



## NEWS RELEASE

For Immediate Release

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## ONEBEACON REPORTS \$10.78 BOOK VALUE PER SHARE

**HAMILTON, Bermuda (May 2, 2016)** – OneBeacon Insurance Group, Ltd. (NYSE: OB) today reported book value per share of \$10.78, reflecting an increase of 4.4% for the first quarter of 2016, including dividends.

Mike Miller, CEO of OneBeacon, said, “The year is off to a good start, with 4.4% growth in book value and a 95.2% GAAP combined ratio. Premium growth has been challenging, particularly in our more mature businesses, as we maintain underwriting discipline in an increasingly competitive market.”

OneBeacon reported comprehensive income of \$46.4 million for the first quarter of 2016, compared to \$24.3 million for the first quarter of last year. Operating income was \$35.6 million or \$0.38 per share for the first quarter of 2016, compared to operating income of \$15.0 million or \$0.16 per share for the first quarter of 2015.

During the quarter, OneBeacon completed the termination of its qualified pension plan and fully eliminated the associated liabilities from its balance sheet, resulting in an after-tax loss of \$0.3 million. The results for the first quarter of 2016 also included a \$12.8 million tax benefit related to the settlement of the IRS examination for the tax years 2007-2009. The prior year’s first quarter



comprehensive income and operating income included a \$3.7 million negative pre-tax adjustment to the gain on the sale of Essentia Insurance Company.

Additionally during the quarter, OneBeacon repurchased 850,349 common shares under the 2007 share repurchase authorization for a total of \$10.6 million, reflecting an average price of \$12.42 per share.

Operating income is a non-GAAP financial measure, which is explained later in this release.

**Insurance Operations:** OneBeacon's GAAP combined ratio was 95.2% for both the first quarter of 2016 and the first quarter of last year. The first quarter 2016 combined ratio reflected a lower loss ratio due to limited catastrophic loss activity, offset by a slight increase to the expense ratio due to business mix and premium volume. There was no net loss reserve development in the quarter ended March 31, 2016 compared to 0.6 points of favorable loss reserve development in the same period of last year.

Net written premiums were \$280.1 million in the first quarter of 2016, a decrease of 2.4% from the comparable period of last year. During 2015, the company exited its lawyers liability and crop businesses, and nonrenewed an affiliated reinsurance treaty, which reported reductions of net written premiums that totaled \$8.6 million in the first quarter of 2015. Excluding the impact of these exited businesses, net written premiums in the first quarter of 2016 declined by 5.3% compared to the first quarter of last year.

**Investment Results:** OneBeacon's first quarter 2016 total return on invested assets was 1.2% compared to 1.0% for the first quarter of 2015. These pre-tax results included net realized and unrealized investment gains of \$16.6 million and net investment income of \$14.4 million for the first quarter of 2016, compared to net realized and unrealized investment gains of \$14.2 million and net



investment income of \$10.5 million for the first quarter of 2015. First quarter net investment income included \$2.4 million of interest on surplus notes issued as part of the runoff sale transaction that closed in December 2014.

**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 group accident; architects and engineers; commercial surety; entertainment; environmental; excess property; financial institutions; financial services; healthcare; management liability; ocean and inland marine; programs; public entities; technology; and tuition refund. For further information about our products and services visit: [www.onebeacon.com](http://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](http://www.onebeacon.com/newsroom).

OneBeacon expects to file its Form 10-Q today with the Securities and Exchange Commission and urges shareholders to refer to that document for more complete information concerning its financial results.

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

	March 31, 2016	December 31, 2015
<b>Assets</b>		
Investment securities:		
Fixed maturity investments	\$ 2,028.7	\$ 2,080.5
Short-term investments	119.7	69.2
Common equity securities	275.9	298.7
Other investments	137.8	143.0
Total investment securities	<u>2,562.1</u>	<u>2,591.4</u>
Cash	108.8	95.2
Reinsurance recoverables	167.0	193.5
Premiums receivable	230.4	219.0
Deferred acquisition costs	102.0	100.7
Ceded unearned premiums	36.3	29.5
Net deferred tax asset	134.1	140.2
Investment income accrued	9.4	10.1
Accounts receivable on unsettled investment sales	4.5	30.5
Other assets	174.4	192.5
<b>Total assets</b>	<u><u>\$ 3,529.0</u></u>	<u><u>\$ 3,602.6</u></u>
<b>Liabilities</b>		
Unpaid loss and loss adjustment expense reserves	\$ 1,343.8	\$ 1,389.8
Unearned premiums	568.6	560.3
Funds held under insurance contracts	134.9	137.7
Debt	272.9	272.9
Accounts payable on unsettled investment purchases	1.5	—
Other liabilities	187.5	237.4
<b>Total liabilities</b>	<u>2,509.2</u>	<u>2,598.1</u>
<b>OneBeacon's common shareholders' equity and noncontrolling interests</b>		
OneBeacon's common shareholders' equity:		
Common shares and paid-in surplus	1,011.1	1,022.0
Retained earnings (deficit)	10.7	(15.9)
Accumulated other comprehensive loss	(5.2)	(5.2)
Total OneBeacon's common shareholders' equity	<u>1,016.6</u>	<u>1,000.9</u>
Total noncontrolling interests	3.2	3.6
Total OneBeacon's common shareholders' equity and noncontrolling interests	<u>1,019.8</u>	<u>1,004.5</u>
Total liabilities, OneBeacon's common shareholders' equity and noncontrolling interests	<u><u>\$ 3,529.0</u></u>	<u><u>\$ 3,602.6</u></u>

