



November 19, 2013

**VIA HAND DELIVERY**

**James R. Potts**  
Direct Phone 215-665-2748  
Direct Fax 215-701-2102  
jpotts@cozen.com

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

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

Dear Mr. Yerger:

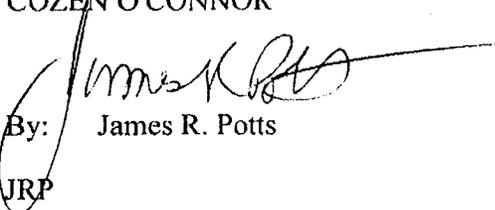
On February 7, 2013, we filed with the Pennsylvania Insurance Department a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer in connection with the proposed acquisition of control by Armour Group Holdings Limited, through its subsidiary, Trebuchet US Holdings, Inc. (the "Applicant") of OneBeacon Insurance Company and Potomac Insurance Company from OneBeacon Insurance Group LLC. Under separate cover, we filed certain exhibits and other information which the Applicant designated as confidential. Enclosed are the following documents, which were previously submitted as confidential, but are no longer marked confidential and now may be treated by the Department as public.

- Introduction to Seller Disclosure Schedule.
- Seller Disclosure Schedule Section 3.8 – Absence of Certain Changes.
- Seller Disclosure Schedule Section 3.10(c) – Tax Audits, Exams and Claims.

Please contact me if you have any questions.

Sincerely,

COZEN O'CONNOR

By:  James R. Potts

JRP

**RECEIVED**  
Corporate & Financial Regulation

NOV 19 2013

**Pennsylvania**  
**Insurance Department**

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

1900 Market Street Philadelphia, PA 19103  
215.665.2000 800.523.2900 215.665.2013 Fax cozen.com

17691850.1



## **Seller Disclosure Schedule**

As of October 17, 2012

Reference is hereby made to the Stock Purchase Agreement, dated as of October 17, 2012 (the "Agreement"), by and among OneBeacon Insurance Group LLC, a limited liability company organized under the laws of the State of Delaware ("Seller"), OneBeacon Insurance Group, Ltd., an exempted Bermuda limited liability company ("Seller Parent"), Trebuchet US Holdings, Inc., a corporation incorporated under the laws of the State of Delaware ("Purchaser"), and Armour Group Holdings Limited, an exempt limited liability company organized under the laws of Bermuda ("Purchaser Parent"). All capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Agreement. The headings contained in the Seller Disclosure Schedule are for convenience of reference only and shall not be deemed to modify or influence the interpretation of the information contained in the Seller Disclosure Schedule or the Agreement.

Pursuant to the Agreement, attached hereto are the sections comprising the Seller Disclosure Schedule referred to in the Agreement and, in accordance with Section 9.4 of the Agreement, the Seller Disclosure Schedule is deemed to be part of the entire agreement among Seller and Purchaser with respect to the subject matter of the Agreement.

Disclosures in the Seller Disclosure Schedule are arranged in sections corresponding to the numbered and lettered sections of the Agreement, and any disclosure set forth on any section of the Seller Disclosure Schedule shall be deemed to be disclosed for all sections of the Agreement and all other sections of the Seller Disclosure Schedule to the extent that it is reasonably apparent that such disclosure is applicable to such other sections of the Agreement or such other sections of the Seller Disclosure Schedule.

The inclusion of any information in any section of the Seller Disclosure Schedule shall not be deemed to be an admission or acknowledgment by Seller or its Affiliates or otherwise imply that such information is required to be listed in any section of the Seller Disclosure Schedule or that any such matter rises to a Company Material Adverse Effect or is material to or outside the Ordinary Course of Business. Matters reflected in the Seller Disclosure Schedule are not necessarily limited to matters required by the Agreement to be reflected in the Seller Disclosure Schedule. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature.

