OneBeacon Insurance Group, Ltd. Form 10-Q August 01, 2008 <u>Table of Contents</u>

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

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### QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended June 30, 2008

OR

### TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-33128

# **ONEBEACON INSURANCE GROUP, LTD.**

(Exact name of Registrant as specified in its charter)

Bermuda

(State or other jurisdiction of incorporation or organization)

## 601 Carlson Parkway Minnetonka, Minnesota

(Address of principal executive offices)

98-0503315

(I.R.S. Employer Identification No.)

> 55305 (Zip Code)

Registrant s telephone number, including area code: (952) 852-2431

### Edgar Filing: OneBeacon Insurance Group, Ltd. - Form 10-Q

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

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

Large accelerated filer o

Accelerated Filer X

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

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

As of July 30, 2008, 23,383,478 Class A common shares, par value of \$0.01 per share, and 71,754,738 Class B common shares, par value of \$0.01 per share, were outstanding.

#### **ONEBEACON INSURANCE GROUP, LTD.**

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**SIGNATURES** 

PART 1. FINANCIAL INFORMATION

**ITEM 1. Financial Statements** 

**ONEBEACON INSURANCE GROUP, LTD.** 

CONSOLIDATED BALANCE SHEETS

Assets     Normal Securities:       Investment Securities:     Fixed maturity investments, at fair value (cost \$780.4 and \$263.3)     914.3     832.1       Common equity securities, at fair value (cost \$780.4 and \$280.7)     320.9     3889.2       Short-term investments, at anortized cost (which approximates fair value)     417.8     327.4       Held-ter-maturity investments (ast anortized cost (kinh approximates fair value)     417.8     305.5       Short-term investments, at anortized cost (kinh approximates fair value)     0.1     Other minivestments, at anortized cost (kinh approximates fair value)     0.1       Other investments, at anortized cost (kinh approximates fair value)     417.8     540.5       Short-term investments, at anortized cost (kinh approximates fair value)     0.1     0.1       Other investments     4167.4     5.160.95     628.9       Cash     49.5     49.4     49.5     49.4       Reinstrance recoverable on unpial losses     521.2     1.612.7     1.612.6     76.5       Reinstrance recoverable on apial losses     521.2     200.00     Ceded unearned premiums     76.5     68.1       Premiums receivable     521.2     529.2     5     44.84			June 30, 2008 (Unaudited) (\$ in million: share and p amoun	s, except er share	mber 31, 2007
Fixed maturity investments, at fair value (constriked cost \$2.450 1 and \$2,914.4)     \$     2.465.3     \$     2.966.6       Common equity securities, at fair value (cost \$780.4 and \$685.3)     910.3     832.1     832.1       Convertible bonds, at fair value (cost \$780.4 and \$685.3)     920.9     389.2       Short-term investments, at anortized cost (which approximates fair value)     417.8     327.7       Fixed maturity investments, at anortized cost (which approximates fair value)     0.1     388.1     348.6       Total investments, at anortized cost (which approximates fair value)     0.1	Assets				
Fixed maturity investments, at fair value (const \$2.45.0 1 and \$2,914.4)     \$     2.465.3     \$     2.966.6       Common equity securities, at fair value (cost \$78.0 4 and \$685.3)     91.0     832.1     832.1       Convertible bonds, at fair value (cost \$78.0 4 and \$685.3)     92.0     389.2     Short-term investments, at anortized cost (which approximates fair value)     417.8     327.7       Fixed maturity investments, at anortized cost (which approximates fair value)     417.8     327.7       Fixed maturity investments, at anortized cost (which approximates fair value)     0.1     Other investments, at anortized cost (which approximates fair value)     0.1       Other term investments, at anortized cost (which approximates fair value)     447.64     5.169.5       Total investments     447.64     5.169.5       Cash     49.5     49.4       Reinstrance recoverable on unpaid losses     951.5     529.2       Securities lending collateral     327.6     438.8       Deferend acquisition costs     221.1     21.9       Premiums receivable     50.15     529.2       Securities lending collateral     327.6     438.9       Deferend acquisiton costs     22.5     7.10 <td>Investment Securities:</td> <td></td> <td></td> <td></td> <td></td>	Investment Securities:				
