



NEWS RELEASE

For Immediate Release

Investor Relations

Contact: Paul McDonough
Phone: 952.852.6020
Email: ir@onebeacon.com
Website: www.onebeacon.com

Media

Carmen Duarte
781.332.7268
cduarte@onebeacon.com

ONEBEACON REPORTS \$11.86 BOOK VALUE PER SHARE

HAMILTON, Bermuda (April 28, 2014) – OneBeacon Insurance Group, Ltd. (NYSE: OB) today reported book value per share of \$11.86, an increase of 4.2% for the first quarter, including dividends.

Mike Miller, CEO of OneBeacon, said, “We are pleased with our strong start to the year, reporting 4.2% growth in book value, driven by solid results in both underwriting and investments. Premiums were up a healthy 17%, reflecting new business momentum and nice contributions from our newer business units. We remain focused on closing the sale of our runoff business in the second half of the year and are well-positioned to continue building our specialty platform.”

OneBeacon reported comprehensive income of \$47 million for the first quarter of 2014, compared to comprehensive income of \$69 million for the first quarter of 2013. Operating income was \$35 million or \$0.37 per share for the first quarter of 2014, compared to \$49 million or \$0.52 per share for the first quarter of last year.

Comprehensive income and operating income for the first quarter of 2014 included a \$5 million tax benefit, or \$0.05 per share, relating to the settlement of the IRS examination for tax years 2005 and 2006. The prior year’s first quarter comprehensive income and operating income included a \$15 million



after-tax gain, or \$0.16 per share, from the sale of Essentia Insurance Company. Operating income is a non-GAAP financial measure, which is explained later in this release.

Insurance Operations: OneBeacon's GAAP combined ratio was 88.8% for the first quarter of 2014 compared to 88.3% for the first quarter of last year. There was approximately one point of favorable loss reserve development in each period. Additionally, the loss ratio was slightly higher and the expense ratio slightly lower quarter over quarter due to the change in business mix driven by the exit of the collector car and boat business in the first quarter of 2013.

First quarter net written premiums were \$311 million, an increase of 17% compared to the first quarter of 2013, which totaled \$265 million. The increase reflects growth in net written premiums across most of the company's businesses, with particularly strong contributions from its newer units – OneBeacon Crop Insurance, OneBeacon Program Group and OneBeacon Surety Group – as well as from OneBeacon Technology Insurance.

Investment Results: OneBeacon's first quarter of 2014 total return on invested assets was 1.2% compared to 1.5% for the first quarter of 2013. These pre-tax results included net realized and unrealized investment gains of \$19 million and net investment income of \$10 million in 2014, compared to net realized and unrealized investment gains of \$28 million and net investment income of \$9 million for the first quarter of 2013.

About OneBeacon: OneBeacon Insurance Group, Ltd. is a Bermuda-domiciled holding company that is publicly traded on the New York Stock Exchange under the symbol "OB." OneBeacon's underwriting companies offer a range of specialty insurance products sold through independent agencies, regional and national brokers, wholesalers and managing general agencies. Each business is



managed by an experienced team of specialty insurance professionals focused on a specific customer group or industry segment, and providing distinct products and tailored coverages and services.

OneBeacon's solutions target ocean and inland marine; entertainment, sports and leisure; group accident; crop; public entities; technology; tuition refund; professional liability; environmental; excess property; programs; and commercial surety. For further information about our products and services visit: www.onebeacon.com and to remain up to date on OneBeacon's news, follow us on Twitter [@OneBeaconIns](https://twitter.com/OneBeaconIns) or visit our online newsroom: www.onebeacon.com/newsroom.

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ONEBEACON INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS
(\$ in millions)
(Unaudited)

