

BEST'S RATING REPORT



One Beacon
INSURANCE GROUP

ONEBEACON INSURANCE GROUP

Canton, Massachusetts, United States 02021

Exec. Office: 605 Highway 169 North, Suite 800, Plymouth, Minnesota, United States 55441

AMB #: 018458

NAIC #: N/A

FEIN #: N/A

Phone: 781-332-7000

Fax: 781-332-7904

Website: www.onebeacon.com

Atlantic Specialty Ins Co	A
Split Rock Insurance, Ltd.	A
Homeland Insurance Company DE	A
Homeland Insurance Company NY	A
OBI America Insurance Company	A
OBI National Insurance Company	A



OneBeacon Insurance Group

Disclosure Information: Refer to rating unit members for each company's Rating Disclosure Form

Associated Ultimate Parent: [051160 - Intact Financial Corporation](#)

A.M. Best Rating Unit: 018458 - OneBeacon Insurance Group

Best's Credit Ratings for Group Members:

Rating Effective Date: February 23, 2018

AMB#	Company	Rating Unit	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
			Rating	Outlook	Action	Rating	Outlook	Action
018458	OneBeacon Insurance Group	<i>Rating Unit</i>						
012666	Atlantic Specialty Ins Co		A	Stable	Affirmed	a+	Stable	Affirmed
093460	Split Rock Insurance, Ltd.		A	Stable	Affirmed	a+	Stable	Affirmed
014398	Homeland Insurance Company DE		A	Stable	Affirmed	a+	Stable	Affirmed
010604	Homeland Insurance Company NY		A	Stable	Affirmed	a+	Stable	Affirmed
022388	OBI America Insurance Company		A	Stable	Affirmed	a+	Stable	Affirmed
014397	OBI National Insurance Company		A	Stable	Affirmed	a+	Stable	Affirmed

Rating Rationale:

Balance Sheet Strength: Very Strong

- OneBeacon Insurance Group maintains very strong risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% level.
- The Group maintains slightly elevated net and gross underwriting leverage measures relative to the commercial casualty composite given growth in net premiums and reserves in recent years which have outpaced growth in surplus during the period.
- Risk-adjusted capitalization has been somewhat constrained by adverse reserve development over the long term on both an accident and calendar year basis. In September of 2017, the Group purchased an adverse development cover (ADC) that reinsures loss development of accident years 2016 and prior.

Operating Performance: Adequate

- OneBeacon Insurance Group reported underwriting losses in earlier years, which were only partially offset by investment income, resulting in pre-tax operating losses during 2014. While subsequent years have generally improved, the weak performance in earlier years has dragged pre-tax return on revenue measures, which trail the commercial casualty industry composite over the long term.
- Pre-tax operating earnings driven by investment income have been augmented by realized capital gains during the recent five-year period.
- As measured by the combined ratio, OneBeacon Insurance Group has reported underwriting results that outperform the industry over the long term. While the underwriting expense ratio remains slightly elevated, the average combined ratio has outperformed the industry by approximately 4.5 points over the recent five-year period.

Business Profile: Neutral

- Headquartered in Plymouth, MN, OneBeacon Insurance Group maintains a neutral business profile given the spread of written premium with the largest two states, CA and NY, comprising 27% of written premiums.

- The Group enjoys strong brand name recognition given its recent acquisition by Intact Financial Corporation, as the group provides Intact with a U.S.-based platform, writing specialty lines coverages.
- The Group is led by a seasoned management team with significant niche market experience.

Enterprise Risk Management: Appropriate

- Risk management capabilities are considered appropriate for the risk profile of the group, with clearly defined risk exposures that consider the presence and effectiveness of risk mitigation efforts.
- Rigorous underwriting standards and risk control methods are clearly demonstrated throughout the organization, with adherence to strong underwriting discipline required to ensure adequate returns.
- Management promotes a strong risk culture through communication with risk owners while ensuring that risk responsibilities are well understood.

Rating Lift/Drag

- The ratings assigned to the members of Group reflect the explicit and implicit support from its affiliation with Intact Insurance Group, given Intact's role as the lead rating unit of Intact Financial Holdings.
- The ratings consider the protection afforded through an adverse development cover that covers accident years 2016 and prior.
- The ratings also consider the benefits derived given its integration into Intact's scalable operations. Additional support provided by Intact Financial Corporation include the benefits derived from common investment management, reinsurance procurement, actuarial support at each business unit, as well as corporate support including legal, finance, enterprise risk management and modeling expertise.
- The acquisition of OneBeacon provides Intact with a U.S.-based specialty lines platform that augments Intact's existing specialty lines. Together, these entities provide Intact with a broad range of product offerings operating through a multi-channel distribution model.

