

069



October 3, 2013

James R. Potts

VIA HAND DELIVERY

**RECEIVED**  
Corporate & Financial Regulation

Direct Phone 215-665-2748  
Direct Fax 215-701-2102  
jpotts@cozen.com

OCT - 3 2013

Mr. Steven L. Yerger, PIR  
Company Licensing Specialist  
Pennsylvania Insurance Department  
1345 Strawberry Square  
Harrisburg, PA 17120

**Pennsylvania**  
**Insurance Department**

Re: Change of Control of Domestic Insurers OneBeacon Insurance Company and Potomac Insurance Company

Dear Mr. Yerger:

On February 7, 2013, we filed with the Pennsylvania Insurance Department a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer in connection with the proposed acquisition of control by Armour Group Holdings Limited, through its subsidiary, Trebuchet US Holdings, Inc. (the "Applicant") of OneBeacon Insurance Company and Potomac Insurance Company (the "Companies") from OneBeacon Insurance Group LLC ("OneBeacon"). Under separate cover, we filed certain exhibits and other information which the Applicant designated as confidential. By letter dated June 21, 2013, after undertaking a further review of our designations, we resubmitted a subset of those documents without the confidential designation.

We have undertaken a further review of documents previously submitted as confidential and have determined that the Department can treat additional documents as public. Enclosed are the following documents which are no longer marked confidential, including certain documents with confidential information redacted.

Unredacted Documents:

- Exhibit 8 Part 1 - Form of Seller Priority Note;
- Exhibit 8 Part 2 - Form of *Pari Passu* Note
- Schedule 1.1(a) - Pro Forma Adjustments
- Schedule 5.23(c) - ASIC Outstanding Products
- Purchaser Disclosure Schedule 1.1(b) - Purchaser Knowledge
- Purchaser Disclosure Schedule 4.3 - Governmental Filing and Consents
- Seller Disclosure Schedule Section 1.1(a) - Knowledge of Seller
- Seller Disclosure Schedule Section 3.21 - Intercompany Agreements
- Seller Disclosure Schedule Section 5.7 - Intercompany Agreements and Accounts

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Redacted Documents:

- Seller Disclosure Schedule Section 1.1(b) – Pro Forma Financial Statements

This document displays proprietary methods for assembling, organizing and presenting financial data related to the proposed acquisition. These methods are not generally known or readily ascertainable in this form by others, who because of that fact can obtain economic value from its disclosure. These documents should be protected from disclosure pursuant to 65 P.S. § 65.708(b)(11) because they are trade secret methodologies and compilations and are otherwise proprietary and confidential in nature. While we continue to seek confidential treatment for the proprietary methods associated with Seller Disclosure Schedule Section 1.1(b), we have decided to release Section 1.1(b)'s summary pro-forma balance sheet.

- Section 3.11(a) - Employee Benefits (REDACTED)

This document contains confidential and personal identifying information of employees or former employees associated with the Companies. It is being submitted for public release with the names of the individuals redacted. The redacted information is protected from public disclosure because it would cause substantial harm to OneBeacon's and the Companies' competitive position and because it would infringe on the employees privacy rights. See 65 P.S. § 67.708(b)(11) (exempting from disclosure records containing trade secret or confidential proprietary information).

- Seller Disclosure Schedule Section 3.17(c) - Certain Rights Under Insurance Contracts (REDACTED)

This document contains a list of workers' compensation policies under which policyholders participate in a dividend. It is being submitted for public release with the confidential policy numbers redacted. Public disclosure of the policy numbers could allow competitors to uncover the name of the policyholders and unfairly compete based on the disclosed information, and could facilitate fraud and identity theft. See 65 P.S. § 67.708(b)(11) (exempting from disclosure records containing trade secret or confidential proprietary information).

- Seller Disclosure Schedule Section 5.2 - Conduct of Business (REDACTED)

This document contains confidential information regarding various reinsurance agreements related to One Beacon or the Companies. It is being submitted for public release with the confidential reinsurance information redacted. The redacted information is protected from public disclosure because its public release would cause substantial harm to OneBeacon's and the Companies' competitive

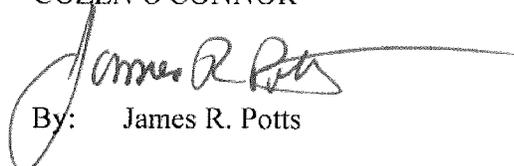
position. See 65 P.S. § 67.708(b)(11) (exempting from disclosure records containing trade secret or confidential proprietary information).

- Seller Disclosure Schedule Section 5.11 – Guarantees (REDACTED)

This document contains confidential and personal identifying information of employees or former employees associated with the Companies. It is being submitted for public release with the names of the individuals redacted. The redacted information is protected from public disclosure because its public release would cause substantial harm to OneBeacon's and the Companies' competitive position and because it would infringe on the employees privacy rights. See 65 P.S. § 67.708(b)(11) (exempting from disclosure records containing trade secret or confidential proprietary information).

Sincerely,

COZEN O'CONNOR



By: James R. Potts

JRP

cc: Maureen A. Phillips  
Constance B. Foster  
Steven B. Davis  
Stuart Wrenn  
Jim Jordan

EXHIBIT 8 – PART I  
FORM OF SELLER PRIORITY NOTE

No. \_\_\_\_\_

\$ \_\_\_\_\_

**ONEBEACON INSURANCE COMPANY**

**[•]%<sup>1</sup> Surplus Note [due [•]]<sup>2</sup>**

ONEBEACON INSURANCE COMPANY, an insurance company organized under the laws of the Commonwealth of Pennsylvania (“OneBeacon”), for value received, hereby promises to pay, subject to the Payment Restrictions (as defined below), to [•] or its registered assigns, the principal sum of \$[•], [on [•]], and to pay interest thereon, subject to the Payment Restrictions (as defined below), from [•] or from the most recent Scheduled Interest Payment Date (as defined below) for which interest has been paid or duly provided for, semi-annually in arrears on March 15 and August 31 in each year and on the date on which this Note matures, commencing [•] (each, a “Scheduled Interest Payment Date”), at the rate of [•]% per annum (the “Stated Rate”), until the principal hereof is paid or duly provided for. The payment by OneBeacon of principal and interest on this Note shall be conditioned upon the payment restrictions set forth in paragraph 2 of this Note (the “Payment Restrictions”). Interest on this Note shall be calculated on the basis of a 360-day year of twelve months of 30 days each.

1. Payment. Payments of principal of this Note shall be made only against surrender of this Note; provided, that in the case of payment of only a portion of principal, OneBeacon shall execute a new Note in principal amount equal to and in exchange for the remaining portion of the principal of the Note so surrendered. Payments of interest on this Note will be made, in accordance with the foregoing and subject to applicable laws and regulations, (i) by wire transfer of immediately available funds to an account maintained by the person entitled thereto with a bank if such registered holder gives notice to OneBeacon, not less than 15 days (or such fewer days as OneBeacon may accept at its discretion) prior to the applicable scheduled payment date or maturity date hereof, of the payee’s account to which payment is to be made or, (ii) if no such notice is given, by mailing a check on or before the scheduled payment date of such payment to the person entitled thereto at such person’s address as provided to OneBeacon. Unless the designation of the payee’s account to which payment is to be made is revoked, any such designation made by such holder with respect to this Note of the payee’s account to which payment is to be made shall remain in effect with respect to any future payments with respect to this Note payable to such holder. In any case where the scheduled

<sup>1</sup> **Note to Draft:** Stated Rate to be equal to (x) 4.35% plus (y) the 5-year U.S. treasury rate as reported in the Eastern Edition of the Wall Street Journal two Business Days prior to the Closing.