Common equity securities, at fair value (cost \$780.4 and \$685.3)     914.3     \$32.1       Convertible bonds, at fair value (amorized cost \$327.7 and \$380.7)     320.9     389.2       Short-term investments, at amortized cost (which approximates fair value)     417.8     327.4       Held-to-maturity investments, at amortized cost (which approximates fair value)     305.5     Short-term investments, at amortized cost (which approximates fair value)     0.1       Other investments, at amortized cost (which approximates fair value)     358.1     348.6       Total investments, at amortized cost (which approximates fair value)     0.1     0.1       Other investments, at amortized cost (which approximates fair value)     0.1     0.1       Other investments, at amortized cost (which approximates fair value)     4.476.4     5.169.5       Cash     4.476.4     5.169.5     0.58.9       Reinsurance recoverable on unpaid losses     95.2     958.9     0.358.1     348.6       Reinsurance recoverable on unpaid losses     1.612.7     1.670.6     64.38.9       Deferred acquisition costs     212.7     200.0     Cedde unearned premiums     76.5     68.1       Other asseti     232.7     237.1     28.3		\$	2,465.3	\$	2,966.6
Convertible bonds, at fair value (amorized cost (327,7 and \$380,7)     320.9     389.2       Short-term investments, at amorized cost (which approximates fair value)     417.8     327.4       Held-to-maturity investments, at amorized cost (estimated fair value \$ and \$306.9)     305.5       Short-term investments, at amorized cost (which approximates fair value)     0.1       Other investments, at amorized cost (which approximates fair value)     0.1       Other investments, at fair value (cost \$248.7 and \$292.7)     358.1     348.6       Total investments     4476.4     5.169.5     649.4       Reinsurance recoverable on unpaid losses     959.2     958.9     959.2     958.9       Reinsurance recoverable on unpaid losses     22.1     21.9     21.9     22.1     21.9     21.6     76.5     68.1       Reinsurance recoverable on unpaid losses     591.5     529.2     20.0     22.1     21.9     20.0     21.7     200.0     20.0     23.5     10.4     33.7     10.4     33.6     33.7     10.3     1.05.3     10.1     76.5     68.1     10.1     76.1     76.1     76.1     76.1     76.1 <td< td=""><td></td><td></td><td>,</td><td></td><td></td></td<>			,		
Short-term investments, at amortized cost (which approximates fair value)     417.8     327.4       Held-to-maturity investments, at amortized cost (estimated fair value \$ and \$306.9)     305.5       Short-term investments, at amortized cost (which approximates fair value)     0.1       Other investments, at amortized cost (which approximates fair value)     0.1       Other investments, at amortized cost (which approximates fair value)     417.8       Other investments, at amortized cost (which approximates fair value)     417.8       Other investments, at amortized cost (which approximates fair value)     417.8       Other investments, at amortized cost (which approximates fair value)     417.8       Other investments, at amortized cost (which approximates fair value)     417.8       Other investments, at amortized cost (which approximates fair value)     417.8       Reinsurance recoverable on unpaid losses     959.2     958.9       Reinsurance recoverable on unpaid losses     515.5     529.2       Securities lending collateral     327.6     6438.9       Deferred acquisition costs     212.7     200.0       Ceded uncamed premiums     76.5     68.1       Net deferred tax asset     12.6     76.1       Other assets					
