OneBeacon Insurance Group, Ltd.
Form DEF 14A
April 06, 2007

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant o
Filed by a Party other than the Registrant o
Check the appropriate box:

| | |
|---|---|
| o | Preliminary Proxy Statement |
| o | **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))** |
| x | Definitive Proxy Statement |
| o | Definitive Additional Materials |
| o | Soliciting Material Pursuant to §240.14a-12 |

**OneBeacon Insurance Group, Ltd.**
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

| | | | |
|---|---|---|---|
| x | No fee required. | | |
| o | Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11. | | |
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# Notice of 2007

# Annual General Meeting

# of Members and

# Proxy Statement

**ONEBEACON INSURANCE GROUP, LTD.**
**NOTICE OF 2007 ANNUAL GENERAL MEETING OF MEMBERS**
**TO BE HELD MAY 22, 2007**

**April 6, 2007**

Notice is hereby given that the 2007 Annual General Meeting of Members of OneBeacon Insurance Group, Ltd. will be held on Tuesday, May 22, 2007, at 12:00 noon Atlantic Time at the Fairmont Hamilton Princess Hotel, Hamilton, Bermuda. At this meeting you will be asked to consider and vote upon the following proposals:

1) election of four Class I directors with a term ending in 2010;

2) approval of the 2007 Long-Term Incentive Plan and Performance Criteria; and

3) approval of the appointment of PricewaterhouseCoopers LLP as the Company s Independent Registered Public Accounting Firm for 2007.

The Company s audited financial statements for the year ended December 31, 2006, as approved by the Company s Board of Directors, will be presented at this Annual General Meeting.

Members of record of common shares on the record date, March 26, 2007 (1) who are individuals, may attend and vote at the meeting in person or by proxy or (2) which are corporations or other entities, may have their duly authorized representative attend and vote at the meeting in person or by proxy. A list of all Members entitled to vote at the meeting will be open for public examination during regular business hours beginning on or about April 11, 2007 at the Company s registered office located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

All Members are invited to attend this meeting.

By Order of the Board of Directors,

*T. Michael Miller*
President and Chief Executive Officer

**Members are invited to complete and sign the accompanying proxy card to be returned to OneBeacon Insurance Group, Ltd., c/o Wells Fargo Shareowner Services, P.O. Box 64873, St. Paul, MN 55164-9397 in the envelope provided, whether or not they expect to attend the meeting. Members who hold their common shares in a brokerage account, an employee benefit plan or through a nominee may have the added flexibility of voting their shares by telephone or over the internet.**

TABLE OF CONTENTS



OneBeacon Insurance Group, Ltd., an exempted Bermuda company, through its subsidiaries (collectively, OneBeacon, the Company, we, us, o our ) is a property and casualty insurance writer that provides a range of specialty insurance products as well as a variety of segmented commercial and personal insurance products. OneBeacon was acquired by White Mountains Insurance Group, Ltd. (collectively with its subsidiaries excluding OneBeacon, White Mountains ) from Aviva plc ( Aviva ) in 2001. White Mountains is a holding company whose businesses provide property and casualty insurance, reinsurance and certain other products. During the fourth quarter of 2006, White Mountains sold 27.6 million or 27.6% of the Company s common shares in an initial public offering. Prior to the initial public offering, OneBeacon was a wholly-owned subsidiary of White Mountains. As of December 31, 2006, Lone Tree Holdings Ltd, a subsidiary of White Mountains, beneficially owned all of the Company s issued and outstanding class B common shares, representing 96.3% of the voting power of our voting securities and 72.4% of our outstanding common shares.

Our headquarters are located at the Bank of Butterfield Building, 42 Reid Street, 6th Floor, Hamilton HM 12, Bermuda. Our U.S. headquarters are located at 1 Beacon Lane, Canton, Massachusetts 02021, our principal executive office is located at 601 Carlson Parkway, Minnetonka, Minnesota 55305 and our registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

**ONEBEACON INSURANCE GROUP, LTD.**
**PROXY STATEMENT**

This Proxy Statement is being furnished in connection with the solicitation of proxies on behalf of the Company s Board of Directors (the Board ) for the 2007 Annual General Meeting of Members (the 2007 Annual Meeting ), to be held on Tuesday, May 22, 2007 at the Fairmont Hamilton Princess Hotel, Hamilton, Bermuda. The solicitation of proxies will be made by mail, and the proxy statement and related proxy materials will be distributed to Members on or about April 6, 2007.

