Company, there was no person or entity beneficially owning more than 5% of the common shares outstanding as of March 5, 2007, except as shown below.

Name and address of beneficial owner	Number of common shares beneficially owned	Percent of Class
Lone Tree Holdings Ltd., Bank of Butterfield Building, 42 Reid Street, Hamilton HM 12, Bermuda		