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

	Three Months Ended March 31,	
	2016	2015
<b>Revenues</b>		
Earned premiums	\$ 278.6	\$ 286.6
Net investment income	14.4	10.5
Net realized and change in unrealized investment gains	16.6	14.2
Net other revenues (expenses)	0.9	(3.1)
Total revenues	<u>310.5</u>	<u>308.2</u>
<b>Expenses</b>		
Loss and loss adjustment expenses	158.8	165.9
Policy acquisition expenses	51.0	51.0
Other underwriting expenses	55.3	55.9
General and administrative expenses	3.9	4.1
Interest expense	3.3	3.2
Total expenses	<u>272.3</u>	<u>280.1</u>
<b>Pre-tax income from continuing operations</b>	<b>38.2</b>	<b>28.1</b>
Income tax benefit (expense)	8.7	(3.4)
<b>Net income from continuing operations</b>	<b>46.9</b>	<b>24.7</b>
Net loss from discontinued operations, net of tax	—	(0.1)
<b>Net income including noncontrolling interests</b>	<b>46.9</b>	<b>24.6</b>
Less: Net income attributable to noncontrolling interests	(0.5)	(0.5)
<b>Net income attributable to OneBeacon's common shareholders</b>	<b>46.4</b>	<b>24.1</b>
Net change in benefit plan assets and obligations, net of tax	—	0.2
<b>Comprehensive income attributable to OneBeacon's common shareholders</b>	<b>\$ 46.4</b>	<b>\$ 24.3</b>
<b>Earnings per share attributable to OneBeacon's common shareholders—basic and diluted</b>		
Net income attributable to OneBeacon's common shareholders per share	\$ 0.49	\$ 0.25
<b>Weighted average number of common shares outstanding</b>	<b>94.1</b>	<b>94.8</b>

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

**Three Months Ended March 31, 2016**

	Specialty Products <sup>(1)</sup>	Specialty Industries <sup>(2)</sup>	Investing, Financing and Corporate	Total
Earned premiums	\$ 133.4	\$ 145.2	\$ —	\$ 278.6
Loss and loss adjustment expenses	(91.8)	(67.0)	—	(158.8)
Policy acquisition expenses	(24.0)	(27.0)	—	(51.0)
Other underwriting expenses	(23.4)	(31.9)	—	(55.3)
Underwriting income (loss)	(5.8)	19.3	—	13.5
Net investment income	—	—	14.4	14.4
Net realized and change in unrealized investment gains	—	—	16.6	16.6
Net other revenues (expenses)	(0.1)	0.3	0.7	0.9
General and administrative expenses	—	(0.5)	(3.4)	(3.9)
Interest expense	—	—	(3.3)	(3.3)
<b>Pre-tax income (loss)</b>	<b>\$ (5.9)</b>	<b>\$ 19.1</b>	<b>\$ 25.0</b>	<b>\$ 38.2</b>

**Three Months Ended March 31, 2015**

	Specialty Products <sup>(1)</sup>	Specialty Industries <sup>(2)</sup>	Investing, Financing and Corporate	Total
Earned premiums	\$ 136.1	\$ 150.5	\$ —	\$ 286.6
Loss and loss adjustment expenses	(74.1)	(91.8)	—	(165.9)
Policy acquisition expenses	(22.9)	(28.1)	—	(51.0)
Other underwriting expenses	(25.7)	(30.2)	—	(55.9)
Underwriting income	13.4	0.4	—	13.8
Net investment income	—	—	10.5	10.5
Net realized and change in unrealized investment gains	—	—	14.2	14.2
Net other revenues (expenses)	—	0.2	(3.3)	(3.1)
General and administrative expenses	—	(0.5)	(3.6)	(4.1)
Interest expense	—	—	(3.2)	(3.2)
Pre-tax income	\$ 13.4	\$ 0.1	\$ 14.6	\$ 28.1

<sup>(1)</sup> The Specialty Products reportable segment includes the results of OneBeacon Healthcare Group, OneBeacon Management Liability, OneBeacon Financial Services, Other Professional Lines (which includes OneBeacon Architects and Engineers), A.W.G. Dewar, OneBeacon Specialty Property, OneBeacon Environmental, OneBeacon Surety Group, OneBeacon Programs Group, OneBeacon Financial Institutions and OneBeacon Crop Insurance, which was exited during the third quarter of 2015.

