July 23, 2014

Presentation Materials at the Public Informational Hearing for the Proposed Acquisition by Trebuchet US Holdings, Inc. of OneBeacon Insurance Company, Potomac Insurance Company, OneBeacon America Insurance Company and the Employers' Fire Insurance Company

Capitol Associates Building
901 North 7th Street, Suite 200
Harrisburg, Pennsylvania 17102

I. Presentation of Paul McDonough, Chief Financial Officer
OneBeacon Insurance Group

II. Presentation of Christopher Bozman, FCAS, MAAA,
Towers Watson

III. Presentation of Brad Huntington, Chairman and Chief Executive Officer
Armour Group

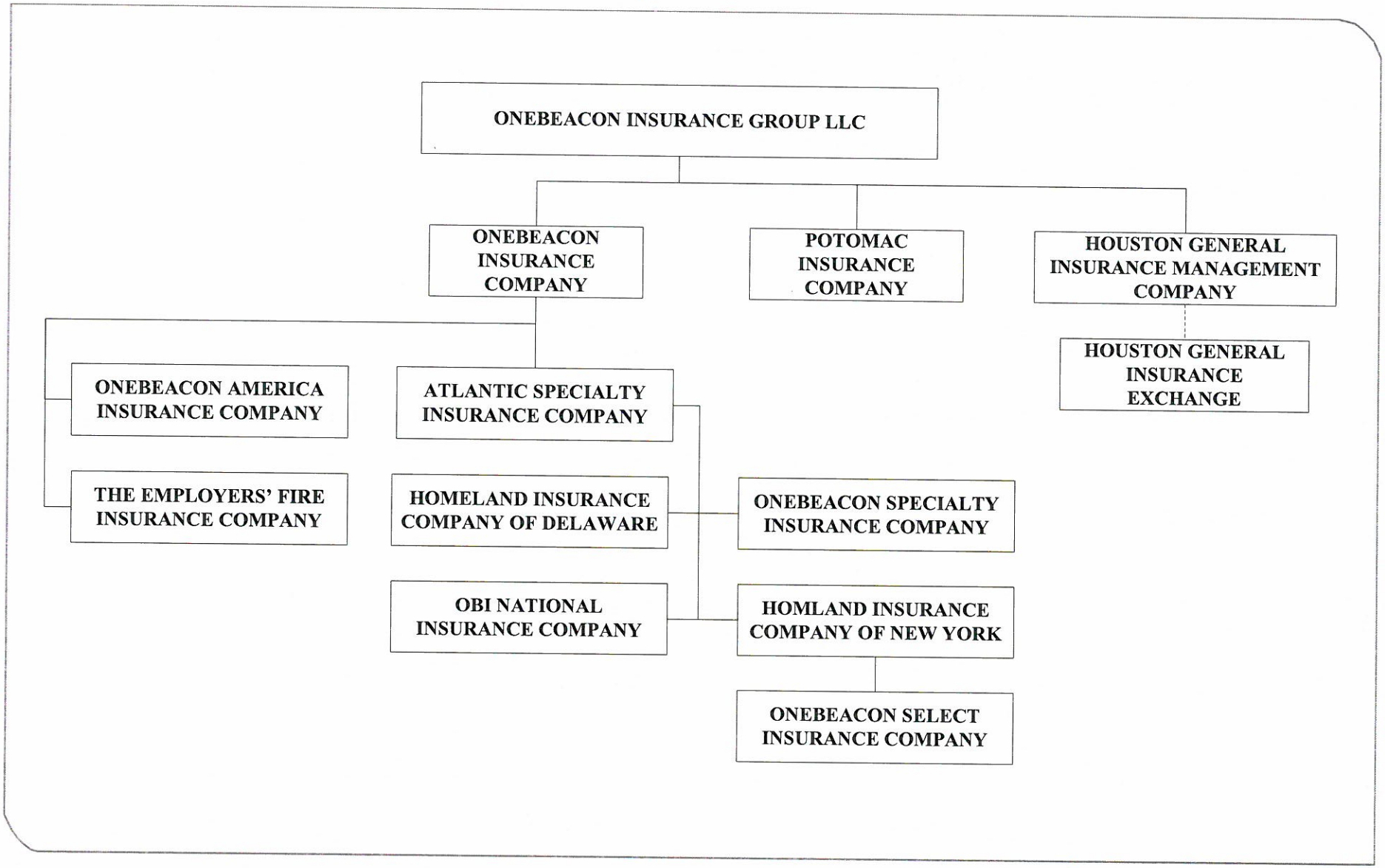
OneBeacon
INSURANCE GROUP

Presentation Materials at the Public Informational Hearing for the Proposed Acquisition by Trebuchet US Holdings, Inc. of OneBeacon Insurance Company, Potomac Insurance Company, OneBeacon America Insurance Company and the Employers' Fire Insurance Company

Presentation of Paul McDonough, Chief Financial Officer
OneBeacon Insurance Group

July 23, 2014

Organizational Structure – June 30, 2014



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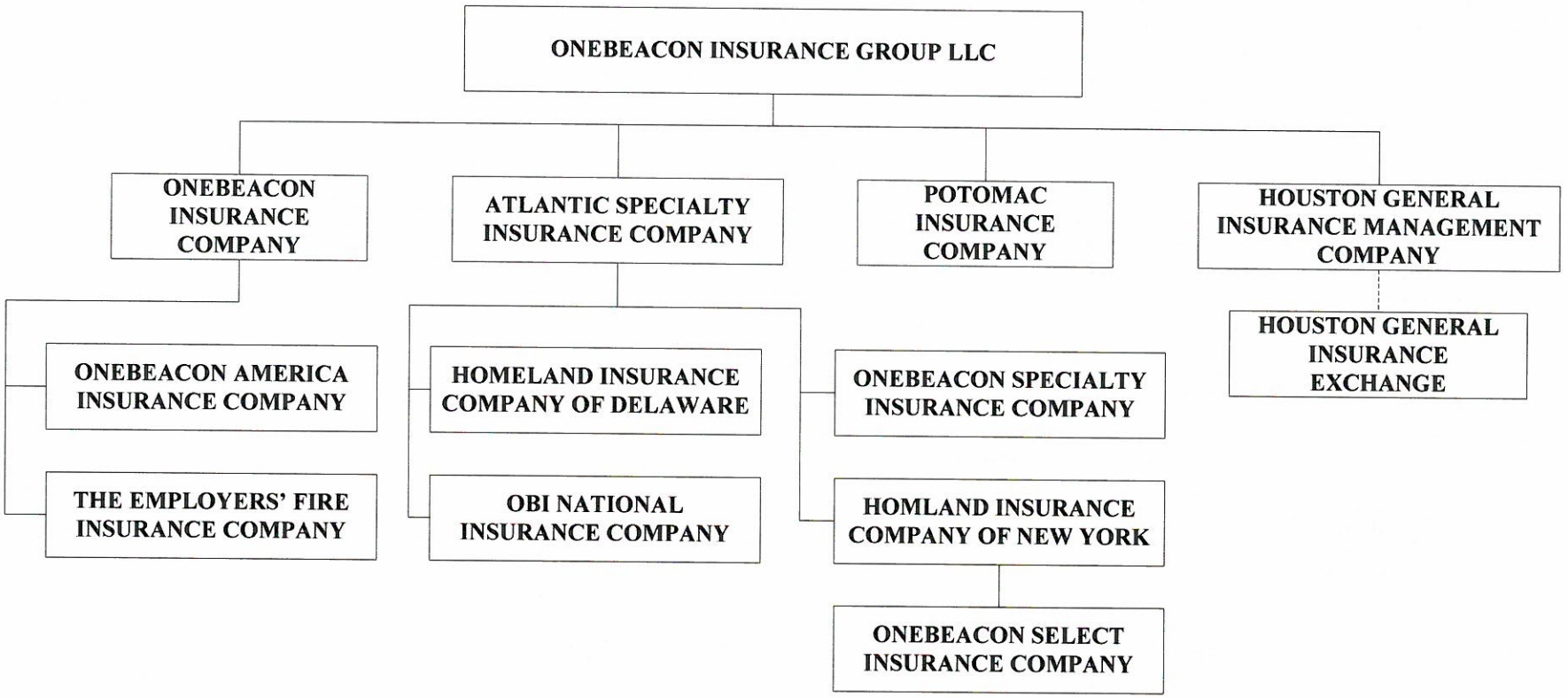
Organizational Structure – After Restructuring



