

## **OneBeacon Announces Partnership with Liberty Mutual; A.M. Best Rating Remains Unaffected**

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(OLDWICK, N.J., Sept. 6, 2001) -A.M. Best Co. today announced that the financial strength rating of A (Excellent) for the insurance subsidiaries of OneBeacon, Boston, Mass., (formerly CGU Insurance Companies Group) remains unchanged following the recent announcement of a partnership between Liberty Mutual Insurance Companies, Boston, Mass., and OneBeacon, a wholly owned subsidiary of White Mountains Insurance Group, Ltd. (NYSE: WTM). The essence of the partnership calls for Liberty Mutual to assume control of the infrastructure, employees and underwriting responsibility for all business currently written by OneBeacon in 42 states and the District of Columbia. OneBeacon considers this approach to be non-strategic. Going forward, OneBeacon will operate as a super-regional company, focusing exclusively on New England, New Jersey, New York and selected specialty businesses, including Folksamerica Reinsurance. Initial monetary consideration to OneBeacon is minimal but future reinsurance options and renewal compensation provide additional profit opportunity.

Beginning November 1, 2001, Liberty Mutual will assume responsibility for both operational and underwriting decisions on an estimated \$1.5 billion of commercial and personal lines premium written in the affected regions. OneBeacon will retain all of the existing balance sheet related liabilities including loss reserves. In the first twelve months, OneBeacon will quota share reinsure from Liberty Mutual approximately two-thirds of the premiums generated by renewals underwritten by Liberty Mutual, reducing it to one-third in the second year of the partnership and finally to zero in the third year.

A.M. Best believes this transaction allows OneBeacon to exit an unprofitable book of business quite efficiently. The combined ratio on the business affected by the partnership is significantly higher than the results produced by business in the remaining core geographic locations. Therefore the scope of OneBeacon's operational challenges has been reduced and attention can now be focused exclusively on achieving acceptable underwriting results. Nevertheless, one noteworthy caveat remains. OneBeacon has transferred execution risk and re-underwriting authority to Liberty Mutual. For the next one to two years, OneBeacon's results may be influenced by the quality of Liberty Mutual's re-underwriting efforts resulting from the reinsurance arrangements noted above.

Over the next two years, approximately \$1 billion of capital will be freed up, resulting in improved financial flexibility. A.M. Best expects OneBeacon to rationalize its capital structure in the near-term reducing leverage and reliance on short-term bank debt.

A.M. Best Co., established in 1899, is the world's oldest and most authoritative insurance rating and information source. For more information, visit A.M. Best's Web site at [www.ambest.com](http://www.ambest.com).