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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

October 20, 2006
Date of Report (Date of earliest event reported)

WHITE MOUNTAINS INSURANCE GROUP, LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**1-8993**	**94-2708455**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

Harborside Financial Center, Plaza 5, Jersey City, New Jersey 07311-1114
(Address of principal executive offices)

(201) 631-3300
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

/ / Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

/ / Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

/ / Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

/ / Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

(a) On July 17, 2006, in connection with the initial public offering (the "Offering") of OneBeacon Insurance Group, Ltd. ("OneBeacon"), White Mountains undertook an internal reorganization (the "Reorganization") and formed OneBeacon for the purpose of holding certain of its property and casualty insurance businesses. As a result of the Reorganization, certain of White Mountains' businesses that have been historically reported as part of its Other Operations segment are now owned by OneBeacon, and accordingly have been included within OneBeacon's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations furnished herewith. In addition, certain other businesses of White Mountains that will not be held by OneBeacon following the Offering that have been historically reported as part of its OneBeacon segment have been presented as discontinued operations within OneBeacon's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations furnished herewith.

White Mountains expects to file its September 30, 2006 Form 10-Q on November 2, 2006, which will contain segments with revised historical financial information to reflect the Reorganization.

White Mountains Insurance Group, Ltd. ("White Mountains") is furnishing herewith the unaudited consolidated financial statements of OneBeacon, its wholly owned subsidiary, as of September 30, 2006 and for the nine month periods ended September 30, 2006 and 2005 and Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended September 30, 2006 versus the nine months ended September 30, 2005 as exhibits 99.1 and 99.2, respectively. These items are contained within Amendment No. 3 to OneBeacon's Form S-1 registration statement which is expected to be filed on or about October 20, 2006.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits. The following exhibits are furnished herewith:

EXHIBIT INDEX

99.1 Consolidated balance sheets of OneBeacon Insurance Group, Ltd. (the "Company") as of September 30, 2006 and December 31, 2005 and the related consolidated statements of income and comprehensive income, shareholder's equity, and the consolidated statement of cash flows for the nine-month periods ended September 30, 2006 and September 30, 2005.

99.2 Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended September 30, 2006 versus the nine months ended September 30, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

DATED: OCTOBER 20, 2006

By: /s/ J. BRIAN PALMER

J. Brian Palmer
Chief Accounting Officer

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EXHIBIT 99.1

ONEBEACON INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

	December 31, 2005	September 30, 2006 (Unaudited)
	($ in millions, except share and per share amounts)	
Assets		
Fixed maturity investments, at fair value (amortized cost: $3,606.9 and $3,124.2)	$ 3,690.4	$ 3,166.0
Common equity securities, at fair value (cost: $459.3 and $519.1)	591.3	672.3
Short-term investments, at amortized cost (which approximates fair value)	207.6	491.9
Other investments (cost: $240.4 and $219.3)	275.2	248.5
Total investments	4,764.5	4,578.7
Cash	44.1	79.2
Reinsurance recoverable on unpaid losses	1,171.6	1,094.7
Reinsurance recoverable on unpaid losses — Berkshire Hathaway Inc.	1,949.3	1,832.1
Reinsurance recoverable on paid losses	24.3	6.3
Premiums receivable	605.1	678.0
Securities lending collateral	447.1	414.3
Intercompany debt receivable	76.6	292.2
Deferred acquisition costs	204.4	242.7
Investment in unconsolidated insurance affiliate	168.0	181.8
Deferred tax asset	108.5	67.0
Investment income accrued	46.2	34.4
Ceded unearned premiums	28.0	23.1
Accounts receivable on unsettled investment sales	2.9	212.3
Other assets	339.7	331.8
Assets of discontinued operations	272.4	—
Total assets	$ 10,252.7	$ 10,068.6
Liabilities		
Loss and LAE reserves	$ 5,354.3	$ 4,941.9
Unearned premiums	1,042.8	1,160.0
Debt	744.9	760.1
Securities lending payable	447.1	414.3
Ceded reinsurance payable	77.1	67.0
Accounts payable on unsettled investment purchases	1.9	219.3
Other liabilities	588.4	556.2
Liabilities of discontinued operations	202.2	—
Preferred stock subject to mandatory redemption:		
Held by Berkshire Hathaway Inc. (redemption value $300.0)	214.0	234.5
Held by others (redemption value $20.0)	20.0	20.0
Total liabilities	8,692.7	8,373.3
Common shareholder's equity		
Common shares and paid-in surplus (par value $0.01; authorized, 200,000,000 shares, issued and outstanding, 100,000,000 shares)	1,169.8	1,117.0
Retained earnings	232.6	434.0
Accumulated other comprehensive income, after-tax:		
Net unrealized gains on investments	163.1	142.8
Net unrealized foreign currency translation gains (losses) and other	(2.1)	4.9
Minimum pension liability	(3.4)	(3.4)
Total common shareholder's equity	1,560.0	1,695.3
Total liabilities and common shareholder's equity	$ 10,252.7	$ 10,068.6

See Notes to Consolidated Financial Statements.

ONEBEACON INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Nine Months Ended September 30,	
	2005	2006
	($ in millions, except per share amounts)	
Revenues:		
Earned premiums	$ 1,491.4	$ 1,590.0
Net investment income	187.3	148.4
Net realized investment gains	147.8	105.0
Other revenue	20.2	48.4
Total revenues	1,846.7	1,891.8
Expenses:		
Loss and LAE	1,016.3	994.6
Policy acquisition expenses	255.6	297.4
Other underwriting expenses	229.0	253.9
General and administrative expenses	10.8	11.6
Accretion of fair value adjustment to loss and LAE reserves	19.5	17.3
Interest expense on debt	33.0	34.8
Interest expense—dividends on preferred stock subject to mandatory redemption	22.7	22.7
Interest expense—accretion on preferred stock subject to mandatory redemption	16.1	20.5
Total expenses	1,603.0	1,652.8
Pre-tax income	243.7	239.0
Income tax provision	(79.3)	(54.5)
Income from continuing operations before equity in earnings of unconsolidated affiliate	164.4	184.5
Equity in earnings of unconsolidated affiliate	7.2	8.6
Income from continuing operations	171.6	193.1
Gain from sale of discontinued operations	22.5	—
Income from discontinued operations	23.6	1.2
Net income	217.7	194.3
Change in net unrealized gains and losses for investments held	(5.9)	43.5
Change in foreign currency translation and other	(22.4)	7.0
Recognition of net unrealized gains and losses for investments sold	(97.8)	(56.7)
Comprehensive net income	$ 91.6	$ 188.1
Basic and diluted earnings per share		
Income from continuing operations	$ 1.72	$ 1.93
Gain from sale of discontinued operations	0.23	—
Income from discontinued operations	0.24	0.01
Net income	2.18	1.94
Weighted average number of shares outstanding	100.0	100.0

See Notes to Consolidated Financial Statements

ONEBEACON INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY
(Unaudited)

	Common shareholder's equity	Common shares and paid-in surplus	Retained earnings	Accum. other comprehensive income, after-tax
	($ in millions)			
Balances at January 1, 2005	$ 417.5	$ 115.0	$ —	$ 302.5
Net income	217.7	—	217.7	—
Other comprehensive income, after-tax	(126.1)	—	—	(126.1)
Capital contributions received from Parent	1,054.8	1,054.8	—	—
Balances at September 30, 2005	$ 1,563.9	$ 1,169.8	$ 217.7	$ 176.4
Balances at January 1, 2006	$ 1,560.0	$ 1,169.8	$ 232.6	$ 157.6
Net income	194.3	—	194.3	—
Cumulative effect adjustment — hybrid instruments	—	—	7.1	(7.1)
Capital contributions received from Parent	6.0	6.0	—	—
Distribution to Parent	(58.8)	(58.8)	—	—
Other comprehensive income, after-tax	(6.2)	—	—	(6.2)
Balances at September 30, 2006	$ 1,695.3	$ 1,117.0	$ 434.0	$ 144.3

See Notes to Consolidated Financial Statements.

ONEBEACON INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2005	2006
	($ in millions)	
Cash flows from operations:		
Net income	$ 217.7	$ 194.3
Charges (credits) to reconcile net income to cash flows from operations:		
Income from discontinued operations, net of tax	(23.6)	(1.2)
Gain from sale of discontinued operation	(22.5)	—
Net realized investment gains	(147.8)	(105.0)
Other operating items:		
Net change in loss and LAE reserves	509.5	(412.4)
Net change in unearned premiums	81.8	117.2
Net change in premiums receivable	(147.1)	(72.9)
Net change in reinsurance recoverable on paid and unpaid losses	(709.6)	212.1
Net change in other assets and liabilities	(174.5)	15.5
Net cash used for operating activities of continuing operations	(416.1)	(52.4)
Net cash (used for) provided from operating activities of discontinued operations	70.2	(22.0)
Net cash used for operations	(345.9)	(74.4)
Cash flows from investing activities:		
Net increase in short-term investments	(122.3)	(290.2)
Sales of fixed maturity investments	2,369.3	1,096.5
Maturities of fixed maturity investments	39.0	398.1
Sales of common equity securities	336.1	316.7
Sales of other investments	17.1	9.4
Purchases of fixed maturity investments	(2,148.5)	(1,026.5)
Purchases of common equity securities	(249.1)	(335.3)
Purchases of other investments	(38.0)	(58.2)
Sale of discontinued operation	138.2	—
Sales of consolidated affiliates	23.4	11.1
Sale of renewal rights	—	30.4
Net change in unsettled investment purchases and sales	47.7	8.0
Net acquisitions of fixed assets	(28.8)	(7.8)
Net cash provided from investing activities of continuing operations	384.1	152.2
Net cash provided from investing activities of discontinued operations	4.6	19.8
Net cash provided from investing activities	388.7	172.0
Cash flows from financing activities:		
Issuance of debt	—	15.0
Repayment of loan by affiliate	—	106.6
Loans to affiliates	—	(102.6)
Distribution to Parent	—	(58.8)
Cash dividends paid on mandatorily redeemable preferred stock	(22.7)	(22.7)
Net cash used for financing activities of continuing operations	(22.7)	(62.5)
Net cash used for financing activities of discontinued operations	—	—
Net cash used for financing activities	(22.7)	(62.5)
Net increase in cash during period	20.1	35.1
Cash balances at beginning of period	40.1	44.1
Cash balances at end of period	$ 60.2	$ 79.2
Supplemental cash flows information:		
Interest paid	$ 21.3	$ 23.2
Net Federal income taxes received	18.3	—

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Nature of Business and Summary of Significant Accounting Policies

These interim consolidated financial statements include the accounts of OneBeacon Insurance Group, Ltd. (the "Company" or the "Registrant") and its subsidiaries (collectively, "OneBeacon") and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The OneBeacon operating companies are U.S.-based property and casualty insurance writers, substantially all of which operate in a multi-company pool. OneBeacon offers a wide range of specialty, commercial and personal products and services sold primarily through select independent agencies and brokers. OneBeacon is a wholly owned subsidiary of White Mountains Insurance Group, Ltd. ("White Mountains"), which is a holding company whose businesses provide property and casualty insurance, reinsurance and certain other products.