All references in the Seller Disclosure Schedule to the enforceability of agreements with third parties, the existence or non-existence of third-party rights, the absence of breaches or defaults by third parties, or similar matters or statements, are intended only to allocate rights and risks between Purchaser and Seller and are not intended to be admissions against interests, give rise to any inference or proof of accuracy, be admissible against any party to the Agreement by any Person who is not a party to the Agreement, or give rise to any claim or benefit to any Person who is not a party to the Agreement. The disclosure in the Seller Disclosure Schedule of any allegation, threat, notice or other communication shall not be deemed to include disclosure of the truth of the matter communicated. In addition, the disclosure of any matter in the Seller Disclosure Schedule is not to be deemed an admission that such matter actually constitutes noncompliance with, or a violation of applicable Law, any Governmental Order or Governmental Authorization or Contract or other topic to which such disclosure is applicable.

In no event shall the disclosure of matters disclosed in the Seller Disclosure Schedule or the Electronic Data Room be deemed or interpreted to constitute or broaden a representation, warranty, obligation, covenant, condition or agreement of Seller except to the extent provided in the Agreement. No reference in the Seller Disclosure Schedule shall by itself be construed as an admission or indication that a Contract or other document is enforceable or in effect as of the date hereof except to the extent provided in the Agreement.

Where a Contract or other document is referenced, summarized or described in the Seller Disclosure Schedule, such reference, summary or description does not purport to be a complete statement of the terms or conditions of such Contract or other document and such reference, summary or description is qualified in its entirety by the specific terms and conditions of such Contract or other document.

The information contained in the Seller Disclosure Schedule is current as of the date of the Agreement, and Seller expressly disclaims and does not undertake any duty or obligation to update or modify the information disclosed in the Seller Disclosure Schedule.

*(The remainder of this page is intentionally left blank.)*



### Section 3.8: Absence of Certain Changes

1. See Section 5.13(a) with respect to restructuring actions.
2. Seller has entered into discussions with AutoOne Insurance Company to obtain formal assignment to OneBeacon Insurance of 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 as required by the reinsurance agreement to \$7 million reflecting the current value of the insurance liabilities ceded from Camden Fire to AutoOne Insurance Company.
3. 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.
4. Seller sold Pennsylvania General Insurance Company ("PGIC") on October 2, 2012. PGIC held a portion of the liabilities that as of the date of this Agreement form part of the Runoff Business. Certain assets and liabilities of the Runoff Business held by PGIC were transferred to OneBeacon Insurance and the requisite administrative service rights were provided to OneBeacon Insurance, and to ASIC with respect to the Retained Business held by PGIC.
5. OneBeacon Insurance sold its AutoOne business unit including two of its subsidiaries on February 22, 2012, AutoOne Insurance Company and AutoOne Select Insurance Company. Certain assets and liabilities of the Runoff Business held by each subsidiary were transferred to OneBeacon Insurance. As part of the sale transaction, Camden Fire ceded a portion of its liabilities and related assets all of which were part of the AutoOne business to AutoOne Insurance Company as part of the transaction. A letter of credit was issued with Camden Fire as beneficiary to secure the liabilities under the reinsurance agreement. As part of the transaction, OneBeacon Insurance received a \$3 million promissory note from the parent of the purchaser.
6. The Acquired Companies are members of an affiliated group as defined in the Internal Revenue Code of 1986 and are included in a consolidated income tax return for the affiliated group for United States income tax purposes. The affiliated group has executed waivers to extend the statutory period of limitation as follows:
  - a. 2005 – 2006 extended until June 30, 2013
  - b. 2007 – 2009 extended until June 30, 2014



**Section 3.10(c): Tax Audits, Exams and Claims**

**Audits, Examinations and Written Claims:**

1. Federal Form 1120 for tax years ended December 31, 2005 and 2006 currently being negotiated with IRS Appeals.
2. Federal Form 1120 for tax years ended December 31, 2007, 2008 and 2009 being examined by IRS.

**Waivers to Extend the Statutory Period of Limitation:**

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

**Powers of Attorney that will remain after Closing:**

1. Stephen Gordon, Christopher Fargo and Albert Chang of Cravath, Swain and Moore LLP.
2. Robert Gorey, Tax Consultant.