Outlook

The outlooks reflect the very strong level of risk-adjusted capitalization, as well as the significant explicit support provided OneBeacon in terms of reinsurance protection post-transaction close. OneBeacon will likely derive financial and operational benefits over the near term operating as the U.S.-based segment of the North American Specialty Lines platform currently being developed by Intact Financial Corporation. While Intact has a demonstrated track record of acquisition integration, some execution risk exists during the initial phases of integration. Accordingly, A.M. Best will closely monitor the ongoing integration of the members of OneBeacon Insurance Group into Intact, as well as the progress achieved towards development of the North American Specialty Lines platform.

Rating Drivers

Positive rating movement may occur over the near term given full integration of the members of OneBeacon Insurance Group into Intact Financial Corporation, as well as the progress achieved towards development of the North American Specialty Lines platform.

Positive rating actions could result if the group's underwriting and operating results outperform similarly rated peers for an extended period of time.

Negative rating actions could result if there is a material weakening of risk-adjusted capitalization either through weakened underwriting results or adverse prior year reserve development.

Negative rating actions could result should underwriting or operating performance fall markedly short of A.M. Best's expectations.

Financial Statements:

Balance Sheet:

Consolidated Balance Sheet

Admitted Assets	Year End - December 31			
	2016 (\$000)	2015 (\$000)	2016 (%)	2015 (%)
Bonds	1,453,168	1,428,802	65.0	61.0
Preferred Stock	13,975	82,720	0.6	3.5
Common Stock	138,288	190,881	6.2	8.2
Cash and Short-term Invest	81,492	88,168	3.6	3.8
Real estate, investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	79,616	112,437	3.6	4.8
Investments in Affiliates	96,113	94,939	4.3	4.1
Real Estate, Offices	...	...	...	...
Total Invested Assets	1,862,653	1,997,947	83.4	85.3
Premium Balances	227,219	218,782	10.2	9.3
Accrued Interest	9,388	8,378	0.4	0.4
All Other Assets	135,121	116,008	6.0	5.0
Total Assets	2,234,380	2,341,115	100.0	100.0
Liabilities & Surplus	Year End - December 31			
	2016 (\$000)	2015 (\$000)	2016 (%)	2015 (%)
Loss and LAE Reserves	831,544	942,825	37.2	40.3
Unearned Premiums	530,889	530,792	23.8	22.7
Derivatives	...	...	...	...
Conditional Reserve Funds	270	1,218	...	0.1
All Other Liabilities	246,830	243,944	11.0	10.4
Total Liabilities	1,609,533	1,718,780	72.0	73.4
Surplus notes	...	...	...	...
Capital and Assigned Surplus	541,547	541,547	24.2	23.1
Unassigned Surplus	83,301	80,789	3.7	3.5
Total Policyholders' Surplus	624,848	622,335	28.0	26.6
Total Liabilities and Surplus	2,234,380	2,341,115	100.0	100.0

Source: Bestlink - Best's Statement File - P/C, US

Company History:

Date Incorporated: 06/01/1956

Date Commenced: N/A

Domicile: United States:
Massachusetts

OneBeacon's history in the United States dates back to the 1800s. Following the June 2, 1998, worldwide merger between Commercial Union plc and General Accident plc, the former Commercial Union and General Accident companies in the U.S. became owned by one U.S. holding company, CGU Corp.

On June 1, 2001, White Mountains purchased CGU Corp. for \$2.1 billion and, subsequently, created OneBeacon Insurance Group. OneBeacon Ltd. executed an initial public offering in November 2006. Prior to the offering, a new Bermuda holding company (OneBeacon Ltd) was formed, a portion of whose common shares were offered and sold in the IPO.

White Mountains retained control of OneBeacon Ltd. subsequent to the IPO through ownership of the Class B common shares, which comprised approximately 72% of the common interest at the time of the IPO, with the remaining 28% owned by outside (public) shareholders.

Effective December 23, 2014, OBIC, OneBeacon America Insurance Company and Employers' Fire Insurance Company, which were previously members of this group, were sold to Trebuchet US Holdings, Inc., a subsidiary of Armour.

On September 28, 2017, Intact Financial Corporation, the largest property and casualty insurer in Canada, acquired 100% of the stock of OneBeacon Ltd.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issuer/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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