Held-to-maturity investments, at amortized cost (estimated fair value 8 and \$306.9)   305.5     Fixed maturity investments, at amortized cost (which approximates fair value)   0.1     Other investments, at fair value (cost \$248.7 and \$292.7)   358.1   348.6     Total investments   4476.4   \$5.169.5     Cash   49.5   49.4     Reinsurance recoverable on unpaid losses   959.2   958.9     Reinsurance recoverable on unpaid losses   22.1   11.9     Premiums receivable   591.5   529.2     Securities lending collateral   327.6   438.9     Deferred acquisition costs   212.7   200.0     Ceded uncamed premiums   76.5   68.1     Net deferred tax asset   54.9   23.5     Investment income accrued   28.3   33.7     Accounts receivable on unsettled investment sales   12.6   76.1     Other assets   \$8.711.2   \$ 9.541.5   \$     Lass and LAE reserves   \$ 8.711.2   \$ 9.541.5   \$     Lisbilities   327.6   438.9   325.5   \$     Other assets   \$ 8.711.2   \$ 9.541.5   \$   \$  <					
Fixed maturity investments, at amortized cost (estimated fair value \$ and \$306.9)   305.5     Short-term investments, at amortized cost (which approximates fair value)   0.1     Other investments, at fair value (cost \$248.7 and \$292.7)   358.1   348.6     Total investments   44.76.4   \$5169.5   549.4     Reinsurance recoverable on unpaid losses   959.2   958.9     Reinsurance recoverable on unpaid losses   22.1   121.9     Premiums receivable   591.5   529.2     Securities lending collateral   327.6   438.9     Deferred acquisition costs   21.2   200.0     Cedd uncaned premiums   76.5   66.1     Investment income accrued   28.3   33.7     Accounts receivable on unsettled investment sales   12.6   76.1     Other asset   28.7   301.7     Total assets   \$ 8.711.2   \$ 9.541.5     Loss and LAE reserves   \$ 4.425.5   \$ 4.480.3     Unearned premiums   1.050.3   1.005.3     Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption   758.8   757.7     Securities lending payable   9.8.3   1028.4   268.5 </td <td>· · · · · · · · · · · · · · · · · · ·</td> <td></td> <td></td> <td></td> <td></td>	· · · · · · · · · · · · · · · · · · ·				
Short term investments, at amorized cost (which approximates fair value)     0.1       Other investments, at fair value (cost \$248.7 and \$292.7)     338.1     348.6       Total investments     4,476.4     5.169.5       Cash     49.5     49.4       Reinsurance recoverable on unpaid losses     959.2     958.9       Reinsurance recoverable on unpaid losses     22.1     21.9       Premiums receivable     591.5     529.2       Securities lending collateral     327.6     438.9       Deferred acquisition costs     212.7     2000.0       Ceded uncamed premiums     76.5     68.1       Net deferred tax aset     54.9     23.5       Investment income accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     28.7.2     301.7       Total assets     \$     4,475.5     \$       Unseared premiums     1,050.3     1,005.9       Debt     755.8     757.7       Securities lending payable     927.6     438.9       Preferred stock subject to mandatory redemption					305.5
Other investments, at fair value (cost \$248.7 and \$292.7)     358.1     348.6       Total investments     4,476.4     5,169.5       Cash     49.5,5     49.4       Reinsurance recoverable on unpaid losses     959.2     958.9       Reinsurance recoverable on unpaid losses     92.1     21.9       Premiums receivable     591.5     529.2       Securities lending collateral     327.6     438.9       Deferred acquisition costs     21.7     200.0       Ceded uncarned premiums     76.5     68.1       Net deferred tax asset     54.9     23.3       Investment income accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     287.2     301.7       Total assets     \$     4,425.5     \$       Labilities     1050.3     1005.9       Debt     75.5     \$     4,480.3       Unearned premiums     10,50.3     1005.9     102.8       Accounts previse dus abote to mandatory redemption Berkshire Hathaway, Inc. (redemption value \$ and \$300.0)     278.4					
Total investments     4,476.4     5,169.5       Cash     49.5     49.4       Reinsurance recoverable on unpaid losses     959.2     958.9       Reinsurance recoverable on unpaid losses     Berkshire Hathaway, Inc.     1,612.7     1,670.6       Reinsurance recoverable on paid losses     22.1     21.9     21.9       Premiums receivable     591.5     529.2     Securities lending collateral     327.6     438.9       Deferred acquisition costs     212.7     200.0     Ceded uncaned premiums     76.5     68.1       Net deferred tax asset     54.9     23.5     10.5     10.5     10.5       Investment income accrued     28.3     33.7     Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     \$     8,711.2     \$     9,541.5       Loss and LAE reserves     \$     4,425.5     \$     4,480.3       Uncarred premiums     1,050.3     1,005.9     27.7       Securities lending payable     327.6     438.9     27.8       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption <td></td> <td></td> <td>358.1</td> <td></td> <td></td>			358.1		