<sup>2</sup> **Note to Draft:** Maturity date to be 5 years following closing.

payment date or maturity date of this Note shall be at any place of payment a day on which banking institutions are not carrying out transactions in U.S. dollars or are authorized or obligated by law or executive order to close, then payment of principal or interest need not be made on such date at such place but may be made on the next succeeding day at such place which is not a day on which banking institutions in the applicable jurisdiction are not carrying out transactions in U.S. dollars or are authorized or obligated by law or executive order to close (a "Business Day"), with the same force and effect as if made on the scheduled payment date or maturity date thereof, and no interest shall accrue on the amount of such payment for the period after such date, if such payment is so made.

2. Payment Restrictions. Notwithstanding anything to the contrary set forth herein, (i) any repayment of principal or payment of interest on the Notes may be made only with the prior approval of the Insurance Commissioner of the Commonwealth of Pennsylvania (the "Commissioner") and (ii) any such repayment of principal or payment of interest may only be made to the extent OneBeacon has sufficient unassigned funds to make such repayment of principal or payment of interest out of its unassigned funds. If the Commissioner does not approve the making of any payment or prepayment of principal or interest on this Note on the scheduled payment date, prepayment date or maturity date thereof, as specified herein, the scheduled payment date, prepayment date or maturity date, as the case may be, shall be extended and such payment, together with interest accrued with respect thereto as contemplated by the following two sentences, shall be made by OneBeacon on the next following Business Day on which OneBeacon shall have the approval of the Commissioner to make such payment together with such interest. Interest will continue to accrue on any such unpaid principal through the actual date of payment at the Stated Rate. Interest will accrue on interest with respect to which the scheduled payment date has been extended, during the period of such extension, at the Stated Rate.

3. Optional Redemption; Prepayment. Subject to the prior approval of the Commissioner and the satisfaction of the other Payment Restrictions, OneBeacon may redeem the Notes in whole or in part at any time or from time to time at a redemption price equal to 100% of the aggregate principal amount to be redeemed. In addition, subject to the prior approval of the Commissioner and the satisfaction of the other Payment Restrictions, OneBeacon shall redeem this Note in whole or in part on March 15 of each year in an amount, if any, such that, following such prepayment, OneBeacon's "total adjusted capital" (as such term is defined in, and calculated pursuant to, the risk-based capital instructions permitted or prescribed by the insurance laws of the Commonwealth of Pennsylvania) is equal to the product of 2.0 (or such other factor established by the Commissioner) and OneBeacon's "authorized control level RBC" (as such term is defined in, and calculated pursuant to, the risk-based capital instructions permitted or prescribed by the insurance laws of the Commonwealth of Pennsylvania).

4. Subordination. The principal of and interest on this Note shall not be a liability or claim against OneBeacon, or any of its assets, except as provided in Section 322.2 of The Insurance Company Law of 1921, as amended, of the Commonwealth of Pennsylvania (the "Insurance Law"). This Note is subordinated to all

other liabilities of OneBeacon, except for any surplus notes the terms of which expressly state that they are subordinated to this Note.

5. Covenants. For so long as this Note remains outstanding or any amount remains unpaid on this Note:

(a) OneBeacon shall use commercially reasonable efforts to obtain the approval of the Commissioner in accordance with Section 322.2 of the Insurance Law for the payment by OneBeacon of interest on and principal of this Note on the scheduled payment dates, prepayment date or maturity dates thereof, and, in the event any such approval has not been obtained for any such payment or prepayment at or prior to the scheduled payment date, prepayment date or maturity date, as the case may be, to continue to use best efforts to obtain such approval promptly thereafter. Not less than 45 days prior to the scheduled payment date, prepayment date or maturity date (excluding any such maturity date which arises as a result of the obtaining of an order or the granting of approval for the rehabilitation, liquidation, conservation or dissolution of OneBeacon), OneBeacon will seek the approval of the Commissioner to make each payment or prepayment of interest on and principal of this Note. In addition, OneBeacon shall notify in writing the holder of this Note no later than five Business Days prior to the scheduled payment date for interest, date for the prepayment of principal or the maturity date for principal in the event that the Commissioner has not then approved the making of any such payment on such scheduled payment date, prepayment date or such maturity date, and thereafter, if such payment or prepayment has been approved by the Commissioner, shall promptly notify in writing the holder of this Note of such approval.

(b) Until the full principal amount of this Note and any interest incurred thereon has been paid to the holder hereof, OneBeacon shall not, without the prior written consent of the holder of this Note:

(i) make any dividend or distribution to holders of its equity interests or purchase or retire any of its equity interests;

(ii) create, assume, incur or have outstanding any indebtedness (including purchase money indebtedness), or become liable, whether as endorser, guarantor, surety or otherwise, for any debt or obligation of any other person;

(iii) cease operations, liquidate, merge, transfer, acquire or consolidate with any entity, or dissolve or transfer or sell assets outside of the ordinary course of business;

(iv) amend its charter or bylaws in a manner that would adversely affect its corporate existence, material rights (charter and statutory) or material franchises; or

(v) write, assume or acquire any new business (including through any reinsurance or under existing treaties) other than pursuant to the fronting requirements set forth in Section 5.23 of that certain Stock Purchase Agreement between

OneBeacon Insurance Group LLC, Trebuchet US Holdings, Inc. and the other parties thereto, dated October [●], 2012.

6. Remedies. A holder of this Note may enforce this Note only in the manner set forth below.

(a) In the event that any state or federal agency shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of OneBeacon, this Note will upon the obtaining of such order or the granting of such approval immediately mature in full without any action on the part of the holder of this Note, with payment thereon being subject to the Payment Restrictions, and any restrictions imposed as a consequence of, or pursuant to, such proceedings. Notwithstanding any other provision of this Note, in no event shall any holder of this Note be entitled to declare this Note to immediately mature or otherwise be immediately payable.

(b) In the event that the Commissioner approves a payment of any interest on or principal of, or any redemption payment with respect to, this Note, in whole or in part, and OneBeacon fails to pay the full amount of such approved payment on the date such amount is scheduled to be paid, such approved amount will be immediately payable on such date without any action on the part of the holder of this Note. In the event that OneBeacon fails to perform any of its other obligations hereunder, the holder of this Note may pursue any available remedy to enforce the performance of any provision of this Note; provided, however, that such remedy shall in no event include the right to declare this Note immediately payable, and shall in no circumstances be inconsistent with the provisions of applicable law or the Payment Restrictions. A delay or omission by the holder of this Note in exercising any right or remedy accruing as a result of OneBeacon's failure to perform its obligations hereunder and the continuation thereof shall not impair such right or remedy or constitute a waiver of or acquiescence in such non-performance by OneBeacon. To the extent permitted by law, no remedy is exclusive of any other remedy and all remedies are cumulative.

(c) Notwithstanding any other provision of this Note, the right of any holder of this Note to receive payment of the principal of and interest on this Note on or after the respective scheduled payment date or maturity date, or to bring suit for the enforcement of any such payment on or after such respective scheduled payment date or maturity date, in each case subject to the Payment Restrictions, is absolute and unconditional and shall not be impaired or affected without the consent of the holder.

7. Amendments. No modification of this Note is effective and no other agreement may modify or supersede the terms of this Note, whether existing on the date of this Note or subsequently entered into, unless the modification or agreement is approved in writing by each of the Commissioner, OneBeacon and the holder of this Note.

8. Governing Law. This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to the conflicts of laws rules of such State.

9. Severability. In case any provision in this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

*[Signature page follows]*

IN WITNESS WHEREOF, ONEBEACON INSURANCE COMPANY  
has caused this Note to be signed by its duly authorized officer and its corporate seal to  
be affixed hereto or imprinted hereon.