OneBeacon was acquired by White Mountains from Aviva plc ("Aviva", formerly CGNU) in 2001 (the "OneBeacon Acquisition"). Within this report, the term "OneBeacon" is used to refer to one or more entities within the consolidated organization, as the context requires. The Company is a Bermuda exempted limited company with its headquarters located at the Bank of Butterfield Building, 42 Reid Street, 6^{th} Floor, Hamilton HM 12, Bermuda. The Company's principal executive office is located at One Beacon Street, Boston, Massachusetts 02108 and its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. OneBeacon's reportable segments are Primary Insurance Operations, Affiliate Quota Shares and Other Operations, as defined below.

OneBeacon's Primary Insurance Operations includes the results of substantially all of its insurance operations, with the exception of certain quota share arrangements with affiliates of White Mountains as described below.

During 2004 and 2005, OneBeacon entered into two quota share reinsurance arrangements with other subsidiaries of White Mountains. Under the Sirius Quota Share, OneBeacon ceded between 6% and 12% of business written, effective April 1, 2004, to Sirius International Insurance Corporation, a subsidiary of White Mountains. Under the Esurance Quota Share, which was effective on January 1, 2005, OneBeacon assumed approximately 85% of the business written by Esurance Insurance Company, which includes business written by its wholly owned subsidiary Esurance Property and Casualty Insurance Company.

OneBeacon's Other Operations segment consists of the Company and its intermediate holding companies.

All significant intercompany transactions have been eliminated in consolidation. These interim financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of OneBeacon and are of a normal recurring nature. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As discussed in further detail in Note 2, "Discontinued Operations," for the periods presented, OneBeacon distributed or sold certain consolidated subsidiaries to White Mountains. As part of a restructuring immediately preceding the initial public offering, OneBeacon sold certain other consolidated subsidiaries to White Mountains on August 3, 2006 at GAAP book value. In addition, OneBeacon sold National Farmers Union Property and Casualty Company ("NFU"), it's wholly owned subsidiary in September 2005. The distributed or sold subsidiaries, including those that were sold in August 2006, and NFU have been classified as discontinued operations. Accordingly, the results of operations for the distributed or sold subsidiaries and NFU are presented net of tax, as income or loss from discontinued operations in the consolidated statements of income and comprehensive income. The assets and liabilities of the distributed or sold subsidiaries and NFU were aggregated and presented under separate captions on the consolidated balance sheets. NFU's results of operations are included in discontinued operations through the date of its sale. Cash flows associated with the operating, financing and investing activities of discontinued operations are aggregated and presented under separate captions in the consolidated statements of cash flows.

Recently Adopted Accounting Pronouncements

Share-Based Compensation

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 123 (Revised), "Share-Based Payment" ("SFAS 123R"), which is a revision to SFAS 123 and supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Effective January 1, 2006, OneBeacon adopted SFAS 123R to account for its share-based compensation under the modified prospective method of adoption. Under this method of adoption, SFAS 123R applies to new grants of share-based awards, awards modified after the effective date and the remaining portion of the fair value of the unvested awards at the adoption date. The unvested portion of OneBeacon performance share awards, as well as new awards are now subject to the fair value measurement and recognition requirements of SFAS 123R.

OneBeacon's share-based compensation plans consist of performance shares. Prior to adoption of SFAS 123R, OneBeacon accounted for these plans under the recognition and measurement principles of APB 25, and adopted the disclosure provisions of SFAS 123.

Under APB 25, the liability for the compensation cost for performance share awards was measured each period based upon the current market price of the underlying common shares. Forfeitures were recognized as they occurred. Upon adoption of SFAS 123R an estimate of future forfeitures was incorporated into the determination of the compensation cost for performance shares. The effect of this change was immaterial.

Performance Shares

The following summarizes performance share activity for the nine months ended September 30, 2005 and 2006:

	Nine months ended September 30,			
	2005		2006	
	Target performance shares outstanding	Accrued expense	Target performance shares outstanding	Accrued expense
	($ in millions)			
Beginning of period	199,710	$ 210.2	44,700	$ 24.8
Payments and deferrals[1][2]	(163,375)	(180.3)	(12,600)	(13.4)
Forfeitures and cancellations	(14,185)	(7.2)	(412)	(0.1)
New awards	24,100	—	20,235	—
Transfers[3]	—	—	(35,865)	(10.3)
Expense recognized		5.1		4.0
Ending September 30,	46,250	$ 27.8	16,058	$ 5.0

(1) Performance share payments in 2005 for the 2002-2004 performance cycle ranged from 135% to 200% of target.

(2) Performance share payments in 2006 for the 2003-2005 performance cycle were made at 142% of target.

(3) Represents the transfer of employee liabilities associated with business formerly held by OneBeacon that were unrelated to its ongoing operations.

The following summarizes performance shares outstanding and accrued performance share expense at September 30, 2006 for each performance cycle:

	Target performance shares outstanding	Accrued expense
	($ in millions)	
Performance cycle:		
2004—2006	4,400	$ 2.5
2005—2007	5,350	1.6
2006—2008	6,720	1.0
Sub-total	16,470	5.1
Assumed forfeitures	(412)	(0.1)
Total at September 30, 2006	16,058	$ 5.0

If 100% of the outstanding performance shares had been vested on September 30, 2006, the total additional compensation cost to be recognized would have been $4.4 million, based on current accrual factors (common share price and payout assumptions).

All performance shares earned for the 2002-2004 and the 2003-2005 performance cycles were settled in cash or by deferral into certain non-qualified deferred compensation plans of the Company or its subsidiaries.

Hybrid Financial Instruments

On February 16, 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Instruments, an amendment to Statement Nos. 133 and 140" ("SFAS 155"). The Statement eliminates the requirement to bifurcate financial instruments with embedded derivatives if the holder of the instrument elects to account for the entire instrument on a fair value basis. Changes in fair value are recorded as realized gains. The fair value election may be applied upon adoption of the statement for hybrid instruments that had been bifurcated under SFAS 133 prior to adoption. The Statement is effective for fiscal years commencing after September 15, 2006 with early adoption permitted as of the beginning of an entity's fiscal year.

OneBeacon has adopted SFAS 155 effective January 1, 2006. Prior to adopting this statement, OneBeacon had bifurcated the equity conversion option in its investment in convertible bonds. Changes in the fair value of the host instrument, the convertible bonds, were recorded as unrealized gains (losses) on investments while changes in the fair value of the equity conversion option were recorded as realized investment gains (losses). At December 31, 2005, OneBeacon had recorded $143.6 million related to the host instrument in fixed maturity investments and $73.6 million for the equity conversion option in other investments. Upon adopting SFAS 155, OneBeacon recorded an adjustment of $7.1 million to reclassify net unrealized gains on investments (gross gains of $7.1 million and gross losses of $0 million) to opening retained earnings to reflect the cumulative effect of adoption. At September 30, 2006, OneBeacon had $351.9 million of convertible bonds recorded in fixed maturity investments.

Recently Issued Accounting Pronouncements

Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 is an interpretation of SFAS Statement No. 109, "Accounting for Income Taxes." The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under the new guidance, recognition is based upon whether or not a company determines that it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. In evaluating the more-likely-than-not recognition threshold, a company should presume the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The interpretation is effective for fiscal years beginning after December 15, 2006. OneBeacon expects to adopt FIN 48 on January 1, 2007 and does not expect the adoption to have a material effect on its financial condition, results of operations or cash flows.

Defined Benefit Pension and Other Postretirement Plans

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" which amends FASB Statement Nos. 87, 88, 106 and 132(R). The Statement requires an employer that sponsors a defined benefit plan to recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value and the projected benefit obligation (for defined benefit pension plans) or the accumulated benefit obligation (for other postretirement benefit plans) in its statement of financial position. The Statement also requires recognition of amounts previously deferred and amortized under SFAS 87 and SFAS 106 in other comprehensive income in the period in which they occur. Under the new Statement, plan assets and obligations must be measured as of the fiscal year end. The Statement is effective for fiscal years beginning after December 15, 2006. OneBeacon will adopt SFAS 158 on January 1, 2007 but does not expect adoption to have a significant effect on its financial condition, results of operations or cash flows.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). The Statement provides a revised definition of fair value and guidance on the methods used to measure fair value. The Statement also expands financial statement disclosure requirements for fair value information. The Statement establishes a fair value hierarchy that distinguishes between assumptions based on market data from independent sources ("observable inputs") and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable ("unobservable inputs"). The fair value hierarchy in SFAS 157 prioritizes inputs within three levels. Quoted prices in active markets have the highest priority (Level 1) followed by observable inputs other than quoted prices (Level 2) and unobservable inputs having the lowest priority (Level 3). The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, with earlier application allowed for entities that have not issued financial statements in the fiscal year of adoption. OneBeacon expects to adopt SFAS 157 on January 1, 2007 but has not yet determined the effect of adoption on its financial condition, results of operations or cash flows.

Note 2. Discontinued Operations

In 2004 and 2006, OneBeacon distributed or sold certain consolidated subsidiaries to White Mountains. These subsidiaries are included in discontinued operations and comprise the following entities:

Sold in 2006:

—White Mountains Advisors LLC—an investment management subsidiary;

—White Mountains Management Company, Inc. and White Mountains Capital, Inc.—both service companies;

—White Mountains Services Holdings, Inc. and White Mountains Services, LLC—these companies contain the remainder of mortgage banking run-off assets from the sale of substantially all the mortgage banking assets of White Mountains Services Corporation (formerly Source One Mortgage Services Corporation) to Citibank Mortgage, Inc. in 1999;

—Tuckerman Capital, L.P. and Tuckerman Capital II, L.P.—both private equity fund investments;

—International American Group—primarily consists of American Centennial Insurance Company and British Insurance Company of Cayman, two run-off insurance companies.

Distributed in 2004:

—Folksamerica Holding Company, including its wholly owned subsidiary, Folksamerica Reinsurance Company—a reinsurance company that is now part of White Mountains Re Group, Ltd.;

—Esurance Inc. and Esurance Insurance Services Inc.—a holding company parent and an insurance agency/services company.