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Combined Balance Sheets
(OneBeacon Insurance Company Consolidated, plus Potomac Insurance Company)

($ in millions)

Admitted Assets:	**March 31, 2014**	**Proposed Closing**
Total cash and investments	$ 2,269	$ 280
Net deferred federal income taxes	74	29
Receivables	289	20
Fund held	2	2
Other assets	89	17
Total admitted assets	**$ 2,723**	**$ 347**
Liabilities:		
Loss and loss adjustment expenses	$ 2,130	$ 1,117
Unearned premium reserves	479	-
Retroactive reinsurance reserves ceded	(981)	(961)
Funds held	8	8
Other liabilities	179	22
Total liabilities	**1,815**	**186**
Capital and Surplus:		
Gross paid-in surplus and unassigned funds	$ 908	$ 81
Parri Passu Surplus Note	-	44
Seller Priority Surplus Note	-	37
Total capital and surplus	**908**	**162**
Total liabilities, capital and surplus	**$ 2,723**	**$ 347**
Net loss and loss adjustment expenses	1,149	157

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OneBeacon Insurance Group LLC: Stochastic Modeling of Run-off Business

Testimony to Pennsylvania Insurance Department

Christopher Bozman, FCAS, MAAA
Sandra Santomenno, ACAS, MAAA

July 23, 2014

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This document is incomplete without the accompanying discussion; it is confidential and intended solely for the information and benefit of the immediate recipient hereof.

TOWERS WATSON

Non-NICO Liabilities

Undiscounted Loss and ALAE Liabilities Gross of Gen Re Contract

Reserves as of:	Towers Watson Indications ($ millions)		
	Low	Central	High
9/30/2012 *	$786	$861	$996
3/31/2013 *	696	765	888
9/30/2013 **	633	698	819
6/30/2014 **	539	604	724

* From Towers Watson summary report entitled *OneBeacon Insurance Group, LLC: Analysis of Unpaid Loss and LAE as of September 30, 2012, December 31, 2012, and March 31, 2013 – Summary Report* dated September 9, 2013

** From Towers Watson full report entitled *OneBeacon Insurance Group, LLC: Stochastic Modeling of Run-Off Business Pro-Forma Balance Sheet as of June 30, 2014* dated June 9, 2014

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NICO Liabilities

Undiscounted Loss and ALAE Liabilities Gross of NICO Contract

Reserves as of:	Towers Watson Indications ($ millions)		
	Low	Central	High
12/31/2012 *	$885	$1,005	$1,214
3/31/2013 *	866	986	1,196
9/30/2013 **	809	929	1,139
6/30/2014 **	744	845	1,053

* From Towers Watson summary report entitled *OneBeacon Insurance Group, LLC: Analysis of Unpaid Loss and LAE as of September 30, 2012, December 31, 2012, and March 31, 2013 – Summary Report* dated September 9, 2013

** From Towers Watson full report entitled *OneBeacon Insurance Group, LLC: Stochastic Modeling of Run-Off Business Pro-Forma Balance Sheet as of June 30, 2014* dated June 9, 2014