ONEBEACON INSURANCE COMPANY

By: \_\_\_\_\_  
Name:  
Title:

Dated:

EXHIBIT 8 – PART 2  
FORM OF SELLER PARI PASSU NOTE

No. \_\_\_\_\_

\$ \_\_\_\_\_

**ONEBEACON INSURANCE COMPANY**

**[•]%<sup>1</sup> Surplus Note [due [•]]<sup>2</sup>**

ONEBEACON INSURANCE COMPANY, an insurance company organized under the laws of the Commonwealth of Pennsylvania (“OneBeacon”), for value received, hereby promises to pay, subject to the Payment Restrictions (as defined below), to [•] or its registered assigns, the principal sum of \$[•], [on [•]], and to pay interest thereon, subject to the Payment Restrictions (as defined below), from [•] or from the most recent Scheduled Interest Payment Date (as defined below) for which interest has been paid or duly provided for, semi-annually in arrears on March 15 and August 31 in each year and on the date on which this Note matures, commencing [•] (each, a “Scheduled Interest Payment Date”), at the rate of [•]% per annum (the “Stated Rate”), until the principal hereof is paid or duly provided for. The payment by OneBeacon of principal and interest on this Note shall be conditioned upon the payment restrictions set forth in paragraph 2 of this Note (the “Payment Restrictions”). Interest on this Note shall be calculated on the basis of a 360-day year of twelve months of 30 days each.

1. Payment. Payments of principal of this Note shall be made only against surrender of this Note; provided, that in the case of payment of only a portion of principal, OneBeacon shall execute a new Note in principal amount equal to and in exchange for the remaining portion of the principal of the Note so surrendered. Payments of interest on this Note will be made, in accordance with the foregoing and subject to applicable laws and regulations, (i) by wire transfer of immediately available funds to an account maintained by the person entitled thereto with a bank if such registered holder gives notice to OneBeacon, not less than 15 days (or such fewer days as OneBeacon may accept at its discretion) prior to the applicable scheduled payment date or maturity date hereof, of the payee’s account to which payment is to be made or, (ii) if no such notice is given, by mailing a check on or before the scheduled payment date of such payment to the person entitled thereto at such person’s address as provided to OneBeacon. Unless the designation of the payee’s account to which payment is to be made is revoked, any such designation made by such holder with respect to this Note of the payee’s account to which payment is to be made shall remain in effect with respect to any future payments with respect to this Note payable to such holder. In any case where the scheduled

<sup>1</sup> **Note to Draft:** Stated Rate to be equal to (x) 4.35% plus (y) the 5-year U.S. treasury rate as reported in the Eastern Edition of the Wall Street Journal two Business Days prior to the Closing.

<sup>2</sup> **Note to Draft:** Maturity date to be 5 years following closing.

payment date or maturity date of this Note shall be at any place of payment a day on which banking institutions are not carrying out transactions in U.S. dollars or are authorized or obligated by law or executive order to close, then payment of principal or interest need not be made on such date at such place but may be made on the next succeeding day at such place which is not a day on which banking institutions in the applicable jurisdiction are not carrying out transactions in U.S. dollars or are authorized or obligated by law or executive order to close (a "Business Day"), with the same force and effect as if made on the scheduled payment date or maturity date thereof, and no interest shall accrue on the amount of such payment for the period after such date, if such payment is so made.

2. Payment Restrictions. Notwithstanding anything to the contrary set forth herein, (i) any repayment of principal or payment of interest on the Notes may be made only with the prior approval of the Insurance Commissioner of the Commonwealth of Pennsylvania (the "Commissioner") and (ii) any such repayment of principal or payment of interest may only be made to the extent OneBeacon has sufficient unassigned funds to make such repayment of principal or payment of interest out of its unassigned funds. If the Commissioner does not approve the making of any payment or prepayment of principal or interest on this Note on the scheduled payment date, prepayment date or maturity date thereof, as specified herein, the scheduled payment date, prepayment date or maturity date, as the case may be, shall be extended and such payment, together with interest accrued with respect thereto as contemplated by the following two sentences, shall be made by OneBeacon on the next following Business Day on which OneBeacon shall have the approval of the Commissioner to make such payment together with such interest. Interest will continue to accrue on any such unpaid principal through the actual date of payment at the Stated Rate. Interest will accrue on interest with respect to which the scheduled payment date has been extended, during the period of such extension, at the Stated Rate.

3. Optional Redemption; Prepayment. Subject to the prior approval of the Commissioner and the satisfaction of the other Payment Restrictions, OneBeacon may redeem the Notes in whole or in part at any time or from time to time at a redemption price equal to 100% of the aggregate principal amount to be redeemed. In addition, subject to the prior approval of the Commissioner and the satisfaction of the other Payment Restrictions, OneBeacon shall redeem this Note in whole or in part (x) on March 15 of each year in an amount, if any, such that, following such prepayment and any concurrent dividend or distribution pursuant to paragraph 5(b)(i), OneBeacon's "total adjusted capital" (as such term is defined in, and calculated pursuant to, the risk-based capital instructions permitted or prescribed by the insurance laws of the Commonwealth of Pennsylvania) is equal to the product of 2.0 (or such other factor established by the Commissioner) and OneBeacon's "authorized control level RBC" (as such term is defined in, and calculated pursuant to, the risk-based capital instructions permitted or prescribed by the insurance laws of the Commonwealth of Pennsylvania) or (y) as contemplated by paragraph 5(b)(i).

4. Subordination. The principal of and interest on this Note shall not be a liability or claim against OneBeacon, or any of its assets, except as provided in

Section 322.2 of The Insurance Company Law of 1921, as amended, of the Commonwealth of Pennsylvania (the "Insurance Law"). This Note is subordinated to (x) all other liabilities of OneBeacon and (y) that certain surplus note of OneBeacon issued to the initial holder of this Note concurrently with this Note in the principal amount of \$[●].

5. Covenants. For so long as this Note remains outstanding or any amount remains unpaid on this Note:

(a) OneBeacon shall use commercially reasonable efforts to obtain the approval of the Commissioner in accordance with Section 322.2 of the Insurance Law for the payment by OneBeacon of interest on and principal of this Note on the scheduled payment dates, prepayment date or maturity dates thereof, and, in the event any such approval has not been obtained for any such payment or prepayment at or prior to the scheduled payment date, prepayment date or maturity date, as the case may be, to continue to use best efforts to obtain such approval promptly thereafter. Not less than 45 days prior to the scheduled payment date, prepayment date or maturity date (excluding any such maturity date which arises as a result of the obtaining of an order or the granting of approval for the rehabilitation, liquidation, conservation or dissolution of OneBeacon), OneBeacon will seek the approval of the Commissioner to make each payment or prepayment of interest on and principal of this Note. In addition, OneBeacon shall notify in writing the holder of this Note no later than five Business Days prior to the scheduled payment date for interest, date for the prepayment of principal or the maturity date for principal in the event that the Commissioner has not then approved the making of any such payment on such scheduled payment date, prepayment date or such maturity date, and thereafter, if such payment or prepayment has been approved by the Commissioner, shall promptly notify in writing the holder of this Note of such approval.

(b) Until the full principal amount of this Note and any interest incurred thereon has been paid to the holder hereof, OneBeacon shall not, without the prior written consent of the holder of this Note:

(i) make any dividend or distribution to holders of its equity interests or purchase or retire any of its equity interests, unless, concurrently with such dividend or distribution payment, the principal amount of this Note shall be prepaid by an amount equal to the amount of such dividend or distribution payment;

(ii) create, assume, incur or have outstanding any indebtedness (including purchase money indebtedness), or become liable, whether as endorser, guarantor, surety or otherwise, for any debt or obligation of any other person;

(iii) cease operations, liquidate, merge, transfer, acquire or consolidate with any entity, or dissolve or transfer or sell assets outside of the ordinary course of business;

(iv) amend its charter or bylaws in a manner that would adversely affect its corporate existence, material rights (charter and statutory) or material franchises; or

(v) write, assume or acquire any new business (including through any reinsurance or under existing treaties) other than pursuant to the fronting requirements set forth in Section 5.23 of that certain Stock Purchase Agreement between OneBeacon Insurance Group LLC, Trebuchet US Holdings, Inc. and the other parties thereto, dated October [●], 2012.