Sold in 2004:

—Esurance Insurance Company and Esurance Property and Casualty Company—two property-casualty insurance companies.

On September 30, 2005, OneBeacon sold National Farmers Union Property and Casualty Company ("NFU") to QBE Insurance Group for $138.3 million in cash. NFU is included in discontinued operations for all periods presented through the date of its sale.

OneBeacon's net income from continuing operations excludes the results of operations for the above entities for all periods presented. Income or loss from discontinued operations has been presented separately and is shown net of related income taxes.

Assets and liabilities of entities classified as discontinued operations have been aggregated and are presented under separate captions on the consolidated balance sheet. The following details the assets and liabilities summarized under those captions:

		December 31, 2005
		($ in millions)
Selected Balance Sheet Data		
Cash	$	0.3
Total investments		111.8
Reinsurance recoverable on paid and unpaid losses		26.3
Deferred acquisition costs		—
Other assets		134.0
Total assets of discontinued operations	$	272.4
Loss and LAE reserves	$	61.1
Ceded reinsurance payable		4.1
Funds held under reinsurance		0.1
Other liabilities		136.9
Total liabilities of discontinued operations	$	202.2

Note 3. Loss and LAE Reserves

The following table summarizes the loss and loss adjustment expense ("LAE") reserve activities of OneBeacon for the nine months ended September 30, 2005 and 2006:

	Nine months ended September 30, 2005	Nine months ended September 30, 2006
	($ in millions)	
Gross beginning balance	$ 4,922.2	$ 5,354.3
Less beginning reinsurance recoverable on unpaid losses	(2,391.8)	(3,120.9)
Net loss and LAE reserves	2,530.4	2,233.4
Loss and LAE reserves sold — Traders & Pacific Insurance Company	(11.8)	—
Loss and LAE incurred relating to:		
Current year	1,003.7	980.9
Prior year	12.6	13.7
Total incurred loss and LAE	1,016.3	994.6
Accretion of fair value adjustment to loss and LAE reserves	19.5	17.3
Loss and LAE paid relating to:		
Current year	(362.6)	(470.2)
Prior year	(994.3)	(760.0)
Total loss and LAE payments	(1,356.9)	(1,230.2)
Net ending balance	2,197.5	2,015.1
Plus ending reinsurance recoverable on unpaid losses	3,114.9	2,926.8
Gross ending balance	$ 5,312.4	$ 4,941.9

During the nine months ended September 30, 2005 and 2006, OneBeacon did not experience any material favorable or unfavorable development on prior accident year loss reserves. In connection with purchase accounting for the OneBeacon Acquisition, loss and LAE reserves and the related reinsurance recoverables were adjusted to fair value on the balance sheets. The net reduction to loss and LAE reserves is being recognized through an income statement charge ratably with and over the period the claims are settled. Accordingly, OneBeacon recognized $19.5 million of such charges for the nine months ended September 30, 2005 and $17.3 million of such charges for the nine months ended September 30, 2006, respectively.

Note 4. Reinsurance

In the normal course of business, OneBeacon seeks to limit losses that may arise from catastrophes or other events by reinsuring with third party reinsurers. OneBeacon remains liable for risks reinsured in the event that the reinsurer does not honor its obligations under reinsurance contracts.

Effective July 1, 2006, OneBeacon renewed its property catastrophe reinsurance program through June 30, 2007. Under that program, which provides substantially the same coverage as the prior year, the first $200 million of losses resulting from any single catastrophe are retained by OneBeacon and losses from a single event in excess of $200 million and up to $850 million are reinsured for 100% of the loss. In the event of a catastrophe, OneBeacon's property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.

At September 30, 2006, OneBeacon had $6.3 million of reinsurance recoverables on paid losses and $3,169.9 million (gross of $243.1 million in purchase accounting adjustments, as described in Note 3) that will become recoverable if claims are paid in accordance with current reserve estimates. The collectibility of balances due from OneBeacon's reinsurers is critical to OneBeacon's financial strength because reinsurance contracts do not relieve OneBeacon of its primary obligation to its policyholders. OneBeacon is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. OneBeacon monitors the financial strength of its reinsurers on an ongoing basis. As a result, uncollectible amounts have historically not been significant. The following table provides a listing of OneBeacon's top reinsurers based upon recoverable amounts, the percentage of total reinsurance recoverables and the reinsurers' A.M. Best ratings.

($ in millions)		**Balance at September 30, 2006**	**% of Total**	**A.M. Best Rating[(1)]**
Subsidiaries of Berkshire (NICO and GRC)[(2)]	$	2,237.5	76%	A++
Munich Reinsurance America (formerly America Reinsurance Company)		60.9	2	A
Liberty Mutual Insurance Group and subsidiaries[(3)]		55.2	2	A
Nichido (formerly Tokio Fire and Marine Insurance Company)		51.9	2	A++
Swiss Re		24.2	1	A+

(1) A.M. Best ratings as detailed above are: "A++" (Superior, which is the highest of fifteen ratings), "A+" (Superior, which is the second highest of fifteen ratings) and "A" (Excellent, which is the third highest of fifteen ratings).

(2) Includes $404.0 million of Third Party Recoverables, which NICO would pay under the terms of the NICO Cover (as defined below) if they are unable to collect from third party reinsurers. OneBeacon also has an additional $398.1 million of Third Party Recoverables from various reinsurers, the majority of which are rated "A" or better by A.M. Best.

(3) At September 30, 2006, OneBeacon had assumed balances receivable and expenses receivable of approximately $17.5 million under its renewal rights agreement with Liberty Mutual Insurance Group, which expired on October 31, 2003. In the event of a Liberty Mutual insolvency, OneBeacon has the right to offset these balances against its reinsurance recoverable due from Liberty Mutual.

In connection with the OneBeacon Acquisition, Aviva caused OneBeacon to purchase two reinsurance contracts: a reinsurance contract with National Indemnity Company or NICO, for up to $2.5 billion in old A&E claims and certain other exposures (the "NICO Cover") and an adverse development cover from General Reinsurance Corporation ("GRC") for up to $570.0 million, comprised of $400.0 million of adverse development on losses occurring in years 2000 and prior (the "GRC Cover") in addition to $170.0 million of reserves ceded as of the date of the OneBeacon Acquisition. The NICO Cover and GRC Cover, which were contingent on and occurred contemporaneously with the OneBeacon Acquisition, were put in place in lieu of a seller guarantee of loss and LAE reserves and are therefore accounted for as a seller guarantee under GAAP in accordance with Emerging Issues Task Force Technical Matter Document No. D-54 ("EITF Topic D-54"). NICO and GRC are wholly owned subsidiaries of Berkshire Hathaway, Inc.

Under the terms of the NICO Cover, NICO receives the economic benefit of reinsurance recoverables from certain of OneBeacon's third party reinsurers ("Third Party Reinsurers") in existence at the time the NICO Cover was executed ("Third Party Recoverables"). As a result, the Third Party Recoverables serve to protect the $2.5 billion limit of NICO coverage for the benefit of OneBeacon. OneBeacon estimates that on an incurred basis, net of Third Party Recoverables, as of September 30, 2006 it has used approximately $2.1 billion of the coverage provided by NICO. Approximately $807 million of these incurred losses have been paid by NICO through September 30, 2006. At September 30, 2006, $27.4 million of the $2.1 billion of utilized coverage from NICO related to uncollectible Third Party Recoverables. To the extent that actual experience differs from OneBeacon's estimate of ultimate A&E losses and Third Party Recoverables, future losses could utilize some or all of the protection remaining under the NICO Cover.

Pursuant to the GRC Cover, OneBeacon is not entitled to recover losses to the full contract limit if such losses are reimbursed by GRC more quickly than anticipated at the time the contract was signed. OneBeacon intends to only seek reimbursement from GRC for claims which result in payment patterns similar to those supporting its recoverables recorded pursuant to the GRC Cover. The economic cost of not submitting certain other eligible claims to GRC is primarily the investment spread between the rate credited by GRC and the rate achieved by OneBeacon on its own investments. This cost, if any, is expected to be small.

Note 5. Investment Securities

OneBeacon's net investment income is comprised primarily of interest income associated with OneBeacon's fixed maturity investments, dividend income from its equity investments and interest income from its short-term investments. Net investment income for the nine months ended September 30, 2005 and 2006 consisted of the following:

	Nine months ended September 30,	
	2005	2006
	($ in millions)	
Investment income:		
Fixed maturity investments	$ 131.0	$ 128.2
Short-term investments	5.8	8.1
Common equity securities	46.8	17.5
Other investments	15.3	6.8
Total investment income	198.9	160.6
Less investment expenses	(11.6)	(12.2)
Net investment income, pre-tax	$ 187.3	$ 148.4

During the first quarter of 2005, Montpelier declared a special dividend of $5.50 per share, payable to holders of its common shares. OneBeacon recorded pre-tax investment income of $34.7 million in the first quarter of 2005 for this special dividend. OneBeacon also recorded pre-tax investment income from Montpelier's regular quarterly dividends of $6.8 million and $1.0 million for the nine months ended September 30, 2005 and 2006, respectively.

The composition of realized investment gains consisted of the following:

	Nine months ended September 30,	
	2005	2006
	($ in millions)	
Fixed maturity investments	$ 37.0	$ 31.5
Common equity securities	107.6	58.4
Other investments	3.2	15.1
Net realized investment gains, pre-tax	$ 147.8	$ 105.0

The components of OneBeacon's ending net unrealized investment gains and losses on its investment portfolio and its investment in unconsolidated affiliate at December 31, 2005 and September 30, 2006 were as follows:

	December 31, 2005	September 30, 2006
	($ in millions)	
Investment securities:		
Gross unrealized investment gains	$ 271.7	$ 245.2
Gross unrealized investment losses	(26.6)	(29.1)
Net unrealized gains from investment securities	245.1	216.1
Net unrealized gains from investment in unconsolidated affiliate	6.7	7.3
Total net unrealized investment gains, before tax	251.8	223.4
Income taxes attributable to such gains	(90.8)	(80.6)
Total net unrealized investment gains from continuing operations, after-tax	161.0	142.8
Net unrealized gains from discontinued operations, after-tax	2.1	—
Total net unrealized investment gains, after-tax	$ 163.1	$ 142.8

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of OneBeacon's fixed maturity investments as of December 31, 2005 and September 30, 2006, were as follows:

	December 31, 2005				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
	($ in millions)				
U.S. government obligations	$ 691.6	$ 3.7	$ (2.5)	$ —	$ 692.8
Debt securities issued by industrial corporations	1,652.4	74.0	(8.3)	(6.7)	1,711.4
Municipal obligations	17.1	0.6	—	—	17.7
Asset-backed securities	1,076.0	6.2	(11.7)	7.0	1,077.5
Foreign government obligations	129.1	0.9	(1.4)	—	128.6
Preferred stocks	40.7	17.7	(.2)	4.2	62.4
Total fixed maturity investments	$ 3,606.9	$ 103.1	$ (24.1)	$ 4.5	$ 3,690.4