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Success Rates

Time Period	Cumulative Success Rate
Through 10 years	100.00%
Through 15 years	99.20
Through 20 years	95.91
Through 25 years	92.48
Through 30 years	90.10
After 30 years	88.28

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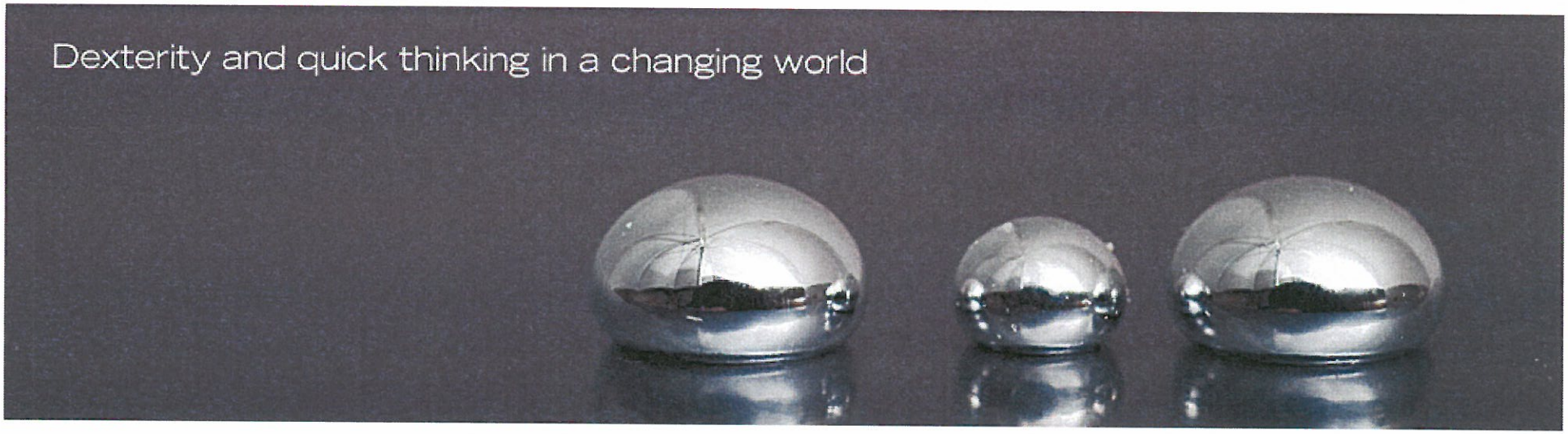

Trebuchet US Holdings Inc

Pennsylvania Insurance Department

Public Informational Hearing

Harrisburg, July 2014

Outline of Presentation

- Who is Trebuchet USHoldings Inc?
- Trebuchet's plan for management of One Beacon run-off entities?
- Who is Armour Group and what is their expertise?
- Why the sale to Trebuchet US Holdings Inc should be approved?

Trebuchet US Holdings Inc

- Trebuchet US Holdings Inc ("Trebuchet") is a newly formed US (Delaware) company which was established to act as the purchaser of the One Beacon run-off entities (the "One Beacon Run-off");

- Trebuchet is an indirect wholly-owned subsidiary of Armour Group Holdings Limited, the holding company for the Armour Group ("Armour Group").

- Trebuchet will, at closing of the proposed transaction, have sufficient cash resources to complete all of its obligations under the sale and purchase agreement;

Trebuchet – plan for One Beacon Run-off

- As is common in the insurance industry, there is an existing separation between capitalized insurance entities in the One Beacon Run-off and the claims staff and certain other services, which are contractually provided by an affiliate. These staff are currently distinct from One Beacon's ongoing operations;

- Continuity of service and service quality is a key component of the sale and purchase transaction;

- As part of the proposed transaction, a Trebuchet affiliate is required to take on a transfer of the (approximately 45) staff who are currently administering the One Beacon Run-off, ensuring consistency in knowledge and servicing quality for the net portfolio;