6. Remedies. A holder of this Note may enforce this Note only in the manner set forth below.

(a) In the event that any state or federal agency shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of OneBeacon, this Note will upon the obtaining of such order or the granting of such approval immediately mature in full without any action on the part of the holder of this Note, with payment thereon being subject to the Payment Restrictions, and any restrictions imposed as a consequence of, or pursuant to, such proceedings. Notwithstanding any other provision of this Note, in no event shall any holder of this Note be entitled to declare this Note to immediately mature or otherwise be immediately payable.

(b) In the event that the Commissioner approves a payment of any interest on or principal of, or any redemption payment with respect to, this Note, in whole or in part, and OneBeacon fails to pay the full amount of such approved payment on the date such amount is scheduled to be paid, such approved amount will be immediately payable on such date without any action on the part of the holder of this Note. In the event that OneBeacon fails to perform any of its other obligations hereunder, the holder of this Note may pursue any available remedy to enforce the performance of any provision of this Note; provided, however, that such remedy shall in no event include the right to declare this Note immediately payable, and shall in no circumstances be inconsistent with the provisions of applicable law or the Payment Restrictions. A delay or omission by the holder of this Note in exercising any right or remedy accruing as a result of OneBeacon's failure to perform its obligations hereunder and the continuation thereof shall not impair such right or remedy or constitute a waiver of or acquiescence in such non-performance by OneBeacon. To the extent permitted by law, no remedy is exclusive of any other remedy and all remedies are cumulative.

(c) Notwithstanding any other provision of this Note, the right of any holder of this Note to receive payment of the principal of and interest on this Note on or after the respective scheduled payment date or maturity date, or to bring suit for the enforcement of any such payment on or after such respective scheduled payment date or maturity date, in each case subject to the Payment Restrictions, is absolute and unconditional and shall not be impaired or affected without the consent of the holder.

7. Amendments. No modification of this Note is effective and no other agreement may modify or supersede the terms of this Note, whether existing on the date of this Note or subsequently entered into, unless the modification or agreement is approved in writing by each of the Commissioner, OneBeacon and the holder of this Note.

8. Governing Law. This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to the conflicts of laws rules of such State.

9. Severability. In case any provision in this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

*[Signature page follows]*

IN WITNESS WHEREOF, ONEBEACON INSURANCE COMPANY  
has caused this Note to be signed by its duly authorized officer and its corporate seal to  
be affixed hereto or imprinted hereon.

ONEBEACON INSURANCE COMPANY

By: \_\_\_\_\_  
Name:  
Title:

Dated:

**Schedule 1.1(a)**  
**Pro Forma Adjustments**

**Overview:**

The **Pro Forma Balance Sheet** (as defined in the Agreement) as of December 31, 2011 has been prepared and provided using the reported SAP balances of the Acquired Companies for the period ended December 31, 2011, applying the principles outlined below and as calculated in the Microsoft Excel file entitled "Apple Detailed Pro Forma Financials 12312011.xls" sent by Paul McDonough ([PMcDonough@OneBeacon.com](mailto:PMcDonough@OneBeacon.com)) via electronic mail to Steve Ryland ([sryland@armourre.bm](mailto:sryland@armourre.bm)) on October 17, 2012 at 11:28 AM, EST, and made a part hereof.

Pro forma balance sheets have been, with respect to the period ending June 30, 2012, and will be, with respect to the period ending September 30, 2012, prepared and provided ("**Subsequent Pro Forma Balance Sheets**"), using the reported SAP balances of the Acquired Companies for the period being presented, applying the principles outlined below and accompanied by a Microsoft Excel file consistent with the Microsoft Excel file entitled "Pro Forma Rollforward.xlsx" sent by Paul McDonough ([PMcDonough@OneBeacon.com](mailto:PMcDonough@OneBeacon.com)) via electronic mail to Steve Ryland ([sryland@armourre.bm](mailto:sryland@armourre.bm)) on October 17, 2012 at 11:28 AM, EST, and made a part hereof (the "Reference File").

Pro forma balance sheets will also be prepared and provided, commencing with the period ended December 31, 2012 and for each quarter ended prior to the quarter in which the Closing Date occurs ("**Quarterly Pro Forma Balance Sheets**"), in accordance with Section 5.3(h) of the Agreement, using the reported SAP balances of the Acquired Companies for the period being presented, applying the principles outlined below and accompanied by a Microsoft Excel file consistent with the Reference File.

As part of the preparation of the Subsequent Pro Forma Balance Sheets and Quarterly Pro Forma Balance Sheets, each balance sheet line item will be categorized and analyzed in the following four balance sheet types, or combinations thereof:

- Specific Balances: These balances represents those amounts associated with the Runoff Business and specifically indentified in the Seller's subsidiary ledgers, statistical data repositories, or other supporting records.
- Allocated Balances: Allocated balances are limited to Involuntary Pools and Associations and Allowance for Uncollectible Premiums Receivable, each having its own methodology as follows:
  - For Involuntary Pools and Associations, allocations shall be determined based upon the proportional share of cumulative direct voluntary premiums, by policy year, for the Run-Off Business as a percentage of the combined direct premiums of the Run-Off Business and the Retained Business.
  - For the allocated portion of Allowance of Uncollectible Premiums Receivable, such allocations are based on the proportional share of direct premium receivable balances over 90 days old for the Run Off Business as

**Schedule 1.1(a)**  
**Pro Forma Adjustments**

a percentage of the combined direct premiums receivable balances over 90 days old.

- **Calculated Balances:** These balances are calculated based the other balances in each pro forma balance sheet and include only deferred tax assets and Statutory Surplus. The calculation of both the deferred tax asset and statutory surplus balance are provided in the Reference File.
- **Derived Balances:** Since the balance sheets presented at each reporting period are pro forma and not separately identified nor accounted for in a detailed cash or subsidiary ledger, the change in the various pro forma accounts above will be recorded, in the aggregate, as change in Cash/Invested Asset accounts

The **Estimated Closing Date Balance Sheet** and the **Proposed Final Closing Date Balance Sheet** to be delivered pursuant to Sections 2.1(b) and 2.3(b) of the Agreement, respectively, shall be prepared applying the principles outlined below.

**Principles to be followed in preparing the Pro Forma Balance Sheet and the Subsequent Pro Forma Balance Sheets**

In preparing the Pro Forma Balance Sheet and the Subsequent Pro Forma Balance Sheets, the following pro forma adjustments will be made to the reported SAP balances of the Acquired Companies excluding Potomac Insurance Company, as filed in the Statutory Financial Statements for the period being presented, resulting in a pro forma balance sheet for OBIC Consolidated, to which will be added the stat balances for Potomac Insurance Company, resulting in the combined Pro Forma Balance Sheet for all of the Acquired Companies:

1. Reverse impact of all non-admitted asset balances.
2. Terminate existing Pooling Agreement among Seller companies
3. Each of the Acquired Companies (except OneBeacon Insurance) will enter into reinsurance agreements pursuant to which all reserves will be ceded to OneBeacon Insurance
4. With respect to reserves associated with the Run-Off Business held by ASIC, ASIC will enter into a reinsurance agreement and administrative services agreement with OneBeacon Insurance pursuant to which all related liabilities will be ceded, and reserves transferred, to OneBeacon Insurance (including premiums with respect to in force and ongoing business)
5. With respect to reserves associated with the Retained Business held by OneBeacon Insurance, OneBeacon Insurance will enter into a reinsurance agreement and administrative services agreement with ASIC pursuant to which all related liabilities will be ceded, and reserves transferred, to ASIC (including premiums with respect to in force and ongoing business).