	September 30, 2006				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
	($ in millions)				
U.S. government obligations	$ 799.4	$ 4.2	$ (5.4)	$ —	$ 798.2
Debt securities issued by industrial corporations	1,487.3	32.0	(11.1)	0.9	1,509.1
Municipal obligations	8.8	0.5	—	—	9.3
Asset-backed securities	739.5	2.1	(4.5)	—	737.1
Foreign government obligations	47.6	0.2	(0.6)	—	47.2
Preferred stocks	41.6	17.3	(0.3)	6.5	65.1
Total fixed maturity investments	$ 3,124.2	$ 56.3	$ (21.9)	$ 7.4	$ 3,166.0

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of OneBeacon's common equity securities and other investments as of December 31, 2005 and September 30, 2006, were as follows:

	December 31, 2005				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
	($ in millions)				
Common equity securities	$ 459.3	$ 133.0	$ (1.7)	$ 0.7	$ 591.3
Other investments	$ 240.4	$ 35.6	$ (0.8)	$ —	$ 275.2

	September 30, 2006				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
	($ in millions)				
Common equity securities	$ 519.1	$ 159.0	$ (6.5)	$ 0.7	$ 672.3
Other investments	$ 219.3	$ 29.9	$ (0.7)	$ —	$ 248.5

Impairment

Temporary losses on investment securities are recorded as unrealized losses. Temporary losses do not impact net income and earnings per share but serve to reduce comprehensive net income and common shareholder's equity. Unrealized losses subsequently identified as other-than-temporary impairments are recorded as realized losses. Other-than-temporary impairments previously recorded as unrealized losses do not impact comprehensive net income and common shareholder's equity but serve to reduce net income and earnings per share.

OneBeacon's methodology of assessing other-than-temporary impairments is based on security-specific facts and circumstances as of the balance sheet date. As a result, subsequent adverse changes in an issuers' credit quality or subsequent weakening of market conditions that differ from expectations could result in additional other-than-temporary impairments. In addition, the sale of a fixed maturity security with a previously recorded unrealized loss would result in a realized loss. Either of these situations would adversely impact net income and earnings per share but would not impact comprehensive net income and common shareholder's equity.

The following table presents an analysis of the continuous periods during which OneBeacon has held investment positions which were carried at an unrealized loss as of September 30, 2006 (excluding short-term investments):

	September 30, 2006			
	0-6 Months	6-12 Months	> 12 Months	Total
	($ in millions)			
Fixed maturity investments:				
Number of positions	35	52	120	207
Market value	$ 346.8	$ 478.3	$ 670.1	$ 1,495.2
Amortized cost	$ 349.6	$ 483.2	$ 684.3	$ 1,517.1
Unrealized loss	$ (2.8)	$ (4.9)	$ (14.2)	$ (21.9)

Common equity securities:				
Number of positions	10	3	—	13
Market value	$ 55.4	$ 13.9	$ —	$ 69.3
Cost	$ 61.1	$ 14.7	$ —	$ 75.8
Unrealized loss	$ (5.7)	$ (.8)	$ —	$ (6.5)
Other investments:				
Number of positions	—	1	2	3
Market value	$ —	$ 6.0	$ 2.8	$ 8.8
Cost	$ —	$ 6.2	$ 3.3	$ 9.5
Unrealized loss	$ —	$ (0.2)	$ (0.5)	$ (0.7)
Total:				
Number of positions	45	56	122	223
Market value	$ 402.2	$ 498.2	$ 672.9	$ 1,573.3
Amortized cost	$ 410.7	$ 504.1	$ 687.6	$ 1,602.4
Unrealized loss	$ (8.5)	$ (5.9)	$ (14.7)	$ (29.1)
% of total gross unrealized losses	29.2%	20.3%	50.5%	100.0%

For the nine months ended September 30, 2006, OneBeacon did not recognize any material other-than-temporary impairment charges. OneBeacon believes that the gross unrealized losses relating to its fixed maturity investments at September 30, 2006 resulted primarily from increases in market interest rates from the dates that certain investments within that portfolio were acquired as opposed to fundamental changes in the credit quality of the issuers of such securities. OneBeacon views these decreases in value as being temporary because it has the intent and ability to retain such investments until recovery. However, should OneBeacon determine that it no longer has the intent and ability to hold a fixed maturity investment that has an existing unrealized loss resulting from an increase in market interest rates until it recovers, this loss would be realized through the income statement at the time such determination is made. OneBeacon also believes that the gross unrealized losses recorded on its common equity securities and its other investments at September 30, 2006 resulted primarily from decreases in quoted market values from the dates that certain investments securities within that portfolio were acquired as opposed to fundamental changes in the issuer's financial performance and near-term financial prospects. Therefore, these decreases are also viewed as being temporary. However, due to the inherent risk involved in investing in the equity markets, it is possible that the decrease in market value of these investments may ultimately prove to be other-than-temporary. As of September 30, 2006, OneBeacon's investment portfolio did not include any investment securities with an after-tax unrealized loss of more than $3.0 million for more than a six-month period.

Note 6. Segment Information

OneBeacon's segments consist of the following: (1) Primary Insurance Operations, (2) Affiliate Quota Shares and (3) Other Operations. OneBeacon has made its segment determination based on consideration of the following criteria: (i) the nature of the business activities of each of the Company's subsidiaries and affiliates; (ii) the manner in which the Company's subsidiaries and affiliates are organized; (iii) the existence of primary managers responsible for specific subsidiaries and affiliates; and (iv) the organization of information provided to the Board of Directors. Significant intercompany transactions among OneBeacon's segments have been eliminated herein. Financial information for OneBeacon's segments follows:

	Primary Insurance Operations	Affiliate Quota Shares	Other Operations	Total
		($ in millions)		
Nine months ended September 30, 2005				
Earned premiums	$ 1,491.8	$ (0.4)	$ —	$ 1,491.4
Net investment income	185.0	—	2.3	187.3
Net realized investment gains (losses)	148.3	—	(0.5)	147.8
Other revenue	13.8	—	6.4	20.2
Total revenues	1,838.9	(0.4)	8.2	1,846.7
Loss and LAE	994.5	21.8	—	1,016.3
Policy acquisition expenses	269.9	(14.3)	—	255.6
Other underwriting expenses	229.0	—	—	229.0
General and administrative expenses	0.7	—	10.1	10.8
Accretion of fair value adjustment to loss and LAE reserves	—	—	19.5	19.5
Interest expense on debt	1.1	—	31.9	33.0
Interest expense—on preferred stock subject to mandatory redemption	—	—	38.8	38.8
Total expenses	1,495.2	7.5	100.3	1,603.0
Pre-tax income (loss)	$ 343.7	$ (7.9)	$ (92.1)	$ 243.7
Nine months ended September 30, 2006				
Earned premiums	$ 1,458.1	$ 131.9	$ —	$ 1,590.0
Net investment income	142.2	—	6.2	148.4
Net realized investment gains (losses)	105.5	—	(0.5)	105.0
Other revenue	35.2	—	13.2	48.4
Total revenues	1,741.0	131.9	18.9	1,891.8
Loss and LAE	891.3	103.3	—	994.6
Policy acquisition expenses	249.8	47.6	—	297.4
Other underwriting expenses	253.9	—	—	253.9
General and administrative expenses	2.2	—	9.4	11.6
Accretion of fair value adjustment to loss and LAE reserves	—	—	17.3	17.3
Interest expense on debt	2.8	—	32.0	34.8
Interest expense—on preferred stock subject to mandatory redemption	—	—	43.2	43.2
Total expenses	1,400.0	150.9	101.9	1,652.8
Pre-tax income (loss)	$ 341.0	$ (19.0)	$ (83.0)	$ 239.0

The following tables provide net written premiums and earned premiums for OneBeacon's Primary Insurance Operations segment by major underwriting unit and in total for the nine months ended September 30, 2005 and 2006:

	Nine months ended September 30, 2005			
	Specialty	Commercial	Personal	Total[(1)]
	($ in millions)			
Net written premiums	$ 532.7	$ 467.6	$ 513.8	$ 1,526.9
Earned premiums	494.2	466.5	533.9	1,491.8

	Nine months ended September 30, 2006			
	Specialty	Commercial	Personal	Total[(1)]
	($ in millions)			
Net written premiums	$ 575.8	$ 504.7	$ 450.3	$ 1,526.0
Earned premiums	536.2	473.5	450.7	1,458.1

(1) Includes results from run-off operations and eliminations between underwriting units.

Note 7. Investment in Unconsolidated Affiliate

OneBeacon's investment in unconsolidated affiliate represents an investment in MSA in which OneBeacon has a significant voting and economic interest but does not control.

OneBeacon owns 50% of the total common shares outstanding of Main Street America Holdings, Inc. ("MSA"), a subsidiary of Main Street America Group Mutual Holdings, Inc., and accounts for this investment using the equity method of accounting. For the nine months ended September 30, 2005, OneBeacon recorded $7.2 million after-tax equity in MSA's earnings and $3.9 million of after-tax equity in MSA's unrealized investment losses. For the nine months ended September 30, 2006, OneBeacon recorded $8.6 million of after-tax equity in MSA's earnings and $0.4 million of after-tax equity in MSA's unrealized investment gains. As of December 31, 2005 and September 30, 2006, OneBeacon's investment in MSA totaled $168.0 million and $181.8 million, respectively.

On September 18, 2006 OneBeacon executed a non-binding letter of intent with Main Street America Group, Inc., or Group, and MSA. Under the terms of this letter, OneBeacon expects to receive a $70 million cash dividend from MSA, following which Group will acquire OneBeacon's 50% common stock investment in MSA for (i) $70.0 million in 9.0% non-voting cumulative perpetual preferred stock of Group and (ii) 4.9% of the common stock of Group. The after-tax GAAP book value of the dividend and the securities of Group to be received in the exchange will be approximately equal to the after-tax GAAP book value of OneBeacon's investment in MSA. OneBeacon expects this transaction will close in the fourth quarter of this year.