	March 31, 2014	December 31, 2013
Assets		
Investment securities:		
Fixed maturity investments	\$ 1,743.6	\$ 1,700.9
Short-term investments	152.7	157.0
Common equity securities	347.1	336.9
Convertible fixed maturity investments	29.3	30.5
Other investments	143.0	139.6
Total investment securities	2,415.7	2,364.9
Cash	138.6	168.1
Reinsurance recoverables	83.1	89.9
Premiums receivable	249.2	228.2
Deferred acquisition costs	105.9	103.7
Net deferred tax asset	79.8	90.6
Investment income accrued	9.1	10.1
Accounts receivable on unsettled investment sales	6.7	3.3
Other assets	289.9	272.7
Assets held for sale ⁽¹⁾	1,803.1	1,880.1
Total assets	\$ 5,181.1	\$ 5,211.6
Liabilities		
Unpaid loss and loss adjustment expense reserves	\$ 1,069.8	\$ 1,054.3
Unearned premiums	582.2	544.9
Debt	274.7	274.7
Accounts payable on unsettled investment purchases	25.6	11.6
Other liabilities	292.6	338.6
Liabilities held for sale ⁽¹⁾	1,803.1	1,880.1
Total liabilities	4,048.0	4,104.2
OneBeacon's common shareholders' equity and noncontrolling interests		
OneBeacon's common shareholders' equity:		
Common shares and paid-in surplus	1,021.5	1,022.5
Retained earnings	102.0	75.0
Accumulated other comprehensive income, after tax	6.8	6.8
Total OneBeacon's common shareholders' equity	1,130.3	1,104.3
Total noncontrolling interests	2.8	3.1
Total OneBeacon's common shareholders' equity and noncontrolling interests	1,133.1	1,107.4
Total liabilities, OneBeacon's common shareholders' equity and noncontrolling interests	\$ 5,181.1	\$ 5,211.6

⁽¹⁾ Assets and liabilities being sold as part of the runoff transaction are presented separately in the March 31, 2014 and December 31, 2013 consolidated balance sheets.

ONEBEACON INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013 ⁽¹⁾
Revenues		
Earned premiums	\$ 276.5	\$ 286.5
Net investment income	10.0	9.4
Net realized and change in unrealized investment gains	18.9	28.4
Net other revenues	1.0	24.0
Total revenues	<u>306.4</u>	<u>348.3</u>
Expenses		
Loss and loss adjustment expenses	149.4	148.9
Policy acquisition expenses	46.7	54.8
Other underwriting expenses	49.4	49.3
General and administrative expenses	3.3	4.0
Interest expense	3.2	3.2
Total expenses	<u>252.0</u>	<u>260.2</u>
Pre-tax income from continuing operations	<u>54.4</u>	<u>88.1</u>
Income tax expense	(6.5)	(19.8)
Net income from continuing operations	<u>47.9</u>	<u>68.3</u>
Net (loss) income from discontinued operations, net of tax ⁽²⁾	(0.5)	0.5
Net income including noncontrolling interests	<u>47.4</u>	<u>68.8</u>
Less: Net income attributable to noncontrolling interests	(0.4)	(0.4)
Net income attributable to OneBeacon's common shareholders	<u>47.0</u>	<u>68.4</u>
Other comprehensive income, net of tax	—	0.1
Comprehensive income attributable to OneBeacon's common shareholders	<u>\$ 47.0</u>	<u>\$ 68.5</u>
Earnings per share attributable to OneBeacon's common shareholders—basic and diluted ⁽³⁾		
Net income from continuing operations per share	\$ 0.50	\$ 0.71
Net loss from discontinued operations, net of tax, per share	(0.01)	—
Net income attributable to OneBeacon's common shareholders per share	<u>\$ 0.49</u>	<u>\$ 0.71</u>
Weighted average number of common shares outstanding ⁽³⁾	<u>94.6</u>	<u>94.5</u>

⁽¹⁾ Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation.

⁽²⁾ Results for the runoff business are reported as discontinued operations for all periods presented.

⁽³⁾ Earnings per share and related weighted average number of common shares outstanding include the impact of unvested restricted shares.

ONEBEACON INSURANCE GROUP, LTD.
SEGMENT STATEMENTS OF OPERATIONS
(\$ in millions)
(Unaudited)

Three Months Ended March 31, 2014

	Specialty Products ⁽¹⁾	Specialty Industries ⁽²⁾	Investing, Financing and Corporate	Total
Earned premiums	\$ 135.4	\$ 141.1	\$ —	\$ 276.5
Loss and loss adjustment expenses	(78.0)	(71.4)	—	(149.4)
Policy acquisition expenses	(21.4)	(25.3)	—	(46.7)
Other underwriting expenses	(22.2)	(27.2)	—	(49.4)
Underwriting income	<u>13.8</u>	<u>17.2</u>	<u>—</u>	<u>31.0</u>
Net investment income	—	—	10.0	10.0
Net realized and change in unrealized investment gains	—	—	18.9	18.9
Net other revenues	0.1	0.1	0.8	1.0
General and administrative expenses	0.1	(0.5)	(2.9)	(3.3)
Interest expense	—	—	(3.2)	(3.2)
Pre-tax income	<u>\$ 14.0</u>	<u>\$ 16.8</u>	<u>\$ 23.6</u>	<u>\$ 54.4</u>