**Schedule 1.1(a)**  
**Pro Forma Adjustments**

6. Settle all intercompany balances between OneBeacon and Apple and between the Apple companies, including taxes under tax sharing agreements.
7. Reflect Closing Adjustments:
  - a. Calculation of deferred Statutory Taxes after the impact of the above pro forma adjustments.
  - b. Calculate any non-admitted balances based on the ending pro forma financial statements.
8. Adjustments to reflect dividends to achieve Pro Forma Target Statutory Capital:
  - a. The Acquired Companies (except OneBeacon Insurance) will dividend Unassigned Funds and Paid in and Contributed Capital to where Cash and Invested Assets are equal to the minimum required surplus based on the company's licenses plus the amount of "Securities on Deposit with various agencies that are not for the benefit of all policyholders".
  - b. OneBeacon Insurance Company will dividend Unassigned Funds and Paid in and Contributed Capital to a level equal to 200% of the companies pro forma calculated Authorized Control Level Capital ("ACL").
    - i. The Authorized Control Level Capital will be calculated as follows:
      1. R0 – Asset Risk – Subsidiary Insurance Companies
        - a. The Securities on Deposit and Contingent Liabilities at the closing balance sheet date will be used in the Risk Based Capital calculation.
        - b. Investments in subsidiaries: The RBC charges for The Employers Fire Insurance Company and OneBeacon America Insurance Company will be calculated using the same assumptions as OneBeacon Insurance Company.
      2. R1 – Asset Risk – Fixed Income
        - a. Components of the Fixed Income risk will be scaled in proportion to debt securities portfolio on the closing balance sheet to the most recently filed Annual Statement.
      3. R2 – Asset Risk – Equity
        - a. Pro forma adjustments assume the companies will not contain Equity investments in the ending portfolio so the Risk Based Capital charge will be zero.
      4. R3 – Asset Risk – Credit
        - a. Credit Risk – Reinsurance Recoverable at the closing balance sheet date will be used in the Risk Based Capital calculation and will be split equally between the R3 Asset Risk – Credit and R4 Underwriting Risk - Reserves.
        - b. Credit Risk – Other Assets at the closing balance date will be used in the Risk Based Capital calculation.

**Schedule 1.1(a)**  
**Pro Forma Adjustments**

5. R4 – Underwriting Risk – Reserves
  - a. Reserve Risk – Reinsurance Recoverable will be the other half of the calculated amount from the R3 Asset Risk – Credit calculation above.
  - b. Reserve Risk – Net Reserves at the closing balance sheet date will be used in the Risk Based Capital calculation.
6. R5 – Underwriting Risk – Net Written Premium
  - a. Pro forma adjustments assume the companies will have no net written premiums so the Risk Based Capital charge will be zero.
7. Total Authorized Control Level Capital Calculation
  - a.  $(R0 + \sqrt{R1^2 + R2^2 + R3^2 + R4^2 + R5^2}) * 0.5$
9. GAAP Adjustments:
  - a. Statutory to GAAP Deferred tax Adjustment
    - i. Reversal of the Statutory non-admitted balances

**Principles to be followed in preparing Quarterly Pro Forma Balance Sheets:**

In preparing the Quarterly Pro Forma Balance Sheets, the following pro forma adjustments will be made to the reported SAP balances of the Acquired Companies excluding Potomac Insurance Company, as filed in the Statutory Financial Statements for the period being presented, and subject to applicable adjustments relating to the effect of any uncompleted restructuring steps contemplated in Section 5.13(a) of the Seller Disclosure Schedule, resulting in a pro forma balance sheet for OBIC Consolidated, to which will be added the stat balances for Potomac Insurance Company, resulting in the combined Quarterly Pro Forma Balance Sheet for all of the Acquired Companies:

1. Reverse impact of all non-admitted asset balances.
2. Reflect intended Loss and LAE activity:
  - a. Subtract any incurred Loss and LAE between 9/30/12 and the period being presented from the reported Loss and LAE reserves.
  - b. Add the actual paid ULAE minus the budgeted paid ULAE between 9/30/12 and the period being presented, as summarized in the Reference File, to the reported Loss and LAE reserves.
3. Settle all intercompany balances between OneBeacon and Acquired Companies, including taxes under tax sharing agreements.
4. Reflect Closing Adjustments:
  - a. Calculation of deferred Statutory Taxes after the impact of the above pro forma adjustments.
  - b. Calculate any non-admitted balances based on the ending pro forma financial statements.
5. Adjustments to reflect dividends to achieve Pro Forma Target Statutory Capital:
  - a. The Acquired Companies (except OneBeacon Insurance) will dividend Unassigned Funds and Paid in and Contributed Capital to where Cash and

**Schedule 1.1(a)**  
**Pro Forma Adjustments**

Invested Assets are equal to the minimum required surplus based on the company's licenses plus the amount of "Securities on Deposit with various agencies that are not for the benefit of all policyholders".

- b. OneBeacon Insurance Company will dividend Unassigned Funds and Paid in and Contributed Capital to a level equal to 200% of the companies pro forma calculated Authorized Control Level Capital ("ACL").
  - i. The Authorized Control Level Capital will be calculated as follows:
    1. R0 – Asset Risk – Subsidiary Insurance Companies
      - a. The Securities on Deposit and Contingent Liabilities at the closing balance sheet date will be used in the Risk Based Capital calculation.
      - b. Investments in subsidiaries: The RBC charges for The Employers Fire Insurance Company and OneBeacon America Insurance Company will be calculated using the same assumptions as OneBeacon Insurance Company.
    2. R1 – Asset Risk – Fixed Income
      - a. Components of the Fixed Income risk will be scaled in proportion to debt securities portfolio on the closing balance sheet to the most recently filed Annual Statement.
    3. R2 – Asset Risk – Equity
      - a. Pro forma adjustments assume the companies will not contain Equity investments in the ending portfolio so the Risk Based Capital charge will be zero.
    4. R3 – Asset Risk – Credit
      - a. Credit Risk – Reinsurance Recoverable at the closing balance sheet date will be used in the Risk Based Capital calculation and will be split equally between the R3 Asset Risk – Credit and R4 Underwriting Risk - Reserves.
      - b. Credit Risk – Other Assets at the closing balance date will be used in the Risk Based Capital calculation.
    5. R4 – Underwriting Risk – Reserves
      - a. Reserve Risk – Reinsurance Recoverable will be the other half of the calculated amount from the R3 Asset Risk – Credit calculation above.
      - b. Reserve Risk – Net Reserves at the closing balance sheet date will be used in the Risk Based Capital calculation.
    6. R5 – Underwriting Risk – Net Written Premium

**Schedule 1.1(a)**  
**Pro Forma Adjustments**

- a. Pro forma adjustments assume the companies will have no net written premiums so the Risk Based Capital charge will be zero.
- 7. Total Authorized Control Level Capital Calculation
  - a.  $(R0 + \sqrt{R1^2 + R2^2 + R3^2 + R4^2 + R5^2}) * 0.5$
- 6. GAAP Adjustments:
  - a. Statutory to GAAP Deferred tax Adjustment
    - i. Reversal of the Statutory non-admitted balances

**Principles to be followed in preparing Estimated Closing Date Balance Sheet:**

In preparing the Estimated Closing Date Balance Sheet, the following pro forma adjustments will be made to the OBIC Consolidated portion of the most recent Quarterly Pro Forma Balance Sheet furnished pursuant to Section 5.3(h) of the Agreement, after which the Potomac stat balances will be added, resulting in the combined Estimated Closing Date Balance Sheet for all of the Acquired Companies:

- 1. Reverse impact of all non-admitted asset balances.
- 2. Add estimated SAP financial activity of Acquired Companies between the most recent Quarterly Pro Forma Balance Sheet and the Closing Date.
- 3. Reflect estimated intended Loss and LAE activity:
  - a. Subtract any incurred Loss and LAE between the most recent Quarterly Pro Forma Balance Sheet and the Closing Date from the reported Loss and LAE reserves.
  - b. Add the actual paid ULAE minus the budgeted paid ULAE between the most recent Quarterly Pro Forma Balance Sheet and the Closing Date, as summarized in the Reference File, to the reported Loss and LAE reserves.
- 4. Reflect Closing Adjustments:
  - a. Calculation of deferred Statutory Taxes after the impact of the above pro forma adjustments.
  - b. Calculate any non-admitted balances based on the ending pro forma financial statements.
- 5. Settle all intercompany balances between OneBeacon and Acquired Companies, including taxes under tax sharing agreements.
- 6. Adjustments to reflect dividends to achieve Estimated Target Statutory Capital:
  - a. The Acquired Companies (except OneBeacon Insurance) will dividend Unassigned Funds and Paid in and Contributed Capital to where Cash and Invested Assets are equal to the minimum required surplus based on the company's licenses plus the amount of "Securities on Deposit with various agencies that are not for the benefit of all policyholders".
  - b. OneBeacon Insurance Company will dividend Unassigned Funds and Paid in and Contributed Capital to a level equal to 200% of the companies pro forma calculated Authorized Control Level Capital ("ACL").
    - i. The Authorized Control Level Capital will be calculated as follows:

**Schedule 1.1(a)**  
**Pro Forma Adjustments**

1. R0 – Asset Risk – Subsidiary Insurance Companies
  - a. The Securities on Deposit and Contingent Liabilities at the closing balance sheet date will be used in the Risk Based Capital calculation.
  - b. Investments in subsidiaries: The RBC charges for The Employers Fire Insurance Company and OneBeacon America Insurance Company will be calculated using the same assumptions as OneBeacon Insurance Company.
2. R1 – Asset Risk – Fixed Income
  - a. Components of the Fixed Income risk will be scaled in proportion to debt securities portfolio on the closing balance sheet to the most recently filed Annual Statement.
3. R2 – Asset Risk – Equity
  - a. Pro forma adjustments assume the companies will not contain Equity investments in the ending portfolio so the Risk Based Capital charge will be zero.
4. R3 – Asset Risk – Credit
  - a. Credit Risk – Reinsurance Recoverable at the closing balance sheet date will be used in the Risk Based Capital calculation and will be split equally between the R3 Asset Risk – Credit and R4 Underwriting Risk - Reserves.
  - b. Credit Risk – Other Assets at the closing balance date will be used in the Risk Based Capital calculation.
5. R4 – Underwriting Risk – Reserves
  - a. Reserve Risk – Reinsurance Recoverable will be the other half of the calculated amount from the R3 Asset Risk – Credit calculation above.
  - b. Reserve Risk – Net Reserves at the closing balance sheet date will be used in the Risk Based Capital calculation.
6. R5 – Underwriting Risk – Net Written Premium
  - a. Pro forma adjustments assume the companies will have no net written premiums so the Risk Based Capital charge will be zero.
7. Total Authorized Control Level Capital Calculation
  - a.  $(R0 + \text{SQRT}(R1^2 + R2^2 + R3^2 + R4^2 + R5^2)) * 0.5$
7. GAAP Adjustments:
  - a. Statutory to GAAP Deferred tax Adjustment
    - i. Reversal of the Statutory non-admitted balances

**Schedule 1.1(a)**  
**Pro Forma Adjustments**

**Principles to be followed in preparing the Proposed Final Closing Date Balance Sheet:**

The **Proposed Final Closing Date Balance Sheet** will be prepared in a manner consistent with the principles outlined above with respect to the Quarterly Pro Forma Balance Sheets based on the reported SAP balances of the Acquired Companies as of the Closing Date.

SCHEDULE 5.23(c)

ASIC OUTSTANDING PRODUCTS				
Co.		Product	Jurisdiction	Status
ASIC		K-12 and College Tuition Refund	Florida	Filing Submitted
ASIC		Student Accident	California	Response Submitted
ASIC		Student Accident	Maine	Disapproved
ASIC		Student Accident	New Hampshire	Disapproved
ASIC		Student Accident	Vermont	Disapproved
ASIC		Student Accident	Washington	Disapproved
ASIC		Hearing Aid Program	Florida	Response Submitted
ASIC		Yacht	Florida	Filing Submitted
ASIC		Yacht	Louisiana	Objection Received
ASIC		Assumption Certificate	California	Filing Submitted
ASIC		Blanket Accident - CW	Alaska	Unassigned
ASIC		Group Accident - CW	California	Response Submitted
ASIC		Group Accident - CW	Maryland	Response Submitted
ASIC		Group Accident - CW	New Hampshire	Disapproved
ASIC		Group Accident - CW	Texas	Objection Received
ASIC		Occupational Accident - CW	New Hampshire	Withdrawn
ASIC		Occupational Accident - CW	Washington	Disapproved
ASIC		Passenger Accident - CW	Colorado	Response Submitted
ASIC		Passenger Accident - CW	New Hampshire	Withdrawn
ASIC		Passenger Accident - CW	Puerto Rico	To Be Filed, COA Required
ASIC		Passenger Accident - CW	Texas	Disapproved
ASIC		Boiler and Machinery	Maine	Disapproved
ASIC		Boiler and Machinery	Ohio	Objection Received
ASIC		Boiler and Machinery	Oklahoma	Objection Received
ASIC		Boiler and Machinery	Oregon	Disapproved
ASIC		Boiler and Machinery	Tennessee	Objection Received
ASIC		Boiler and Machinery	Washington	Objection Received
ASIC		Crime	Alaska	Filing Submitted
ASIC		Crime	Louisiana	Filing Submitted
ASIC		Crime	Massachusetts	Disapproved
ASIC		Crime	North Carolina	Objection Received
ASIC		Crime	Ohio	Disapproved
ASIC		Crime	Oregon	Disapproved
ASIC		Crime	Tennessee	Filing Submitted
ASIC		Crime	Texas	Disapproved
ASIC		Crime	Washington	Objection Received
ASIC		Risk Purchasing Group	Colorado, Maine, Montana, North Carolina, Rhode Island	Filing Submitted

ASIC		Risk Purchasing Group	Alaska, California, Connecticut, District of Columbia, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Nevada, New Mexico, New York, Oklahoma, Pennsylvania, Texas, Vermont, Virgin Islands, Washington, West Virginia, Wisconsin	To Be Filed
ASIC		Managed Care	Puerto Rico	To Be Filed, COA Required
ASIC		Provider Excess	Vermont	Filing Submitted
ASIC		Fidelity	Florida	Filing Submitted
ASIC		Fidelity	Virginia	Filing Submitted
ASIC		Other Liability	Connecticut	Filing Submitted
ASIC		Surety - Various Products	All States	Filing Submitted
ASIC		Professional	Massachusetts	Objection Received

<b>OBIN OUTSTANDING PRODUCTS</b>				
<b>Co.</b>		<b>Product</b>	<b>Jurisdiction</b>	<b>Status</b>
OBIN		Yacht	California	Not Submitted, COA Required
		Yacht	Florida	Not Submitted, COA Required
OBIN		Yacht	Kansas	Not Submitted, COA Required
OBIN		Yacht	Louisiana	To Be Filed
OBIN		Yacht	Maryland	Not Submitted, COA Required
OBIN		All Products	Rhode Island, Delaware	Not Submitted, COA Required
OBIN		WC - Single Plan	Delaware	Not Submitted, COA Required
OBIN		WC - Single Plan	Hawaii	Not Submitted, COA Required
OBIN		WC - Single Plan	Illinois	Not Submitted, COA Required
OBIN		WC - Single Plan	Kansas	Not Submitted, COA Required
OBIN		WC - Single Plan	Massachusetts	Not Submitted, COA Required

OBIN		WC - Single Plan	Minnesota	Not Submitted, COA Required
OBIN		WC - Single Plan	Missouri	Not Submitted, COA Required
OBIN		WC - Single Plan	Montana	Not Submitted, COA Required
OBIN		WC - Single Plan	New Mexico	Not Submitted, COA Required
OBIN		WC - Single Plan	New York	Not Submitted, COA Required
OBIN		WC - Single Plan	North Carolina	Not Submitted, COA Required
OBIN		WC - Single Plan	Pennsylvania	Approved
OBIN		WC - Single Plan	South Dakota	Approved
OBIN		WC - Single Plan	Tennessee	To Be Filed
OBIN		WC - Single Plan	Texas	To Be Filed
OBIN		WC - Tiered Plans	Alabama	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Alaska	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Arizona	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Arkansas	Not Submitted, COA Required
OBIN		WC - Tiered Plans	California	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Colorado	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Connecticut	Not Submitted, COA Required
OBIN		WC - Tiered Plans	DC	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Florida	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Georgia	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Idaho	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Indiana	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Iowa	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Kentucky	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Louisiana	To Be Filed
OBIN		WC - Tiered Plans	Maine	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Maryland	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Michigan	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Mississippi	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Nebraska	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Nevada	Not Submitted, COA Required