Note 8. Retirement and Postretirement Plans

The components of net periodic benefit costs for the nine months ended September 30, 2005 and 2006 were as follows:

	Pension benefits		Other postretirement benefits	
	Nine months ended September 30,			
	2005	2006	2005	2006[2]
	($ in Millions)			
Service cost	$ 0.8	$ 1.6	$ 0.1	$ —
Interest cost	21.4	20.7	2.1	—
Expected return on plan assets	(22.9)	(22.9)	—	—
Amortization of prior service benefit	—	—	(3.1)	—
Amortization of unrecognized loss	0.1	0.2	—	—
Net periodic pension cost before settlements, curtailments and special termination benefits	(0.6)	(0.4)	(0.9)	—
Special termination benefits expense[1]	2.9	1.6	—	—
Net periodic benefit cost (income)	$ 2.3	$ 1.2	$ (0.9)	$ —

(1) Special termination benefits are payments made from the pension plan when a vested participant terminates employment due to a reduction in force.

(2) OneBeacon settled its Retiree Medical Plan in 2005.

OneBeacon expects to contribute $7.3 million to its pension plans in 2006. As of September 30, 2006, 2.5 million has been contributed to non-qualified pension plans via assets held in previously established rabbi trusts.

Note 9. Income Taxes

For the nine months ended September 30, 2006, OneBeacon recognized $26.3 million in tax benefits related to the settlements of United States Federal and state income tax audits for the years prior to 2003.

Note 10. Earnings per Share

Basic and diluted earnings per share amounts have been determined in accordance with SFAS No. 128, *"Earnings per Share"*. OneBeacon has 100,000,000 shares issued and outstanding. The earnings per share amounts have been determined assuming that the common shares were outstanding for the nine month periods ended September 30, 2006 and 2005.

	2005	2006
Basic and diluted earnings per share numerators (in millions):		
Income from continuing operations	$ 171.6	$ 193.1
Gain from sale of discontinued operations	22.5	—
Income from discontinued operations	23.6	1.2
Net income available to common shareholders	$ 217.7	$ 194.3
Basic and diluted earnings per share (in dollars):		
Income from continuing operations	$ 1.72	$ 1.93
Gain from sale of discontinued operations	0.23	—
Income from discontinued operations	0.24	0.01
Net income	$ 2.18	$ 1.94

Note 11. Stock Split, Recapitalization and Stock Option Plan

On October 18, 2006, we executed a stock split and recapitalization that increased the common shares outstanding from 12,000 to 100,000,000 and reduced the par value from $1.00 to $0.01. The stock split and recapitalization have been reflected retroactively in these financial statements for all periods presented.

On October 18, 2006 we issued 1,420,000 options to acquire common shares to certain members of management. The options have a $5^1/2$ year term and a $30.00 per share strike price. The options will become void if OneBeacon's IPO is not consummated within 45 days of the grant date.

QuickLinks

EXHIBIT 99.2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains "forward-looking statements." Statements that are not historical in nature are forward-looking statements. OneBeacon cannot promise that its expectations in such forward-looking statements will turn out to be correct. OneBeacon's actual results could be materially different from and worse than its expectations. See "Forward-Looking Statements" for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements. References herein to "OneBeacon," "we," "us," "our" and "our company" refer to OneBeacon Insurance Group, Ltd.

Our Historical Consolidated Financial Information

Historically, we consolidated certain other businesses for GAAP financial reporting and U.S. tax purposes that will not be held by us following this offering. These other businesses are therefore reflected in our historical consolidated financial statements in this prospectus as discontinued operations. Furthermore, on August 24, 2006, we exchanged our investment in the common shares of Montpelier Re Holdings, Ltd., or Montpelier, for an agreed-upon portfolio of common equity and fixed maturity securities of equal value owned by White Mountains Insurance Group, Ltd., or White Mountains, and, concurrent with this offering, we will have commuted our two quota share reinsurance arrangements with other subsidiaries of White Mountains. As a result, our investment in Montpelier and our affiliate quota share arrangements will not be included in our future consolidated financial statements.

Our Segments

OneBeacon's reportable segments are Primary Insurance Operations, Affiliate Quota Shares and Other Operations.

Primary Insurance Operations. Our Primary Insurance Operations includes the results of substantially all of our insurance operations, with the exception of certain quota share arrangements with affiliates of White Mountains as described below. Our Primary Insurance Operations segment also includes our run-off business, which primarily consists of business assumed under a renewal rights agreement with Liberty Mutual Insurance Group, or Liberty Mutual, which was effective from November 1, 2001 through October 31, 2003.

Affiliate Quota Shares. During 2004 and 2005, we entered into two quota share reinsurance arrangements with other subsidiaries of White Mountains, primarily for White Mountains' capital management purposes. Under the Sirius Quota Share, we ceded between 6% and 12% of business written, effective April 1, 2004, to Sirius International Insurance Corporation, a subsidiary of White Mountains. Under the Esurance Quota Share, which was effective on January 1, 2005, we assumed approximately 85% of business written by Esurance Insurance Company, which includes business written by its wholly owned subsidiary. Upon consummation of this offering these two affiliate quota share arrangements will have been commuted.

Other Operations. Our Other Operations segment consists of the activities of our top holding company, OneBeacon Insurance Group, Ltd. and its intermediate holding and finance companies.

Discontinued Operations

In 2004 and 2006, we distributed or sold certain consolidated subsidiaries to White Mountains at GAAP book value. We did not recognize a gain or a loss on these distributions or sales. These subsidiaries are included in discontinued operations and comprise the following entities:

Sold in 2006:

- As part of the Internal Reorganization, we sold certain other consolidated subsidiaries to White Mountains on August 3, 2006 as follows:

  - White Mountains Advisors LLC, or WM Advisors—an investment management subsidiary;
  - White Mountains Management Company, Inc. and White Mountains Capital, Inc.—both service companies;
  - White Mountains Services Holdings, Inc. and White Mountains Services, LLC—these companies contain the remainder of mortgage banking run-off assets following the sale of substantially all the mortgage banking assets of White Mountains Services Corporation (formerly Source One Mortgage Services Corporation) to Citibank Mortgage, Inc. in 1999;
  - Tuckerman Capital, L.P. and Tuckerman Capital II, L.P.—both private equity fund investments; and
  - International American Group—primarily consists of American Centennial Insurance Company and British Insurance Company of Cayman, two run-off insurance companies.

On September 30, 2005, we sold National Farmers Union Property and Casualty Company, or NFU, to QBE Insurance Group for $138.3 million in cash. NFU is included in discontinued operations for all periods presented through the date of its sale. We recognized a gain of $26.2 million ($21.1 million after-tax) on the sale which is included in gain on sale of discontinued operations and is presented net of tax in the statements of consolidated income and comprehensive income.

On August 2, 2005, we sold one of our inactive licensed subsidiaries, Traders & Pacific Insurance Company, or TPIC, to Endurance Reinsurance for $23.4 million in cash and recognized a gain of $8.0 million ($5.2 million after-tax) on the sale through other revenue in 2005.

On September 29, 2006 we sold certain assets and the right to renew existing policies of Agri, a division of OneBeacon that provides commercial farm and ranch and commercial agricultural products for $32.0 million in cash to QBE Insurance Group, Ltd., or QBE, and recorded a pre-tax gain of $30.4 million in the third quarter. In connection with this sale, we have entered into agreements under which, at the option of QBE, we will write the policies of Agri on a direct basis and cede 100% of this business to QBE.

Results of Operations

Review of Consolidated Results

A summary of our consolidated financial results for the nine months ended September 30, 2005 and 2006 is as follows:

	Nine months ended September 30, 2005	Nine months ended September 30, 2006
Net written premiums	$ 1,607.4	$ 1,711.8
Revenues		
Earned premiums	$ 1,491.4	$ 1,590.0
Net investment income	187.3	148.4
Net realized investment gains	147.8	105.0
Other revenue	20.2	48.4
Total revenues	1,846.7	1,891.8
Expenses		
Loss and LAE	1,016.3	994.6
Policy acquisition expenses	255.6	297.4
Other underwriting expenses	229.0	253.9
General and administrative expenses	10.8	11.6
Accretion of fair value adjustment to loss and LAE reserves	19.5	17.3
Interest expense on debt	33.0	34.8
Interest expense—dividends and accretion on preferred stock subject to mandatory redemption	38.8	43.2
Total expenses	1,603.0	1,652.8
Pre-tax earnings from continuing operations	243.7	239.0
Income tax provision	(79.3)	(54.5)
Income from continuing operations before minority interest and equity in earnings of unconsolidated affiliates	164.4	184.5
Accretion and dividends on mandatorily redeemable preferred stock of subsidiaries	—	—
Equity in earnings of unconsolidated affiliates	7.2	8.6
Income from continuing operations	171.6	193.1
Income (loss) from discontinued operations	23.6	1.2
Gain from sale of discontinued operations	22.5	—
Net income	217.7	194.3
Other comprehensive income (loss)	(126.1)	(6.2)
Comprehensive net income	$ 91.6	$ 188.1

Consolidated Results—Nine months ended September 30, 2006 versus nine months ended September 30, 2005

Our pre-tax income from continuing operations for the first nine months of 2006 was $239.0 million and our combined ratio was 97.3%, compared to pre-tax income from continuing operations of $243.7 million and a combined ratio of 100.6% for the first nine months of 2005.

Net written premiums increased $104.4 million, or 7%, to $1,711.8 million for the first nine months of 2006, compared to $1,607.4 million for the first nine months of 2005. The increase in net written premiums was mainly due to a 41% increase in net written premiums assumed from the quota share agreement with Esurance in the first nine months of 2006, as well as growth in net written premiums in specialty lines and in commercial lines, which were slightly offset by decreases in personal lines net written premiums in Massachusetts, New York and New Jersey.

Our total revenues increased $45.1 million, or 2%, to $1,891.8 million in the first nine months of 2006, compared to total revenues of $1,846.7 million in the first nine months of 2005. Earned premiums increased $98.6 million, or 7%, to $1,590.0 million in the first nine months of 2006, compared to earned premiums of $1,491.4 million in the first nine months of 2005, principally due to the same factors described above for written premiums. Other revenue increased 140%, mainly due to the sale of the renewal rights of Agri to QBE Insurance Group, Ltd. in the third quarter of 2006, which resulted in a gain of $30.4 million. Offsetting these increases to total revenues was a 21% decrease in net investment income from the first nine months of 2005, principally due to the receipt of a $34.7 million special dividend from Montpelier in the first quarter of 2005. Additionally, net realized investment gains for the first nine months of 2006 were down 29% from the first nine months of 2005, primarily due to the sale of several highly appreciated common stocks in the first nine months of 2005 to reposition our equity portfolio into securities with more attractive risk/reward characteristics.