Cash   49.5   49.4     Reinsurance recoverable on unpaid losses   959.2   958.9     Reinsurance recoverable on unpaid losses   22.1   21.9     Premiums receivable   591.5   529.2     Securities lending collateral   327.6   438.9     Deferred acquisition costs   212.7   200.0     Cedde unearned premiums   76.5   68.1     Net deferred tax asset   54.9   23.5     Investment income accrued   28.3   33.7     Accounts receivable on unsettled investment sales   12.6   76.1     Other assets   287.2   301.7     Total assets   5   4,425.5   \$     Loss and LAE reserves   \$   4,425.5   \$   4,480.3     Unearned premiums   1,050.3   1,005.9   1,005.9     Detr   755.8   757.7   754.4     Ceded reinsurance payable   98.3   102.8     Accounts payable on unsettled investment purchases   8.1   8.5     Other asset   5   56.2.5   5   4,480.3     Unearned premiums   1,050.3   1,005.9					
Reinsurance recoverable on unpaid losses     959.2     958.9       Reinsurance recoverable on unpaid losses     Berkshire Hathaway, Inc.     1,612.7     1,670.6       Reinsurance recoverable on paid losses     22.1     21.9     Premiums receivable     591.5     523.2       Securities lending collateral     327.6     438.9     22.7     200.0       Ceded unearned premiums     76.5     68.1     Net deferred tax asset     54.9     23.5       Investment income accrued     28.3     33.7     Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     287.2     301.7     7     20.0     28.7.2     301.7       Total assets     \$     8,711.2     \$     9,541.5     5     4.480.3       Unearned premiums     1,050.3     1,005.9     10.050.3     1,005.9       Debt     755.8     75.7.7     Securities lending payable     327.6     438.9       Prefered stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4     328.5     562.5       Total assolibilities     7,102.1     7,635.0			,		
Reinsurance recoverable on upaid losses Berkshire Hathaway, Inc.     1,612.7     1,670.6       Reinsurance recoverable on paid losses     22.1     21.9       Premiums receivable     591.5     529.2       Securities lending collateral     327.6     438.9       Deferred acquisition costs     212.7     200.0       Ceded uncarned premiums     76.5     668.1       Net deferred tax asset     54.9     23.5       Investment in come accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     28.7.2     301.7       Total assets     28.7.2     301.7       Total assets     1,050.3     1,005.9       Loss and LAE reserves     \$     4,425.5     \$     4,480.3       Unearned premiums     1,050.3     1,005.9     757.7     Securities lending payable     327.6     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4     Ceded reinsurance payable     98.3     1002.8       Accounts payable on unsettled investment purchases     8.1     8.5					
Reinsurance recoverable on paid losses   22.1   21.9     Premiums receivable   591.5   529.2     Securities lending collateral   327.6   438.9     Deferred acquisition costs   212.7   200.0     Ceded unearned premiums   76.5   68.1     Net deferred tax asset   54.9   23.5     Investment income accrued   28.3   33.7     Accounts receivable on unsettled investment sales   12.6   76.1     Other assets   28.7.2   301.7     Total assets   \$ 8,711.2   \$ 9,541.5     Lass and LAE reserves   \$ 4,425.5   \$ 4,480.3     Unearned premiums   1005.9   1005.8     Debt   755.8   757.7     Securities lending payable   327.6   438.9     Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption   278.4     Ceded reinsurance payable   98.3   102.8     Accounts payable on unsettled investment purchases   8.1   8.5     Other liabilities   7,102.1   7,635.0     Coded reinsurance payable   98.5   562.5     Total inhibilities   7,102.1<					