Three Months Ended March 31, 2013

	Specialty Products ⁽¹⁾	Specialty Industries ⁽²⁾	Investing, Financing and Corporate	Total
Earned premiums	\$ 153.7	\$ 132.8	\$ —	\$ 286.5
Loss and loss adjustment expenses	(78.6)	(70.3)	—	(148.9)
Policy acquisition expenses	(30.4)	(24.4)	—	(54.8)
Other underwriting expenses	(24.3)	(25.0)	—	(49.3)
Underwriting income	<u>20.4</u>	<u>13.1</u>	<u>—</u>	<u>33.5</u>
Net investment income	—	—	9.4	9.4
Net realized and change in unrealized investment gains	—	—	28.4	28.4
Net other revenues	0.3	0.2	23.5	24.0
General and administrative expenses	—	(0.6)	(3.4)	(4.0)
Interest expense	—	—	(3.2)	(3.2)
Pre-tax income	<u>\$ 20.7</u>	<u>\$ 12.7</u>	<u>\$ 54.7</u>	<u>\$ 88.1</u>

⁽¹⁾ Specialty Products includes the results of A.W.G. Dewar, OneBeacon Professional Insurance, OneBeacon Specialty Property, OneBeacon Environmental, OneBeacon Surety Group, OneBeacon Program Group, OneBeacon Crop Insurance, and Collector Cars and Boats, which was sold on January 1, 2013.

⁽²⁾ Specialty Industries includes the results of OneBeacon Entertainment, International Marine Underwriters, OneBeacon Technology Insurance, OneBeacon Accident Group, OneBeacon Government Risks, and OneBeacon Energy Group, which is no longer an active underwriting operating segment.

ONEBEACON INSURANCE GROUP, LTD.
SUMMARY OF RATIOS AND PREMIUMS
(\$ in millions)
(Unaudited)

Three Months Ended March 31, 2014

	Specialty Products	Specialty Industries	Consolidated Insurance ⁽¹⁾
Net written premiums	\$ 160.8	\$ 150.3	\$ 311.1
Earned premiums	\$ 135.4	\$ 141.1	\$ 276.5
Underwriting ratios			
Loss and loss adjustment expense ratio	57.6%	50.6%	54.0%
Expense ratio	32.2%	37.2%	34.8%
Combined ratio	89.8%	87.8%	88.8%

Three Months Ended March 31, 2013

	Specialty Products	Specialty Industries	Consolidated Insurance ⁽¹⁾
Net written premiums	\$ 123.9	\$ 141.2	\$ 265.1
Earned premiums	\$ 153.7	\$ 132.8	\$ 286.5
Underwriting ratios			
Loss and loss adjustment expense ratio	51.2%	52.9%	52.0%
Expense ratio	35.5%	37.2%	36.3%
Combined ratio	86.7%	90.1%	88.3%

⁽¹⁾ Results for the runoff business are reported as discontinued operations for all periods presented.

ONEBEACON INSURANCE GROUP, LTD.
BOOK VALUE PER SHARE
(in millions, except per share amounts)
(Unaudited)

	<u>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2013</u>
Numerator			
OneBeacon's common shareholders' equity	\$ 1,130.3	\$ 1,104.3	\$ 1,063.8
Denominator			
Common shares outstanding	95.3	95.4	95.4
Book value per share	<u>\$ 11.86</u>	<u>\$ 11.58</u>	<u>\$ 11.15</u>
Change in book value per share, including dividends, in the quarter	4.2%		
Change in book value per share, including dividends, in the last twelve months on an IRR basis⁽¹⁾	14.3%		

⁽¹⁾ IRR calculated based on beginning book value per share, dividends paid, and ending book value per share. Includes dividends of \$0.84 per share (a quarterly dividend of \$0.21 per share).