OBIN		WC - Tiered Plans	New Hampshire	Not Submitted, COA Required
OBIN		WC - Tiered Plans	New Jersey	Not Submitted, COA Required
OBIN		WC - Tiered Plans	North Dakota	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Ohio	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Oklahoma	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Oregon	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Rhode Island	Not Submitted, COA Required
OBIN		WC - Tiered Plans	South Carolina	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Utah	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Vermont	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Virginia	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Washington	Not Submitted, COA Required
OBIN		WC - Tiered Plans	West Virginia	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Wisconsin	Not Submitted, COA Required
OBIN		WC - Tiered Plans	Wyoming	Not Submitted, COA Required

<b>ASIC and OBIN Applications</b>				
<b>Certificate of Authority and Treasury Applications for ASIC &amp; OBIN:</b>				
<b>Co.</b>	<b>Jurisdiction</b>	<b>Comments</b>		<b>Status</b>
ASIC	US Puerto Rico			Filed
OBIN	Alabama			To Be Filed
OBIN	Alaska			To Be Filed
OBIN	Arizona			To Be Filed
OBIN	Arkansas			To Be Filed
OBIN	California			To Be Filed
OBIN	Colorado			To Be Filed
OBIN	Connecticut			To Be Filed
OBIN	Delaware			Filed
OBIN	District of Columbia			To Be Filed
OBIN	Florida			Filed
OBIN	Georgia			To Be Filed
OBIN	Hawaii			Filed
OBIN	Idaho			To Be Filed
OBIN	Illinois			Filed
OBIN	Indiana			To Be Filed
OBIN	Iowa			To Be Filed
OBIN	Kansas			Filed

OBIN	Kentucky		To Be Filed
OBIN	Louisiana	Approved, COA Received	Approved
OBIN	Maine		To Be Filed
OBIN	Maryland		Filed
OBIN	Massachusetts		Filed
OBIN	Michigan		To Be Filed
OBIN	Minnesota		Filed
OBIN	Mississippi		To Be Filed
OBIN	Missouri		Filed
OBIN	Montana		Filed
OBIN	Nebraska		To Be Filed
OBIN	Nevada		To Be Filed
OBIN	New Hampshire		To Be Filed
OBIN	New Jersey		To Be Filed
OBIN	New Mexico		To Be Filed
OBIN	New York		Filed
OBIN	North Carolina		Filed
OBIN	North Dakota		To Be Filed
OBIN	Ohio		To Be Filed
OBIN	Oklahoma		To Be Filed
OBIN	Oregon		To Be Filed
OBIN	Pennsylvania	Approved, COA Received	Approved
OBIN	Rhode Island		Filed
OBIN	South Carolina		To Be Filed
OBIN	South Dakota	Approved, COA Received	Approved
OBIN	Tennessee	Approved, COA Received	Approved
OBIN	Texas	Approved, COA Received	Approved
OBIN	Utah		To Be Filed
OBIN	Vermont		To Be Filed
OBIN	Virginia		To Be Filed
OBIN	Washington		To Be Filed
OBIN	West Virginia		To Be Filed
OBIN	Wisconsin		To Be Filed
OBIN	Wyoming		To Be Filed
ASIC	US Department of Treasury	Application for Certified Status with the U.S. Treasury Department under USC Section 31	Filed

**Schedule 1.1(b)**  
**Purchaser Knowledge**

1. Steve Ryland
2. Stuart Wrenn

**Schedule 4.3**  
**Governmental Filings and Consents**

1. Massachusetts Division of Insurance
2. Pennsylvania Insurance Department

**Section 1.1(a): Knowledge of Seller**

Paul McDonough  
Maureen Phillips  
Brian Poole  
Thomas Schmitt  
Sean Duffy  
Paul Brehm  
Scott McClintock  
Paul Romano  
Dennis Crosby

### Section 3.21: Intercompany Agreements

1. OneBeacon America and A. W. G. Dewar, Inc. Agency Agreement effective August 17, 1993.
2. Investment Management Agreement among White Mountains Advisors LLC and certain insurance subsidiaries listed therein including certain of the Acquired Companies effective October 1, 2010, as amended.
3. Property Per Risk Excess of Loss Reinsurance Contract between Houston General and OneBeacon Insurance effective January 1, 2007.
4. Casualty Excess of Loss Reinsurance Contract between Houston General and OneBeacon Insurance effective January 1, 2007.
5. Assumption Agreement between OneBeacon America and ASIC effective May 16, 2012.
6. Administrative Services Agreement between OneBeacon America and ASIC effective May 16, 2012.
7. Administrative Services Agreement between OneBeacon Insurance and OneBeacon Services, LLC effective January 1, 2012.
8. Tax Allocation Agreement among Seller, OneBeacon Insurance, OneBeacon America, Camden Fire and Homeland Insurance Company of New York dated May 30, 2007.
9. Tax Allocation Agreement by and among Fund American Enterprises Holdings, Inc. (predecessor to OneBeacon U.S. Enterprises Holdings, Inc.), and the other parties named thereunder including the Acquired Companies dated December 31, 2001, as amended December 31, 2004, July 1, 2010, February 22, 2012 and March 21, 2012.
10. Instrument of Transfer and Assumption dated February 10, 2004 by and between Potomac Insurance and OneBeacon Insurance.
11. 100% Quota Share Reinsurance Agreement dated October 1, 2012 by and between Pennsylvania General Insurance Company and OneBeacon Insurance.
12. Reinsurance Agreement dated July 1, 2004 by and between Camden Fire and OneBeacon Insurance.
13. Reinsurance Agreement dated July 1, 2004 by and between OneBeacon Midwest and OneBeacon Insurance.
14. Reinsurance Agreement dated October 29, 2002 by and between Traders & General and OneBeacon Insurance.
15. Insurance Management Service Agreement between Houston General and Houston General Insurance Management Company effective June 9, 2005. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
16. Reinsurance Pooling Agreement between Houston General Insurance Exchange and Houston General effective June 9, 2005. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
17. Tax Sharing Agreement between Houston General Insurance Exchange and Houston

- General effective June 9, 2005. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
18. Amended and Restated Reinsurance (Pooling) Agreement dated as of January 1, 2001 among OneBeacon Insurance and certain of its affiliated insurance companies including certain of the Acquired Companies, as amended. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
  19. 100% Quota Share Reinsurance Agreement between Homeland Insurance Company of Delaware and OneBeacon Insurance effective April 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
  20. 100% Quota Share Reinsurance Agreement between OneBeacon National Insurance Company and OneBeacon Insurance effective April 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
  21. 100% Quota Share Reinsurance Agreement between Employers' Fire and OneBeacon Insurance effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
  22. 100% Quota Share Reinsurance Agreement between Northern Assurance and OneBeacon Insurance effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
  23. 100% Quota Share Reinsurance Agreement between OneBeacon America and OneBeacon Insurance effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
  24. 100% Quota Share Reinsurance Agreement between ASIC and OneBeacon Insurance (Runoff) effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
  25. 100% Quota Share Reinsurance Agreement between ASIC and OneBeacon Insurance (Specialty) effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]

**Section 5.7: Intercompany Agreements and Accounts**

(a)