Our total expenses increased $49.8 million, or 3%, to $1,652.8 million in the first nine months of 2006, compared to total expenses of $1,603.0 million in the first nine months of 2005. Policy acquisition costs increased 16% from the first nine months of 2005, mainly due to higher policy acquisition costs assumed from the quota share agreement with Esurance. Also contributing to the increase in total expenses was an 11% increase in other underwriting expenses in the first nine months of 2006, due in part to a reclassification between liability accounts within our primary insurance operations segment in the first nine months of 2005. This reclassification resulted in a $21.8 million decrease in other underwriting expenses and a corresponding increase in loss and loss adjustment expense, or LAE. Slightly offsetting the increase in other underwriting expenses was a 2% decrease in loss and LAE from the first nine months of 2005, primarily due to lower catastrophe losses in the 2006 period. Losses incurred related to catastrophes in the first nine months of 2006 were $41.3 million, compared with $64.7 million in the first nine months of 2005.

The income tax provision related to pre-tax income from continuing operations for the first nine months of 2006 and 2005 represented effective tax rates of 23% and 33%, respectively, which were lower than the U.S. statutory rate of 35% primarily due to tax benefits recognized in the second quarter of 2006 related to settlements of U.S. Federal and state income tax audits for years prior to 2003 and to income generated in jurisdictions other than the United States, partially offset by non-deductible dividends and accretion on the preferred stock subject to mandatory redemption.

Summary of Operations By Segment

Our segments consist of the following: (1) Primary Insurance Operations, (2) Affiliate Quota Shares and (3) Other Operations. All of our investments are managed by our affiliate, WM Advisors, and Prospector Partners, LLC, or Prospector. A discussion of our consolidated investment operations is included after the discussion of operations by segment. Our segment information is presented in Note 6—"Segment Information" to our interim consolidated financial statements.

Primary Insurance Operations

Financial results for our Primary Insurance Operations segment for the nine months ended September 30, 2005 and 2006, were as follows:

	Nine months ended September 30	
	2005	**2006**
Net written premiums	$ 1,526.9	$ 1,526.0
Earned premiums	1,491.8	1,458.1
Net investment income	185.0	142.2
Net realized investment gains	148.3	105.5
Other revenue	13.8	35.2
Total revenues	1,838.9	1,741.0
Loss and LAE	994.5	891.3
Policy acquisition expenses	269.9	249.8
Other underwriting expenses	229.0	253.9
General and administrative expenses	0.7	2.2
Interest expense on debt	1.1	2.8
Total expenses	1,495.2	1,400.0
Pre-tax income	$ 343.7	$ 341.0

The following tables provide GAAP ratios, net written premiums and earned premiums by underwriting units for the nine months ended September 30, 2005 and 2006:

	Nine months ended September 30, 2005			
	Specialty	**Commercial**	**Personal**	**Total(1)**
	($ in millions)			
GAAP Ratios(2)(3)(4):				
Loss and LAE	70.8%	57.4%	59.7%	66.7%
Expense	31.5	41.5	31.1	33.4
Total Combined	102.3%	98.9%	90.8%	100.1%
Net written premiums	$ 532.7	$ 467.6	$ 513.8	$ 1,526.9
Earned premiums	494.2	466.5	533.9	1,491.8

	Nine months ended September 30, 2006			
	Specialty	**Commercial**	**Personal**	**Total(1)**
	($ in millions)			
GAAP Ratios(2)(3)(4):				
Loss and LAE	62.6%	56.3%	58.8%	61.1%
Expense	31.6	38.4	32.8	34.5
Total Combined	94.2%	94.7%	91.6%	95.6%
Net written premiums	$ 575.8	$ 504.7	$ 450.3	$ 1,526.0
Earned premiums	536.2	473.5	450.7	1,458.1

(1) Includes results from run-off operations and eliminations between underwriting units. For the nine months ended September 30, 2005 and 2006, includes net written premiums of $12.8 million and $(4.7) million, respectively, from run-off operations and eliminations between underwriting units and earned premiums of $(2.8) million and $(2.4) million, respectively, from run-off operations and eliminations between underwriting units.

(2) Includes our long-term incentive compensation expense. For the nine months ended September 30, 2005 and 2006, long-term incentive compensation expense increased our total combined ratio by 2.4 points and 1.8 points, respectively.

(3) Includes loss and LAE relating to catastrophes. For the nine months ended September 30, 2005 and 2006, total calendar year incurred loss and LAE relating to catastrophes increased our loss and LAE and total combined ratios by 4.3 points and 2.8 points, respectively, including development on prior accident year catastrophes which increased our loss and LAE and total combined ratios by 0.1 points and 1.7 points, respectively.

(4) Prior accident year development, including development on catastrophes, for the nine months ended September 30, 2005 and 2006, increased our loss and LAE and total combined ratios by 1.4 points and 0.9 points, respectively.

Primary Insurance Operations—Nine months ended September 30, 2006 versus nine months ended September 30, 2005

Specialty lines. Net written premiums for specialty lines increased $43.1 million, or 8%, to $575.8 million in the first nine months of 2006, compared to $532.7 million in the first nine months of 2005. The increase was principally due to a $25.4 million increase in net written premiums in specialty liability products at OneBeacon Professional Partners, or OBPP, to $133.3 million, as well as, a $13.9 million increase in net written premiums at OneBeacon Specialty Property, or OBSP, to $45.4 million. Net written premiums for AutoOne were $181.7 million in the first nine months of 2006 which was essentially flat with net written premiums of $184.0 million in the first nine months of 2005. This decrease was not significant. However, market trends indicate that assigned risk volumes in New York and New Jersey are declining significantly from levels in prior years. We expect a reduction in AutoOne's premium volume reflective of these trends. The specialty lines combined ratio for the first nine months of 2006 was 94.2%, compared to 102.3% in the first nine months of 2005. In the first nine months of 2006, total calendar year incurred loss and LAE related to catastrophes was $35.1 million, or 6.5 points, compared with, $55.0 million, or 11.1 points, in the first nine months of 2005. The 2005 period included $51.0 million, or 10.3 points, of losses related to hurricanes Katrina and Rita. While the first nine months of 2006 did not have any significant catastrophes, unfavorable development from catastrophes in the prior year increased the combined ratio by 5.5 points. Of this 5.5 point increase, 4.2 points were related to hurricanes Katrina, Rita and Wilma, while the remainder related primarily to a 2004 catastrophe. This unfavorable development was partially offset by prior year favorable development on non-catastrophe losses that decreased the combined ratio by 4.5 points. The specialty lines combined ratio for the first nine months of 2005 benefited from 1.2 points of prior year favorable development. The expense ratio in the first nine months of 2006 was essentially consistent compared to that in the first nine months of 2005.

Commercial lines. Net written premiums for commercial lines increased $37.1 million, or 8%, to $504.7 million in the first nine months of 2006, compared to $467.6 million in the first nine months of 2005. These increases were experienced in our property and inland marine products and in our small business package products with net written premiums in our middle-market division increasing $20.9 million, to $428.9 million, and net written premiums in our small business division increasing $16.2 million to $75.8 million. The commercial lines combined ratio decreased during the first nine months of 2006 to 94.7% from 98.9% in the first nine months of 2005 due to decreases in both the loss and LAE and expense ratio. In the first nine months of 2006, total calendar year incurred loss and LAE related to catastrophes was $1.9 million, or 0.4 points, compared with $6.5 million, or 1.4 points, in the first nine months of 2005. The first nine months of 2005 included 0.9 points of incurred losses related to hurricane Katrina. Also contributing to this decrease was favorable development in the first nine months of 2006 related to other prior year storms, including Katrina and Wilma, of 0.6 points, partially offset by unfavorable development on other non-catastrophe prior year losses of 0.3 points. The decrease in the expense ratio was due in part to 0.6 points from the favorable settlement of a state franchise tax audit in the first nine months of 2006. In addition, the improvement was due to lower expenses in the middle-market division, mainly other underwriting expenses.

Personal lines. Net written premiums for personal lines decreased by $63.5 million, or 12%, to $450.3 million in the first nine months of 2006, primarily as a result of continued lower writings in Massachusetts and New York, particularly in Massachusetts automobile premiums, and also lower writings in New Jersey. The personal lines combined ratio increased during the first nine months of 2006 to 91.6% from 90.8% in the first nine months of 2005 due to an increase in the expense ratio, partially offset by a decrease in the loss and LAE ratio. The increase in the expense ratio during the first nine months of 2006 was mainly due to our other underwriting expenses. For the first nine months of 2006, other underwriting expenses were relatively flat with the first nine months of 2005, however, relative to the $83.2 million decline in earned premiums the expense ratio increased. The loss and LAE ratio decreased mainly due to strong homeowner and auto results. In the first nine months of 2006, total calendar year incurred loss and LAE related to catastrophes was $6.4 million, or 1.4 points, compared with, $3.1 million, or 0.6 points, in the first nine months of 2005. Incurred loss and LAE relating to development on prior accident year catastrophes was 0.8 points and 0.4 points in the first nine months of 2006 and 2005, respectively.

Run-off. For the first nine months of 2006, our run-off operations generated an underwriting loss of $31.1 million, compared to an underwriting loss of $44.7 million in the same period in the prior year. The variance was primarily due to higher loss and LAE in the 2005 period. During the nine months ended September 30, 2005, we recorded a $21.8 million reclassification between liability accounts which resulted in a decrease in other underwriting expenses and a corresponding increase in loss and LAE. Excluding the impact of this reclassification, incurred loss and LAE in the nine months ended September 30, 2006 was $10.2 million lower than in the 2005 period. This reclassification decreased the primary insurance operations' 2005 expense ratio by 1.5 points and increased the loss and LAE ratio by 1.5 points.

Affiliate Quota Shares

During 2005 and 2004, we participated in two quota share reinsurance arrangements with other subsidiaries of White Mountains. Under the Esurance Quota Share, which was effective on January 1, 2005, we assumed approximately 85% of business written by Esurance Insurance Company, which includes business written by its wholly owned subsidiary. Under the Sirius Quota Share, we ceded between 6% and 12% of business written, effective April 1, 2004, to Sirius International Insurance Corporation, a subsidiary of White Mountains.

The affiliate quota shares were entered into primarily for White Mountains' capital management purposes and were therefore excluded from the information used by White Mountains' board of directors to measure our financial performance. Further, the affiliate quota shares will be commuted prior to this offering and will no longer be part of our business.