ONEBEACON INSURANCE GROUP, LTD.
COMPREHENSIVE INCOME, NET INCOME, AND OPERATING INCOME FROM CONTINUING OPERATIONS
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,
	2014	2013	2014
Comprehensive income attributable to OneBeacon's common shareholders	\$ 47.0	\$ 68.5	\$ 145.1
Net income attributable to OneBeacon's common shareholders	\$ 47.0	\$ 68.4	\$ 124.6
Weighted average number of common shares outstanding ⁽¹⁾	94.6	94.5	94.5
Net income attributable to OneBeacon's common shareholders per share	\$ 0.49	\$ 0.71	\$ 1.30
Net income attributable to OneBeacon's common shareholders	\$ 47.0	\$ 68.4	\$ 124.6
Less:			
Net realized and change in unrealized investment gains	(18.9)	(28.4)	(39.9)
Tax effect on net realized and change in unrealized investment gains	6.6	9.9	14.0
Loss (income) from discontinued operations, net of tax	0.5	(0.5)	47.6
Gain from sale of discontinued operations, net of tax	—	—	(46.6)
Operating income ⁽²⁾	\$ 35.2	\$ 49.4	\$ 99.7
Weighted average number of common shares outstanding ⁽¹⁾	94.6	94.5	94.5
Operating income per share ⁽²⁾	\$ 0.37	\$ 0.52	\$ 1.05

⁽¹⁾ Operating income per share and related weighted average number of common shares outstanding include the impact of unvested restricted shares.

⁽²⁾ Represent non-GAAP financial measures. See discussion of Non-GAAP financial measures on page 11.

ONEBEACON INSURANCE GROUP, LTD.
COMPREHENSIVE AND OPERATING RETURNS FROM CONTINUING OPERATIONS ON AVERAGE EQUITY
(\$ in millions)
(Unaudited)

		Twelve Months Ended March 31, 2014		
Numerator:				
[A]	Comprehensive income attributable to OneBeacon's common shareholders			\$ 145.1
[B]	Operating income ⁽¹⁾			\$ 99.7
		As of March 31, 2014	As of March 31, 2013	Average
Denominator:				
[C]	OneBeacon's common shareholders' equity	\$ 1,130.3	\$ 1,063.8	\$ 1,097.1
Less:				
	Net unrealized gains and net foreign currency gains and losses on investments ⁽²⁾	(136.2)	(124.3)	
	Tax effect on net unrealized gains and net foreign currency gains and losses on investments	47.7	43.5	
	Accumulated other comprehensive (income) loss, after tax	(6.8)	13.7	
[D]	Adjusted OneBeacon's common shareholders' equity excluding net unrealized investment gains, after tax, and accumulated other comprehensive (income) loss ⁽¹⁾	\$ 1,035.0	\$ 996.7	\$ 1,015.9
Returns:				
Comprehensive return on average OneBeacon's common shareholders' equity [A / C]				13.2%
Operating return on average adjusted OneBeacon's common shareholders' equity excluding net unrealized investment gains, after tax, and accumulated other comprehensive (income) loss [B / D]				9.8%

⁽¹⁾ Represent non-GAAP financial measures. See discussion of Non-GAAP financial measures on page 11.

⁽²⁾ Net unrealized gains and net foreign currency gains and losses on investments as of March 31, 2014 and 2013 include net unrealized gains on investments held. March 31, 2013 also includes deferred gains and losses relating to sales of investments to entities under common control.



Discussion of Non-GAAP Financial Measures

This earnings release includes non-GAAP financial measures that have been reconciled to their most comparable GAAP financial measures. OneBeacon believes these measures to be useful supplements to the comparable GAAP measures in evaluating OneBeacon's financial performance.

Operating income is a non-GAAP financial measure that excludes net realized and change in unrealized investment gains, loss (income) from discontinued operations, gain from sale of discontinued operations, and the related tax effects, from net income attributable to OneBeacon's common shareholders. OneBeacon believes that this non-GAAP financial measure provides a useful alternative picture of the underlying operating activities of the company to the GAAP measure of net income attributable to OneBeacon's common shareholders, as it removes variability in the timing of realized and change in unrealized investment gains which may be heavily influenced by investment market conditions and also removes the impact related to discontinued operations. Although key to the company's overall financial performance, OneBeacon believes that net realized and change in unrealized investment gains are largely independent of the underwriting decision-making process. Management also believes that the impact of operations that have been discontinued are not relevant to evaluating financial performance on a comparative basis. The reconciliation of net income attributable to OneBeacon's common shareholders to operating income is included on page 9.