1. See Schedule 5.13.
2. OneBeacon America and A. W. G. Dewar, Inc. Agency Agreement effective August 17, 1993.
3. Assumption Agreement between OneBeacon America and ASIC effective May 16, 2012.
4. Instrument of Transfer and Assumption dated February 10, 2004 by and between Potomac Insurance and OneBeacon Insurance.
5. 100% Quota Share Reinsurance Agreement dated October 1, 2012 by and between Pennsylvania General Insurance Company and OneBeacon Insurance.
6. Reinsurance Agreement dated July 1, 2004 by and between Camden Fire and OneBeacon Insurance.
7. Reinsurance Agreement dated July 1, 2004 by and between OneBeacon Midwest and OneBeacon Insurance.
8. Reinsurance Agreement dated October 29, 2002 by and between Traders & General and OneBeacon Insurance.
9. 100% Quota Share Reinsurance Agreement between Employers' Fire and OneBeacon Insurance effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
10. 100% Quota Share Reinsurance Agreement between Northern Assurance and OneBeacon Insurance effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
11. 100% Quota Share Reinsurance Agreement between OneBeacon America and OneBeacon Insurance effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
12. 100% Quota Share Reinsurance Agreement between ASIC and OneBeacon Insurance (Runoff) effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]
13. 100% Quota Share Reinsurance Agreement between ASIC and OneBeacon Insurance (Specialty) effective October 1, 2012. [TO BE EFFECTIVE 10/1/2012 PENDING REGULATORY APPROVAL]

(b)

None.

**Seller Disclosure Schedule  
Section 1.1(b) - Partial**

**Apple Pro Forma Balance Sheets**  
(\$ in millions)

	June 30, 2012	December 31, 2011	Change
<b>Admitted Assets:</b>			
Derived Specific	\$ 460.9	\$ 561.2	\$ (100.3)
Specific	(0.5)	(0.3)	(0.2)
Specific	6.8	8.0	(1.2)
	<u>467.2</u>	<u>568.9</u>	<u>(101.7)</u>
Total cash and investments			
[1]	\$ 12.8	\$ 17.4	\$ (4.6)
[1]	23.9	18.2	5.7
Calculated	5.1	6.7	(1.6)
[1]	16.1	17.6	(1.5)
	<u>525.1</u>	<u>628.7</u>	<u>(103.6)</u>
<b>Total admitted assets</b>			
<b>Liabilities:</b>			
Specific	\$ 1,579.5	\$ 1,733.6	\$ (154.1)
Specific	1.3	2.3	(1.0)
Specific	(1,268.0)	(1,333.7)	65.7
[1]	44.9	42.5	2.4
	<u>357.7</u>	<u>444.7</u>	<u>(87.0)</u>
<b>Total liabilities</b>			
<b>Capital and Surplus:</b>			
Calculated	\$ 167.4	\$ 184.0	\$ (16.6)
	<u>525.1</u>	<u>628.7</u>	<u>(103.6)</u>
<b>Total liabilities, capital and surplus</b>			

[1] - A further breakout for these items is presented on the Other Assets and Other Liabilities breakout pages.

Section 3.11(a): Employee Benefits

Benefit Plans:

The following documents primarily govern the incentive compensation paid to Employees:

1. OneBeacon Long Term Incentive Plan
2. OneBeacon Long Term Cash Plan
3. OneBeacon 2012 Management Incentive Plan
4. OneBeacon 2012 Run-Off Operations Incentive Plan
5. OneBeacon Employee Bonus Plan

The following documents primarily govern the benefits provided to Employees:

1. OneBeacon Pension Plan
2. OneBeacon Welfare Plan
3. OneBeacon 401(k) Savings and Employee Stock Ownership Plan

Benefit Plans maintained by an Acquired Company:

None.

Employees



Section 3.17(c): Certain Rights Under Insurance Contracts

Participating Workers Compensation Policies

<u>Policy Number</u>	<u>Insuring Co.</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>State</u>
	OBIC	8/1/2011	8/1/2012	CA
	OBIC	8/15/2011	8/15/2012	WI
	OBIC	12/13/2011	12/1/2012	WI
	OBIC	1/1/2012	1/1/2013	WI
	OBIC	1/1/2012	1/1/2013	WI
	OBIC	1/1/2012	1/1/2013	WI
	OBIC	4/1/2012	4/1/2013	WI

OBIC = OneBeacon Insurance

Section 5.2: Conduct of Business

(a)

See Schedule 5.13(a) with respect to restructuring actions.

(b)

Seller or its Affiliate shall be permitted to sell or otherwise transfer all of the capital stock or other equity securities of Camden Fire, Houston General and/or OneBeacon Midwest to any other Person, including the entry into any ancillary agreements necessary or appropriate to effect such transactions, provided that a definitive agreement contemplating such sale or transfer is entered into on or prior to December 31, 2012.

(d)(i)

\$2 million

(f)

Seller expects to formally assign to OneBeacon Insurance the beneficiary rights under a letter of credit securing AutoOne Insurance Company's obligations to Camden Fire. The letter of credit is expected to be reduced to \$7 million reflecting the current value of the insurance liabilities ceded from Camden Fire to AutoOne Insurance Company.

The [REDACTED] contract (for Legal Bill Review) will be terminated and a new agreement with [REDACTED] will be entered into effective beginning of 2013. Both [REDACTED] and [REDACTED] are shared agreements which relate primarily to the Retained Business and will not transfer with the sale of the Acquired Companies.

(g)

1. [REDACTED]

2. [REDACTED]

- 
- 
3. [REDACTED]
4. [REDACTED]
5. [REDACTED]
6. [REDACTED]
7. [REDACTED]
8. [REDACTED]
9. [REDACTED]
10. [REDACTED]
11. [REDACTED]
12. [REDACTED]

(i)

OneBeacon Insurance began offering commercial and non-construction contract surety policies in October 2012 and has written one policy to date. ASIC has filed for appropriate authorization to write commercial and non-construction contract surety policies and has additionally filed with the U.S. Treasury under Section 31 of the United States Code to obtain a 'T Listing' authority,

with appropriate financial limits. Once appropriate authority and limits exist to write a specific new or renewal policy in ASIC, Seller will write the policy in ASIC.

(j)

Seller may enter into negotiations to execute a definitive agreement to sell Houston General, OneBeacon Midwest, and / or Camden Fire in a similar manner to the PGIC transaction (see Item 5.2(j) of Seller Disclosure Schedule 3.8), between the date of this Agreement and December 31, 2012, and if so executed, will expect to close such transaction(s) in 2013 prior to the Closing.

In the fourth quarter of 2012, OneBeacon Insurance intends to transfer to a White Mountains Insurance Group, Ltd. affiliate its approximately \$30 million investment in the Prospector Turtle Fund, LP.

(k)

\$1 million individually or \$5 million in the aggregate excluding those matters set forth on Schedule 7.3(a).

(m)

The Acquired Companies are members of an affiliated group as defined in the Code and are included in a consolidated federal income tax return for the affiliated group. For United States income tax purposes, the affiliated group has previously executed waivers to extend the statutory period of limitation as indicated below. It is possible that additional waivers may be executed in the period before Closing.

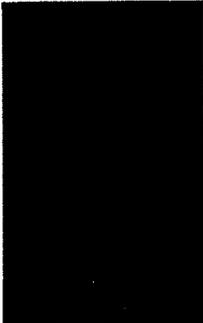
1. 2005 – 2006 extended until June 30, 2013
2. 2007 – 2009 extended until June 30, 2014

(n)

In the fourth quarter of 2012, OneBeacon U.S. Holdings, Inc. intends to repurchase from OneBeacon Insurance \$25 million in outstanding senior notes. Concurrently therewith, OneBeacon U.S. Holdings, Inc. plans to issue new senior notes and OneBeacon Insurance may purchase a portion of the offered notes.

Section 5.11: Guarantees

The following individuals currently have \$1,000 Adjusters Bonds in force and such bonds are scheduled to transfer with the Acquired Companies:

<u>Name</u>	<u>Expiration Date</u>
	12/31/12
	12/31/12
	12/31/12
	12/31/12
	12/31/12
	12/31/13
	12/31/12
	12/31/12
	10/20/12
	12/31/12
12/31/12	