Premiums receivable     591.5     529.2       Securities lending collateral     327.6     438.9       Deferred acquisition costs     212.7     200.0       Ceded unearned premiums     76.5     68.1       Net deferred tax asset     54.9     23.5       Investment income accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     287.2     301.7       Total assets     287.2     301.7       Total assets     28.3     1.050.3       Unearned premiums     1.050.3     1.005.9       Debt     755.8     757.7       Securities lending payable     327.6     438.9       Preferred stock subject to mandatory redemption     Stock     438.9       Preferred stock subject to mandatory redemption     278.4     276.5     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4     276.5     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4     276.5     278.4       Ceded re					
Securities lending collateral     327.6     438.9       Deferred acquisition costs     212.7     200.0       Ceded unearned premiums     76.5     68.1       Net deferred tax asset     54.9     23.5       Investment income accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     28.7     301.7       Total assets     \$     8,711.2     \$     9,541.5       Libilities     2     301.7     70.5     \$     4,480.3       Unearned premiums     1,050.3     1,005.9     1,050.3     1,005.9       Debt     755.8     757.7     Securities lending payable     327.6     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4     Ceded reinsurance payable     98.3     102.8       Accounts payable on unsettled investment purchases     8.1     8.5     562.5     Total iabilities     7,102.1     7,635.0       Common shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares;     1,023.0     1,084.4     Retained earnings	•				
Deferred acquisition costs     212.7     200.0       Ceded unearned premiums     76.5     68.1       Net deferred tax asset     54.9     23.5       Investment income accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     287.2     301.7       Total assets     \$ 8,711.2     \$ 9,541.5       Labilities     1.050.3     1.005.9       Debt     755.8     757.7       Securities lending payable     327.6     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     value \$ and \$300.0     278.4       Ceded reinsurance payable     98.3     102.8     426.5       Accounts payable on unsettled investment purchases     8.1     8.5       Other liabilities     436.5     562.5     7       rotal liabilities     1,023.0     1,084.4     8       Other liabilities     1,023.0     1,084.4     8       Other liabilities     585.6     641.0     4       rotal liabilities     1,023.0     <					
Ceded unearned premiums     76.5     68.1       Net deferred tax asset     54.9     23.5       Investment income accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     287.2     301.7       Total assets     \$     8,711.2     \$     9,541.5       Labilities     Investment income accrued     32.8     33.7       Loss and LAE reserves     \$     4,425.5     \$     4,480.3       Unearned premiums     1,050.3     1,005.9     Peterse       Debt     755.8     757.7       Securities lending payable     327.6     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4       Ceded reinsurance payable     98.3     102.8       Accounts payable on unsettled investment purchases     8.1     8.5       Other liabilities     7,102.1     7,635.0       Ceded reinsurance payable     98.3     102.8       Other liabilities     7,102.1     7,635.0       Common shares and paid-in surplus (par value \$0.					
Net deferred tax asset     54.9     23.5       Investment income accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     287.2     301.7       Total assets     \$     8,711.2     \$     9,541.5       Liabilities     -     -     -     -       Loss and LAE reserves     \$     4,425.5     \$     4,480.3       Uncarned premiums     1,050.3     1,005.9     1,005.9     -     757.7       Securities lending payable     755.8     757.7     -     -     -     -     -       Value \$ and \$300.0)     -     278.4     -					
Investment income accrued     28.3     33.7       Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     287.2     301.7       Total assets     \$ 8,711.2     \$ 9,541.5       Liabilities					
Accounts receivable on unsettled investment sales     12.6     76.1       Other assets     287.2     301.7       Total assets     \$ 8,711.2     \$ 9,541.5       Labilities					
Other assets     287.2     301.7       Total assets     \$ 8,711.2     \$ 9,541.5       Liabilities					