- An Armour Group affiliate has existing staff and offices in Pennsylvania which entity would be used to absorb the One Beacon Run-off staff. A transition of selected services has been in existence for some time ensuring a smooth transition if approved;

- The proposed transaction would not affect the historic third party reinsurance arrangements of One Beacon Run-off or the claims handling related thereto, ensuring consistency in knowledge and servicing quality for the reinsured portfolio;

Armour Group

- Armour Group is a Bermuda headquartered group of companies which focuses on identifying structuring and transacting value opportunities within the insurance and reinsurance sectors. Armour Group was formed by its two principals in 2007 and includes licensed insurers and reinsurers in many jurisdictions (including in Pennsylvania) as well as specialized service companies.

- Armour is 100% privately held by its management.

- Armour has a broad based, experienced management team who, in the aggregate represent hundreds of years of industry experience, and are well known and regarded in the industry. The experience includes completion of acquisitions or management of entities aggregating many billions of dollars in capital invested.

- Armour and its affiliates currently manage insurance liabilities in excess of $1.3 billion (>$2billion including pending transactions other than the One Beacon Run-off). Its team has experience in the classes of insurance business found within the One Beacon Run-off.

Armour Selected Senior Management

	John Williams	**Brad Huntington**	**Stuart Wrenn**	**Pauline Richards**	**Steve Ryland**
Position	Group President	Group Chairman and CEO	Group Senior Vice President	Group Chief Operating Officer	Group Senior Vice President
Background	▪ Extensive insurance industry experience in the Bermuda and London markets ▪ Co-founder and President of Armour Group Holdings Limited ▪ Founder and manager of Brevan Howard P&C Fund ▪ Senior Underwriter, Imagine Group ▪ Co-founder and President, Castlewood Limited	▪ Substantial insurance and reinsurance experience including oversight of underwriting and asset management operations, M&A of companies and integration of new operations ▪ Co-founder, Chairman and CEO of Armour Group Holdings Limited ▪ Founder and manager of Brevan Howard P&C Fund ▪ Co-founder and President, Imagine Group	▪ Responsibilities include technical aspects of underwriting, pricing, actuarial modeling and review ▪ Pricing Actuary, Armour Group Holdings Limited ▪ Pricing Actuary, Imagine Group ▪ Actuarial Pricing Manager, XL Winterthur International	▪ Responsibilities include financial reporting and operations management ▪ COO, Armour Group Holdings Limited ▪ Director, Butterfield Bank ▪ Director, Wyndham Worldwide ▪ Chief Financial Officer, Lombard Odier Darier Hentsch ▪ Chief Financial Officer, Aon Bermuda	▪ Responsibilities include global business development and oversight of Armour service capabilities ▪ Executive Director, PRO Insurance Solutions Limited, a former subsidiary of Swiss Re Group
Years of Relevant Experience	30 Years	30 Years	25 Years	30 Years	30 Years

Armour Group (Cont'd)

- Armour also currently provides exclusive third party advisory services to more than $150 million in dedicated capital targeting the insurance and reinsurance markets;

- The Pennsylvania Insurance Department has previous experience with Armour and its management as an owners/service providers to US portfolios and is in a good position to make judgements concerning expertise, financial ability, integrity and character

Why approve the sale to Trebuchet?

- Trebuchet and its affiliates have demonstrable expertise in completing acquisitions of run-off portfolios

- Trebuchet and its affiliates have demonstrable expertise in the efficient servicing of run-off portfolios

- Trebuchet and its affiliates have existing Pennsylvania operations adding to certainty of a smooth transfer of people and systems, thus ensuring continued quality of policy holder service levels within the One Beacon Run-off portfolio;

- The One Beacon Run-off transaction structure has been extensively analysed (including by third party actuarial experts) and there will be adequate assets under the transaction to ensure protection of the buying public.