Operating income per share is calculated by dividing operating income (a non-GAAP financial measure described above) by the weighted average number of common shares outstanding. Management believes that operating income per share is a useful alternative picture of the underlying operating activities of the company as it removes variability in the timing of investment gains and losses which may be heavily influenced by investment market conditions. Management also believes that the impact of operations that have been discontinued are not relevant to evaluating financial performance on a comparative basis. Net income attributable to OneBeacon's common shareholders per share is the most directly comparable GAAP measure. As described above, the reconciliation of net income attributable to OneBeacon's common shareholders to operating income is included on page 9. The calculation of operating income per share is also included on page 9.

Adjusted OneBeacon's common shareholders' equity excluding net unrealized investment gains, after-tax, and accumulated other comprehensive income/loss (AOCI/L), the average of which is used in calculating operating returns, is derived by excluding net unrealized gains and net foreign currency gains and losses on investments, after tax, and AOCI/L, after tax, from OneBeacon's common shareholders' equity. For the reasons described above, OneBeacon believes that it is appropriate to remove the variability in net unrealized gains and net foreign currency gains and losses on investments and other comprehensive (income) loss items when analyzing certain performance measures. The reconciliation of OneBeacon's common shareholders' equity, the most closely comparable GAAP measure, to adjusted OneBeacon's common shareholders' equity excluding net unrealized investment gains, after tax, and AOCI/L, after tax, is included on page 10.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This news release may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this news release that address activities, events or developments that we expect will or may occur in the future are forward-looking statements. The words "will," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict," "anticipate" and similar expressions are also intended to identify forward-looking statements. These forward-looking statements include, among others, statements with respect to OneBeacon's:



- change in book value per share or return on equity;
- business strategy;
- financial and operating targets or plans;
- incurred loss and loss adjustment expenses and the adequacy of our loss and loss adjustment expense reserves and related reinsurance;
- projections of revenues, income (or loss), earnings (or loss) per share, dividends, market share or other financial forecasts;
- expansion and growth of our business and operations;
- future capital expenditures; and
- pending transactions.

These statements are based on certain assumptions and analyses made by us in light of OneBeacon's experience and judgments about historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform to our expectations is subject to a number of risks, uncertainties or other factors which are described in more detail that could cause actual results to differ materially from expectations including:

- claims arising from catastrophic events, such as hurricanes, windstorms, earthquakes, floods or terrorist attacks;
- recorded loss and loss adjustment expense reserves subsequently proving to have been inadequate;
- exposure to asbestos or environmental claims;
- changes in interest rates, debt or equity markets or other market volatility that negatively impact our investment portfolio;
- competitive forces and the cyclical nature of the property and casualty insurance industry;
- actions taken by rating agencies from time to time with respect to us, such as financial strength or credit rating downgrades or placing our ratings on negative watch;
- the continued availability of capital and financing;
- the outcome of litigation and other legal or regulatory proceedings;
- our ability to retain key personnel;
- our ability to continue meeting our debt and related service obligations or to pay dividends;



- the continued availability and cost of reinsurance coverage and our ability to collect reinsurance recoverables;
- the ability of our technology resources to prevent a data breach and the ability of our internal controls to ensure compliance with legal and regulatory policies;
- our ability to successfully develop new specialty businesses;
- changes in laws or regulations, or their interpretations, which are applicable to us, our competitors, our agents or our customers;
- participation in guaranty funds and mandatory market mechanisms;
- the impact of new theories of liability;
- changes to current shareholder dividend practice and regulatory restrictions on dividends;
- our status as a subsidiary of White Mountains, including potential conflicts of interest;
- whether the sale of our runoff business closes; and
- other factors, most of which are beyond our control, including the risks that are described from time to time in OneBeacon's filings with the Securities and Exchange Commission, including but not limited to OneBeacon's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed February 28, 2014.

Consequently, all of the forward-looking statements made in this news release are qualified by these cautionary statements, and there can be no assurance that the anticipated results or developments will be realized or, even if substantially realized, that they will have the expected consequences. OneBeacon assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.