Total assets     \$     8,711.2     \$     9,541.5       Liabilities          Loss and LAE reserves     \$     4,425.5     \$     4,480.3       Unearned premiums     1,050.3     1,005.9     1,005.9       Debt     755.8     757.7     Securities lending payable     327.6     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     327.6     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4     757.7       Ceded reinsurance payable     98.3     102.8     8.1     8.5       Other liabilities     98.3     102.8     8.1     8.5       Other liabilities     7,102.1     7,635.0     762.5       Common shareholders equity     7,102.1     7,635.0     641.0       Accounts and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares; issued and outstanding, 95,490,249 and 98,465,204 shares)     1,023.0     1,084.4       Retained earnings     585.6     641.0     643.1     643.1       Accountlated other comprehensive (loss) income, after-tax:					
Liabilities       Loss and LAE reserves     \$ 4,425.5     \$ 4,480.3       Unearned premiums     1,050.3     1,005.9       Debt     755.8     757.7       Securities lending payable     327.6     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4       Ceded reinsurance payable     98.3     102.8       Accounts payable on unsettled investment purchases     8.1     8.5       Other liabilities     436.5     562.5       Total liabilities     7,102.1     7,635.0       Common shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares;     1,023.0     1,084.4       Retained earnings     585.6     641.0     42cumulated other comprehensive (loss) income, after-tax:     168.1       Net unrealized gains on investments     168.1     12.2     168.1       Net unrealized foreign currency translation (losses) gains     0.8     0.8       Total common shareholders equity     1,609.1     1,906.5		<b>*</b>		<b>.</b>	
Loss and LAE reserves     \$     4,425.5     \$     4,480.3       Unearned premiums     1,050.3     1,005.9       Debt     755.8     757.7       Securities lending payable     327.6     438.9       Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption     278.4       Ceded reinsurance payable     98.3     102.8       Accounts payable on unsettled investment purchases     8.1     8.5       Other liabilities     7,102.1     7,635.0       Common shareholders equity     7,02.1     7,635.0       Common shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares; issued and outstanding, 95,490,249 and 98,465,204 shares)     1,023.0     1,084.4       Retained earnings     585.6     641.0     4ccumulated other comprehensive (loss) income, after-tax:     168.1       Net unrealized gains on investments     168.1     168.1     168.1       Net unrealized foreign currency translation (losses) gains     (0.3)     12.2       Other comprehensive income items     0.8     0.8       Total common shareholders equity     1,609.1     1,906.5		\$	8,711.2	\$	9,541.5
Unearned premiums $1,050.3$ $1,005.9$ Debt $755.8$ $757.7$ Securities lending payable $327.6$ $438.9$ Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption $278.4$ Value \$ and \$300.0) $278.4$ Ceded reinsurance payable $98.3$ $102.8$ Accounts payable on unsettled investment purchases $8.1$ $8.5$ Other liabilities $436.5$ $562.5$ Total liabilities $7,102.1$ $7,635.0$ Common shares and paid-in surplus (par value $$0.01$ ; authorized, $200,000,000$ shares; issued and outstanding, $95,490,249$ and $98,465,204$ shares) $1,023.0$ $1,084.4$ Retained earnings $585.6$ $641.0$ Accumulated other comprehensive (loss) income, after-tax: Net unrealized gains on investments $168.1$ Net unrealized foreign currency translation (losses) gains $(0.3)$ $12.2$ Other comprehensive income items $0.8$ $0.8$ Total common shareholders equity $1,609.1$ $1,906.5$		<i>*</i>		<b>.</b>	4 400 0
Debt755.8757.7Securities lending payable327.6438.9Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption278.4value \$ and \$300.0)278.4Ceded reinsurance payable98.3102.8Accounts payable on unsettled investment purchases8.18.5Other liabilities436.5562.5Total liabilities7,102.17,635.0Common shareholders equity77Common shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares; issued and outstanding, 95,490,249 and 98,465,204 shares)1,023.01,084.4Retained earnings585.6641.041.0Accumulated other comprehensive (loss) income, after-tax:168.11.023.01,084.4Net unrealized gains on investments168.11.023.01.2.2Other comprehensive income items0.80.80.80.8Total common shareholders equity1,609.11,906.51.906.5		\$		\$	