A summary of results from our Affiliate Quota Shares segment for the nine months ended September 30, 2005 and 2006 is as follows:

	Nine months ended September 30,			
	2005		2006	
	Esurance Quota Share	Sirius Quota Share	Esurance Quota Share	Sirius Quota Share
	($ in millions)			
Net written premiums	$ 257.3	$ (176.8)	$ 363.7	$ (178.0)
Earned premiums	176.4	(176.8)	309.9	(178.0)
Total revenues	176.4	(176.8)	309.9	(178.0)
Loss and LAE	123.2	(101.4)	195.5	(92.1)
Policy acquisition expenses	52.0	(66.3)	114.4	(66.8)
Total expenses	175.2	(167.7)	309.9	(158.9)
Pre-tax income (loss)	$ 1.2	$ (9.1)	$ —	$ (19.1)

Other Operations

Our Other Operations segment consists of OneBeacon Insurance Group, Ltd. and our intermediate subsidiary holding companies. Our Other Operations segment primarily consists of financing activities, purchase accounting adjustments relating to our acquisition by White Mountains in 2001 and other assets and general and administrative expenses incurred at the holding company level. This segment also includes entities that prior to the consummation of this offering employed persons associated with White Mountains' holding company operations. Accordingly, for the nine months ended September 30, 2006, Other Operations incentive compensation expense included $2.5 million associated with these persons who will transfer to White Mountains from these entities upon consummation of this offering.

The purchase accounting adjustments relating to the acquisition of OneBeacon by White Mountains on June 1, 2001, or the OneBeacon Acquisition, were made to reflect the estimated fair value of our assets acquired and liabilities assumed on the date of the acquisition. The purchase accounting adjustments are primarily comprised of an adjustment to our loss and LAE reserves and related reinsurance recoverables to record them at fair value, an adjustment to record the cost of our investments at fair value and an allocation of the excess of acquired net assets over the purchase price to our non-current, non-financial assets, primarily its property, plant and equipment.

The Other Operations segment results are affected by purchase accounting over time as the fair value adjustments made at our acquisition unwind. Accordingly, net investment income and/or net realized investment gains and losses are affected as the difference between the amortized cost and the fair value of our investment portfolio is amortized into investment income, or recorded as net realized investment gains and losses as the investments are sold; the fair value adjustment to net loss and LAE reserves is expensed through income as our net loss and LAE reserves at the time of the OneBeacon Acquisition are settled; and the portion of the carrying value of property, plant and equipment that was written off in purchase accounting is recorded as other revenue when it is sold to third parties.

A summary of results from our Other Operations segment for the nine months ended September 30, 2005 and 2006 are as follows:

	Nine months ended September 30,	
	2005	**2006**
Net investment income	$ 2.3	$ 6.2
Net realized investment gains (loss)	(0.5)	(0.5)
Other revenue	6.4	13.2
Total revenues	8.2	18.9
General and administrative expenses	10.1	9.4
Accretion of fair value adjustment to loss and LAE reserves	19.5	17.3
Interest expense on debt	31.9	32.0
Interest expense—dividends and accretion on preferred stock	38.8	43.2
Total expenses	100.3	101.9
Pre-tax loss	$ (92.1)	$ (83.0)

Other Operations Results—Nine months ended September 30, 2006 versus nine months ended September 30, 2005

Our Other Operations segment pre-tax loss for the first nine months of 2006 was $83.0 million, compared to a pre-tax loss of $92.1 million for the first nine months of 2005. The decrease in the loss was primarily attributable to an increase in interest income from loans receivable from affiliates of White Mountains of $9.8 million in the first nine months of 2006.

Summary of Investment Results

Investment Philosophy

Overview

Our investment portfolios are managed under agreements with WM Advisors, a registered investment adviser that is owned by White Mountains, and Prospector, a registered investment adviser. Our investment philosophy is to maximize our after tax total risk-adjusted return over the long term. Under this approach, each dollar of after tax investment income and realized and unrealized gains and losses is valued equally. Our investment portfolio mix as of September 30, 2006 consisted in large part of high quality, fixed maturity securities and short-term investments, as well as a smaller allocation to common equity securities and other investments, such as hedge funds, limited partnerships and private equities. Our management believes that prudent levels of investments in common equity securities and other investments within our investment portfolio are likely to enhance long term after tax total returns without significantly increasing the risk profile of the portfolio.

Fixed income

WM Advisors' overall fixed maturity investment strategy is to purchase securities that are attractively priced in relation to credit risks. WM Advisors generally manages the interest rate risk associated with holding fixed maturity investments by actively maintaining the average duration of the portfolio to achieve an adequate after tax total return without subjecting the portfolio to an unreasonable level of interest rate risk.

Equities

Prospector's investment strategy is to maximize absolute total return through investments in a variety of equity and equity-related instruments, including convertible preferred and convertible debt securities. Using a value orientation, Prospector invests in relatively concentrated positions in the United States and other developed markets. Prospector's philosophy is to invest for total risk-adjusted return using a bottom-up, value discipline. Preservation of capital is of the utmost importance.

For purposes of discussing rates of return, all percentages are presented gross of management fees and trading expenses in order to produce a more relevant comparison to benchmark returns, while all dollar amounts are presented net of any management fees and trading expenses. Further, our analysis does not reflect a realized loss of $4.2 million during 2003 resulting from mark-to-market adjustments on a series of interest rate swaps entered into in order to achieve a fixed interest rate on the terms of a variable-rate credit facility.

The following table presents the composition of our investment portfolio as of September 30, 2006:

Type of Investment	As of September 30, 2006 $ in millions	% of total
Fixed maturity investments	$ 3,166.0	69.2%
Short-term investments	491.9	10.7
Montpelier common stock(1)(3)	—	0.0
Common stock, excluding Montpelier	672.3	14.7
Other investments(2)	248.5	5.4
Total	$ 4,578.7	100.0%

(1) Our investment in Montpelier common stock was classified as an investment in unconsolidated affiliate at December 31, 2003, and as such is presented separately from other common equity securities.

(2) Includes investments such as hedge funds, limited partnerships and private equities.

(3) On August 24, 2006, our investment in Montpelier was transferred to White Mountains in exchange for an agreed-upon portfolio of common equity and fixed maturity securities of equal value.

Investment Returns

A summary of our consolidated pre-tax investment results for the nine months ended September 30, 2005 and 2006 is as follows:

	Nine months ended September 30, 2005	2006
	($ in millions)	
Net investment income	$ 187.3	$ 148.4
Net realized investment gains	147.8	105.0
Net unrealized gains (losses) on investments	(194.0)	(9.5)
Total GAAP pre-tax investment results	$ 141.1	$ 243.9

Gross investment returns versus typical benchmarks for the nine months ended September 30, 2005 and 2006 are as follows:

	Nine months ended September 30, 2005	2006
Fixed maturity investments	1.7%	4.3%
Short-term investments	1.3	2.7
Total fixed income	1.6	4.2
Lehman U.S. Aggregate Index	1.8	3.1
Montpelier common stock	(21.5)	(7.6)
Core common stock(1)	18.9	14.9
Total common stock	7.3	12.8
Other investments	13.5	(1.0)
Total equities	8.6	8.8
S&P 500 Index (total return)	2.8	8.5
Total consolidated portfolio	2.8%	5.1%

(1) Represents all common stock holdings other than Montpelier, which was transferred to White Mountains on August 24, 2006, in exchange for an agreed-upon portfolio of common equity and fixed maturity securities with an equal value.

Investment Returns—Nine months ended September 30, 2006 versus nine months ended September 30, 2005

Our total pre-tax investment result was $243.9 million, a return of 5.1%, for the nine months ended September 30, 2006 versus $141.1 million, a return of 2.8%, for the nine months ended September 30, 2005. Net investment income of $148.4 million during the first nine months of 2006 decreased 21% from $187.3 million during the same period of 2005 due to the receipt of a $34.7 million special dividend on the Montpelier investment during the 2005 period. Net realized investment gains of $105.0 million during the first nine months of 2006 decreased 29% from $147.8 million during the same period of 2005, partially reflecting decreased sales activity compared to 2005, when we decreased our positions in certain successful equity holdings. Net unrealized losses on investments of $9.5 million during the first nine months of 2006 decreased 95% from $194.0 million during 2005 due to an upturn in the U.S. bond market during the third quarter of 2006 combined with foreign currency gains on our foreign denominated fixed maturities which were driven by the weakening of the U.S. dollar versus the British pound and Australian dollar.

Fixed Income

Our fixed income portfolio returned 4.2% during the nine months ended September 30, 2006 versus 1.6% during the nine months ended September 30, 2005. During 2006, we began to benefit from the relatively short duration of our fixed income portfolio as interest rates continued to rise from historic lows, though at a slower pace than during the 2005 period, which produced favorable absolute and relative returns. In addition, the weakening of the U.S. dollar during 2006 reversed a trend from 2005 and produced unrealized currency exchange gains in our foreign denominated fixed maturity securities portfolio.

Equities

Our equity portfolio returned 8.8% during the nine months ended September 30, 2006 versus 8.6% during the nine months ended September 30, 2005. Continued success in the common stock portfolio was the primary driver of favorable absolute and relative equity returns.

Montpelier Investment

In order to reduce our exposure to certain insurance risks outside of our own underwriting competencies, on August 24, 2006, we exchanged our investment in the common shares of Montpelier, a global property catastrophe reinsurer, for an agreed-upon portfolio of common equity and fixed maturity securities of equal value that was owned by White Mountains. As a result, Montpelier will no longer be included in our investment results on a going forward basis. The following table details the book value effect of our total investment in Montpelier for the nine months ended September 30, 2005 and 2006:

	Nine months ended September 30, 2005	Nine months ended September 30, 2006
	($ in millions)	
Net investment income, pre-tax	$ 41.5	$ 1.0
Net realized investment gains (losses), pre-tax	—	(5.8)
Total revenues (losses), pre-tax	41.5	(4.8)
Tax benefit (expense) on total revenues	(14.5)	1.7
Total revenues (losses), after-tax	27.0	(3.1)
Change in net unrealized investment gains (losses), after-tax	(53.9)	(0.7)
Equity in earnings of Montpelier, after-tax	—	—
Equity in unrealized gains of Montpelier, after-tax	—	—
Net after-tax change in book value from Montpelier investment	$ (26.9)	$ (3.8)

On August 24, 2006, we exchanged our remaining Montpelier shares for an agreed-upon portfolio of common equity and fixed maturity securities of an equal value owned by White Mountains.

Impairment

See Note 5—"Investment Securities" of the accompanying interim consolidated financial statements for our analysis of impairment losses on investment securities.

Liquidity and Capital Resources

Operating cash and short-term investments

Holding company level. The primary sources of cash for OneBeacon Insurance Group, Ltd. and certain of our intermediate holding companies are expected to be dividends and tax sharing payments received from our insurance operating subsidiaries and net investment income and proceeds from sales and maturities of holding company investments. The primary uses of cash are expected to be interest payments on our debt obligations, dividend payments on our preferred shares and our common shares, purchases of investments, payments made to tax authorities and holding company operating expenses.