<sup>(2)</sup> Specialty Industries includes the results of OneBeacon Entertainment, International Marine Underwriters (IMU) - Ocean Marine, IMU - Inland Marine, OneBeacon Technology Insurance, OneBeacon Accident Group, and OneBeacon Government Risks.

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

**Three Months Ended March 31, 2016**

	Specialty Products	Specialty Industries	Consolidated Insurance <sup>(1)</sup>
Net written premiums	\$ 144.7	\$ 135.4	\$ 280.1
Earned premiums	\$ 133.4	\$ 145.2	\$ 278.6
Underwriting ratios			
Loss and loss adjustment expense ratio	68.8%	46.1%	57.0%
Expense ratio	35.6	40.5	38.2
Combined ratio	104.4%	86.6%	95.2%

**Three Months Ended March 31, 2015**

	Specialty Products	Specialty Industries	Consolidated Insurance <sup>(1)</sup>
Net written premiums	\$ 133.6	\$ 153.5	\$ 287.1
Earned premiums	\$ 136.1	\$ 150.5	\$ 286.6
Underwriting ratios			
Loss and loss adjustment expense ratio	54.4%	61.0%	57.9%
Expense ratio	35.8	38.7	37.3
Combined ratio	90.2%	99.7%	95.2%

<sup>(1)</sup> Results for the runoff business, which closed on December 23, 2014, are reported as discontinued operations for all periods presented.

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

	<b>March 31, 2016</b>	December 31, 2015	March 31, 2015
<b>Numerator</b>			
OneBeacon's common shareholders' equity	\$ 1,016.6	\$ 1,000.9	\$ 1,049.1
<b>Denominator</b>			
Common shares outstanding	94.3	95.1	95.3
<b>Book value per share</b>	<b>\$ 10.78</b>	<b>\$ 10.53</b>	<b>\$ 11.01</b>
<b>Change in book value per share, including dividends, in the quarter</b>	<b>4.4%</b>		
<b>Change in book value per share, including dividends, in the last twelve months on an IRR basis<sup>(1)</sup></b>	<b>5.7%</b>		

<sup>(1)</sup> 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**  
(in millions, except per share amounts)  
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,
	2016	2015	2016
<b>Comprehensive income attributable to OneBeacon's common shareholders</b>	<b>\$ 46.4</b>	<b>\$ 24.3</b>	<b>\$ 58.9</b>
<b>Net income attributable to OneBeacon's common shareholders</b>	<b>\$ 46.4</b>	<b>\$ 24.1</b>	<b>\$ 59.1</b>
Weighted average number of common shares outstanding	94.1	94.8	94.7
<b>Net income attributable to OneBeacon's common shareholders per share</b>	<b>\$ 0.49</b>	<b>\$ 0.25</b>	<b>\$ 0.62</b>
<b>Net income attributable to OneBeacon's common shareholders</b>	<b>\$ 46.4</b>	<b>\$ 24.1</b>	<b>\$ 59.1</b>
Less:			
Net realized and change in unrealized investment gains	(16.6)	(14.2)	32.7
Tax effect on net realized and change in unrealized investment gains	5.8	5.0	(11.5)
Loss from discontinued operations, net of tax	—	0.1	0.4
Loss (gain) from sale of discontinued operations, net of tax	—	—	(0.3)
<b>Operating income <sup>(1)</sup></b>	<b>\$ 35.6</b>	<b>\$ 15.0</b>	<b>\$ 80.4</b>
Weighted average number of common shares outstanding	94.1	94.8	94.7
<b>Operating income per share <sup>(1)</sup></b>	<b>\$ 0.38</b>	<b>\$ 0.16</b>	<b>\$ 0.85</b>

<sup>(1)</sup> Represent a non-GAAP financial measure. See discussion of Non-GAAP financial measures.



### **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 from discontinued operations, loss (gain) from 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

**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.

### **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 which we expect will or may occur in the future are forward-looking statements. The words "will," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict," 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 legal proceedings.

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;
- 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;
- our ability to retain key personnel;
- the continued availability and cost of reinsurance coverage and our ability to collect reinsurance recoverables;
- the outcome of litigation and other legal or regulatory proceedings;
- our ability to continue meeting our debt and related service obligations or to pay dividends;
- the ability of our technology resources to prevent 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;
- credit risk exposure in certain of our business operations;
- our status as a subsidiary of White Mountains, including potential conflicts of interest;
- changes in tax laws or tax treaties; 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, 2015 filed February 26, 2016.

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.