Securities lending payable327.6438.9Preferred stock subject to mandatory redemption Berkshire Hathaway, Inc. (redemption value \$ and \$300.0)278.4Ceded reinsurance payable98.3102.8Accounts payable on unsettled investment purchases8.18.5Other liabilities436.5562.5Total liabilities7,102.17,635.0Common shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares; issued and outstanding, 95,490,249 and 98,465,204 shares)1,023.01,084.4Retained earnings Accumulated other comprehensive (loss) income, after-tax: Net unrealized gains on investments168.1168.1Net unrealized foreign currency translation (losses) gains(0.3)12.20ther comprehensive income items0.80.8Total common shareholders equity1,609.11,906.51,906.51609.11,906.5	· ·				
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Ceded reinsurance payable98.3102.8Accounts payable on unsettled investment purchases8.18.5Other liabilities436.5562.5Total liabilities7,102.17,635.0Common shareholders equity77,635.0Common shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares; issued and outstanding, 95,490,249 and 98,465,204 shares)1,023.01,084.4Retained earnings585.6641.0Accumulated other comprehensive (loss) income, after-tax: Net unrealized gains on investments168.1Net unrealized foreign currency translation (losses) gains(0.3)12.2Other comprehensive income items0.80.8Total common shareholders equity1,609.11,906.5					250 4
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Total liabilities7,102.17,635.0Common shareholders equity77Common shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares; issued and outstanding, 95,490,249 and 98,465,204 shares)1,023.01,084.4Retained earnings585.6641.0Accumulated other comprehensive (loss) income, after-tax: Net unrealized gains on investments168.1Net unrealized foreign currency translation (losses) gains(0.3)12.2Other comprehensive income items0.80.8Total common shareholders equity1,609.11,906.5					
Common shareholders equityCommon shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares; issued and outstanding, 95,490,249 and 98,465,204 shares)1,023.01,084.4Retained earnings585.6641.0Accumulated other comprehensive (loss) income, after-tax: Net unrealized gains on investments168.1Net unrealized foreign currency translation (losses) gains(0.3)12.2Other comprehensive income items0.80.8Total common shareholders equity1,609.11,906.5					
Common shares and paid-in surplus (par value \$0.01; authorized, 200,000,000 shares; issued and outstanding, 95,490,249 and 98,465,204 shares)1,023.01,084.4Retained earnings585.6641.0Accumulated other comprehensive (loss) income, after-tax:168.1Net unrealized gains on investments168.1Net unrealized foreign currency translation (losses) gains0.312.2Other comprehensive income items0.80.8Total common shareholders equity1,609.11,906.5			7,102.1		7,635.0
issued and outstanding, 95,490,249 and 98,465,204 shares)1,023.01,084.4Retained earnings585.6641.0Accumulated other comprehensive (loss) income, after-tax:168.1Net unrealized gains on investments168.1Net unrealized foreign currency translation (losses) gains(0.3)12.2Other comprehensive income items0.80.8Total common shareholders equity1,609.11,906.5					
Retained earnings585.6641.0Accumulated other comprehensive (loss) income, after-tax:168.1Net unrealized gains on investments168.1Net unrealized foreign currency translation (losses) gains(0.3)Other comprehensive income items0.8Total common shareholders equity1,609.11,906.5					
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Net unrealized gains on investments168.1Net unrealized foreign currency translation (losses) gains(0.3)12.2Other comprehensive income items0.80.8Total common shareholders1,609.11,906.5			585.6		641.0
Net unrealized foreign currency translation (losses) gains(0.3)12.2Other comprehensive income items0.80.8Total common shareholders1,609.11,906.5					
Other comprehensive income items0.80.8Total common shareholders1,609.11,906.5					
Total common shareholdersequity1,609.11,906.5					
Total liabilities and common shareholdersequity\$8,711.2\$9,541.5					
	Total liabilities and common shareholders equity	\$	8,711.2	\$	9,541.5