Operating subsidiary level. The primary sources of cash for our operating subsidiaries are expected to be premium collections, net investment income and proceeds from sales and maturities of investments. The primary uses of cash are expected to be claim payments, policy acquisition costs, debt obligations, operating expenses, the purchase of investments and dividends and tax sharing payments made to parent holding companies.

Insurance companies typically collect premiums on policies that they write prior to paying claims made under those policies. During periods of premium growth, insurance companies typically experience positive cash flow from operations, as premium receipts typically exceed claim payments. When this happens, positive cash flow from operations is usually offset by negative cash flow from investing activities, as the positive operating cash flow is used to purchase investments. Conversely, during periods of premium decline, insurance companies typically experience negative cash flow from operations, even during periods in which they report GAAP net income, as the claims that they pay exceed the premiums that they collect. When this happens, negative cash flow from operations is typically offset by positive cash flow from investing activities, as invested assets are sold to fund current claim payments.

Since White Mountains acquired us in 2001, our written premiums have decreased substantially. This was primarily due to a renewal rights agreement executed in November 2001 through which we transferred our regional agency business, agents and operations in 42 states and the District of Columbia to Liberty Mutual Insurance Group. This transfer amounted to approximately 45% of our prior year annual written premiums in force at the time of the transfer, or approximately $1.5 billion in annual premiums. As a result, we have experienced negative cash flow from operations for each of the years ended December 31, 2003, 2004 and 2005 and for each of the nine month periods ended September 30, 2005 and 2006, as we paid claims on run-off reserves related to the business that was transferred to Liberty Mutual. We expect to continue to experience negative cash flows from operations throughout the remainder of 2006, but to a lesser extent than that experienced from 2003 to 2005, as claim payments on run-off reserves continue to decline.

Both internal and external forces influence our financial condition, results of operations and cash flows. Claim settlements, premium levels and investment returns may be impacted by changing rates of inflation and other economic conditions. In many cases, significant periods of time, ranging up to several years or more, may lapse between the occurrence of an insured loss, the reporting of the loss to us and the settlement of the liability for that loss. The exact timing of the payment of claims and benefits cannot be predicted with certainty. Our operating subsidiaries maintain portfolios of invested assets with varying maturities and a substantial amount of short-term investments to provide adequate liquidity for the payment of claims.

Management believes that our cash balances, cash flows from operations and cash flows from investments are adequate to meet expected cash requirements for the foreseeable future on both a holding company and operating subsidiary level.

Dividend Capacity

Under the insurance laws of the states and jurisdictions under which our operating subsidiaries are domiciled, an insurer is restricted with respect to the timing or the amount of dividends it may pay without prior approval by regulatory authorities. Accordingly, there can be no assurance regarding the amount of such dividends that may be paid by such subsidiaries in the future.

Generally, our insurance subsidiaries have the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount equal to the greater of prior year statutory net income or 10% of prior year end statutory surplus, subject to the availability of unassigned funds. As a result, based on 2005 statutory net income, our top tier insurance subsidiaries have the ability to pay an aggregate of approximately $197 million of dividends during 2006 without prior approval of regulatory authorities, subject to the availability of unassigned funds. As of December 31, 2005, OneBeacon's top tier regulated operating subsidiaries had $1.3 billion of unassigned funds available for dividend distribution.

In addition, as of December 31, 2005, OneBeacon Insurance Group LLC had approximately $20 million of cash and investments outside of its regulated operating subsidiaries available for distribution during 2006. During 2005, OneBeacon Insurance Group LLC paid $340.0 million of dividends to its parent. Fund American Companies, Inc., or Fund American, is restricted in the amount it may contribute to its parent due to restrictive provisions in the amended and restated certificate of designation governing the mandatorily redeemable preferred stock owned by Berkshire Hathaway Inc. specifying certain levels of net worth or liquidity to which Fund American must adhere. During the first nine months of 2006, OneBeacon Insurance Group LLC paid $90.1 million of dividends in cash and securities to Fund American.

Financing

The following table summarizes our capital structure as of December 31, 2005 and September 30, 2006:

	As of December 31, 2005	As of September 30, 2006
	($ in millions)	
Senior Notes, carrying value	$ 698.5	$ 698.7
Other debt	46.4	61.4
Total debt	744.9	760.1
Preferred stock subject to mandatory redemption	234.0	254.5
Total common shareholder's equity	1,560.0	1,695.3
Total capital	$ 2,538.9	$ 2,709.9

We believe that our strong financial position provides us with the flexibility and capacity to obtain funds externally as needed through debt or equity financing on both a short-term and long-term basis.

In connection with our purchase of an office building in Canton, Massachusetts, we entered into a $40.8 million mortgage note to fund renovations to the new space that will ultimately house our principal executive office. As of September 30, 2006, we had drawn $33.4 million under the facility.

The 5.875% Senior Notes due 2013 of our subsidiary Fund American, which we refer to as the Senior Notes, are currently rated "Baa2" ("Moderate Risk", the ninth highest of twenty-one ratings) with a stable outlook by Moody's, "BBB" ("Adequate", the ninth highest of twenty-two ratings) with a stable outlook by Standard & Poor's, "bbb" ("Adequate", the ninth highest of twenty-two ratings) with a stable outlook by A.M. Best and "BBB" ("Good", the ninth highest of twenty-three ratings) with a stable outlook by Fitch.

White Mountains currently provides an irrevocable and unconditional guarantee as to the payment of principal and interest (the "Guarantee") on the Senior Notes. In consideration of this Guarantee, we have agreed to pay a specified fee to White Mountains in the amount of 25 basis points per annum on the outstanding principal amount of the Senior Notes. We have further agreed that if White Mountains' voting interest in us ceases to represent more than 50% of all our voting securities, we will redeem, exchange or otherwise modify the Senior Notes in order to fully and permanently eliminate White Mountains' obligations under the Guarantee (the "Guarantee Elimination"). White Mountains has agreed to provide written notice to us when its voting interest in us has been reduced below 50%. We will have 180 days from the receipt of such notification to complete the Guarantee Elimination. If the Guarantee Elimination is not completed within the initial 180-day period, the Guarantee Fee shall increase by 200 basis points. The Guarantee Fee shall further increase by 100 basis points for each subsequent 90-day period thereafter, up to a maximum Guarantee Fee of 425 basis points, until the Guarantee Elimination has been completed.

The Senior Notes were issued under an indenture which contains restrictive covenants that, among other things, limit the ability of White Mountains, Fund American and their respective subsidiaries, which includes us, as a subsidiary of White Mountains, to create liens and enter into sale and leaseback transactions and substantially limits the ability of Fund American and its respective subsidiaries to consolidate, merge or transfer their properties and assets. The indenture does not contain any financial ratios or specified levels of net worth or liquidity to which White Mountains or Fund American must adhere. At December 31, 2005, Fund American was in compliance with all of the covenants under the Senior Notes.

Off-Balance Sheet Arrangement

Galileo Guarantees

Beginning in February 2006, one of our subsidiaries, OneBeacon Insurance Company, or OBIC, agreed to provide guarantees of the obligations of Galileo Weather Risk Management Ltd., or Galileo, to Galileo's counterparty in certain weather-related product transactions. Galileo is a subsidiary of White Mountains, but not a subsidiary of us. The guarantees require OBIC to pay the full amount of Galileo's obligations to the counterparty in the event of Galileo's failure to pay these obligations. In the event of a payment, OBIC would be eligible to exercise all of the rights of the counterparty against Galileo. As of September 30, 2006, OneBeacon had executed twelve guarantees of Galileo transactions, the total principal amount of which was approximately $115 million. In the event that the total guaranteed principal amount exceeds the lesser of 5% of OBIC's admitted assets of $3.6 billion at March 31, 2006 or 25% of OBIC's statutory surplus of $1.5 billion at March 31, 2006, OBIC would require the approval of the Pennsylvania Department of Insurance in order to make any further guarantees. OBIC has agreed, at White Mountains' option, to continue to make these guarantees available until October 2008 and will receive from Galileo an annual fee of 25 basis points of the value at risk for providing the guarantees. Pursuant to the Separation Agreement, White Mountains will agree that it will take appropriate steps to ensure that OBIC will not be called on to make payment on these guarantees.

Cash Flows

Detailed information concerning our cash flows during the nine months ended September 30, 2006 and 2005:

For the nine months ended September 30, 2006

Financing and Other Capital Activities

During the first nine months of 2006, we declared and paid cash dividends of $22.7 million to holders of mandatorily redeemable preferred stock of our subsidiaries.

During the nine months ended September 30, 2006, OneBeacon Insurance Group LLC declared and paid dividends in cash and securities of $90.1 million to Fund American.

Other Liquidity and Capital Resource Activities

During the nine months ended September 30, 2006, we reported net decreases in our loss and LAE reserves and reinsurance recoverables on paid and unpaid losses, primarily due to claim payments (and related collections of reinsurance recoverables) related to run-off reserves.

During the first quarter of 2006, we made payments totaling $13.4 million, in cash or by deferral into certain of our non qualified compensation plans, to participants in our long term incentive compensation plans. These payments were made with respect to 17,892 target performance shares and units based on a payout level of 142% of target.

On September 29, 2006 we sold certain assets and the right to renew existing policies of Agri, a division of OneBeacon, for $32.0 million in cash to a third party.

For the nine months ended September 30, 2005

Financing and Other Capital Activities

During the first nine months of 2005, we paid dividends of $22.7 million to holders of mandatorily redeemable preferred stock of our subsidiaries.

During the nine months ended September 30, 2005, OneBeacon Insurance Group LLC declared and paid a dividend of $260.0 million to Fund American.

Acquisitions and Dispositions

On April 29, 2005, we purchased a 284,000 square foot office facility located in Canton, Massachusetts for $23.1 million which we expect to move our headquarters to in the fourth quarter of 2006.

Other Liquidity and Capital Resource Activities

During the second quarter of 2005 we reported an increase in loss and LAE reserves of $841.0 million resulting from an internal study of our A&E reserves performed in 2005. We also reported a corresponding increase in reinsurance recoverables of $841.0 million. Both of these increases were non- cash items for the period, and were partially offset by claim payments (and related collections of reinsurance recoverables) related to run-off reserves.

During the first quarter of 2005, we made payments in respect of the 2002-2004 performance cycle totaling $180.3 million, in cash or by deferral into certain of our non-qualified compensation plans to participants in our long term incentive compensation plans. These payments were made with respect to 287,285 performance shares based on a payout level ranging from 125% to 200% of target.

During the first quarter of 2005, we received a $34.7 million special dividend related to our common stock investment in Montpelier. This dividend represented $5.50 per share and was in addition to Montpelier's normal quarterly dividend of $0.36 per share.