See Notes to Consolidated Financial Statements including Note 10 Commitments and Contingencies

#### **ONEBEACON INSURANCE GROUP, LTD.**

# CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three months ended June 30,				Six months ended June 30,			
		2008	,	2007		2008	,	2007
			<b>(\$ in</b> 1	per sh	are amounts)			
Revenues								
Earned premiums	\$	463.8	\$	465.0	\$	919.1	\$	933.9
Net investment income		44.6		54.6		94.7		105.2
Net realized investment (losses) gains		(1.7)		57.1		2.0		112.0
Change in net unrealized investment gains		(0.9)				(60.0)		
Net other revenues		2.6		2.4		6.2		5.5
Total revenues		508.4		579.1		962.0		1,156.6
Expenses								
Loss and LAE		274.4		283.1		575.3		571.3
Policy acquisition expenses		84.3		78.3		169.0		156.6
Other underwriting expenses		79.2		89.6		149.3		180.5
General and administrative expenses		5.9		2.7		10.3		5.1
Accretion of fair value adjustment to loss and LAE reserves		3.0		4.0		6.0		8.0
Interest expense on debt		11.4		11.3		22.9		22.7
Interest expense dividends on preferred stock subject to								
mandatory redemption		4.7		7.6		11.8		15.1
Interest expense accretion on preferred stock subject to								
mandatory redemption		11.1		8.7		21.6		17.0
Total expenses		474.0		485.3		966.2		976.3
Pre-tax income (loss)		34.4		93.8		(4.2)		180.3
Income tax (provision) benefit		(10.6)		(31.5)		3.7		(57.5)
Net income (loss)		23.8		62.3		(0.5)		122.8
Change in net unrealized gains and losses for investments held				22.1				65.7
Recognition of net unrealized gains and losses for investments								
sold				(34.6)				(70.9)
Change in foreign currency translation				5.1				6.6
Change in other comprehensive income items		1.2		1.1				1.3
Comprehensive net income (loss)	\$	25.0	\$	56.0	\$	(0.5)	\$	125.5
Basic and diluted earnings per share								
Basic:								
Net income (loss) available to common shareholders	\$	0.25	\$	0.62	\$	(0.01)	\$	1.23
Diluted:								
Net income (loss) available to common shareholders	\$	0.25	\$	0.62	\$	(0.01)	\$	1.23
Dividends declared and paid per common share	\$	0.21	\$	0.21	\$	2.45	\$	0.42

See Notes to Consolidated Financial Statements

**ONEBEACON INSURANCE GROUP, LTD.** 

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS EQUITY (Unaudited)

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		Common areholders	s	Common shares and paid-in	R	etained		Accum. other comprehensive income (loss),		
	equity			surplus (\$ in r	earnings millions)			after-tax		
Balances at January 1, 2008 Adjustment to adopt SFAS No. 159, after-tax	\$	1,906.5	\$	1,084.4	\$	641.0	\$	181.1		