Holders of the Company s common shares ( Members or shareholders ), par value $0.01 per share, as of the close of business on March 26, 2007, the record date, are entitled to vote at the meeting.

You can ensure that your common shares are properly voted at the meeting by completing, signing, dating, and returning the enclosed proxy card in the envelope provided. Members who hold their common shares in a brokerage account, an employee benefit plan or through a nominee may have the added flexibility of voting by telephone or over the internet. A Member has the right to appoint another person (who need not be a Member) to represent the Member at the meeting by completing an alternative form of proxy which can be obtained from the Secretary or by notifying the Inspectors of Election (see page 41). Every Member entitled to vote has the right to do so either in person or by one or more persons authorized by a written proxy executed by such Member and filed with the Secretary. Any proxy duly executed will continue in full force and effect unless revoked by the person executing it in writing or by the filing of a subsequent proxy.

Sending in a signed proxy will not affect your right to attend the meeting and vote. If a Member attends the meeting and votes in person, his or her signed proxy is considered revoked.

**PROPOSAL 1 ELECTION OF THE COMPANY S DIRECTORS**
**THE BOARD OF DIRECTORS**

The Board is divided into three classes (each a Class ). Each Class serves a three-year term.

At the 2007 Annual Meeting, Ms. Grady and Messrs. Miller, Smith and Urness are nominated to be elected as Class I directors with a term ending in 2010. **The Board recommends a vote FOR Proposal 1 which calls for the election of the 2007 nominees.**

The current members of the Board nominees and terms of each Class are set forth below:

| Director | Age | Director since |
|---|---|---|
| ***Class I Nominees Term ending in 2010*** | | |
| Lois W. Grady | 63 | 2006 |
| T. Michael Miller | 48 | 2006 |
| Lowndes A. Smith | 67 | 2006 |
| Kent D. Urness | 58 | 2007 |
| ***Class II Term ending in 2008*** | | |
| David T. Foy | 41 | 2006 |
| Richard P. Howard | 61 | 2006 |
| Robert R. Lusardi | 50 | 2006 |
| ***Class III Term ending in 2009*** | | |
| Reid T. Campbell | 39 | 2006 |
| Morgan W. Davis | 57 | 2006 |
| Allan L. Waters | 48 | 2006 |

Of the nominees for election at the 2007 Annual Meeting, Messrs. Miller and Smith were previously elected to the Board by the sole Member, White Mountains, prior to the Company s initial public offering in November 2006. Ms. Grady was previously elected to the Board in December 2006 and was recommended by a member of the Board of Directors. Mr. Urness was previously elected to the Board in February 2007 and was recommended by the Chief Executive Officer of the Company.

The following information presents the principal occupation, business experience, recent business activities involving OneBeacon and other affiliations of the directors:

***Class I Nominees Term Ending in 2010***

**Lois W. Grady** has been a director of the Company since December 2006. She has served as an independent consultant since her retirement from Hartford Life, Inc., a subsidiary of The Hartford Financial Services Group, Inc. ( The Hartford ). Ms. Grady served as Executive Vice President and Director of Information Systems and Services at Hartford Life from 2002-2004 and as Senior Vice President and Director of Investment Product Services at Hartford Life from 1998-2002. Ms. Grady is also a director of Symetra Financial Corporation.

**T. Michael Miller** has been a director of the Company since August 2006. He joined the Company as Chief Operating Officer in April 2005 and became President and CEO in July 2005. Prior to joining OneBeacon, Mr. Miller spent 10 years at St. Paul Travelers, most recently as Co-Chief Operating Officer. Prior to joining St. Paul Travelers, Mr. Miller spent 14 years with The Chubb Corporation.

**Lowndes A. Smith** has been a director of the Company since October 2006. Mr. Smith serves as Managing Partner of Whittington Gray Associates. Mr. Smith formerly served as Vice Chairman of The Hartford. and President and CEO of Hartford Life Insurance Company. He joined The Hartford in 1968. Mr. Smith is also a director of White Mountains and 85 investment companies in the mutual funds of The Hartford.

**Kent D. Urness** has been a director of the Company since February 2007. Since his retirement from St. Paul Travelers in April 2005 until November 2006, Mr. Urness served as Non-Executive Chairman of St. Paul Travelers Insurance Company and as a Non-Executive Director of St. Paul at Lloyds. From 2001 until his retirement, he served as Executive Vice President with responsibility for International and Lloyd s. He served in positions of increasing responsibility over his 34 year career at St. Paul Travelers.

***Class II Directors Term Ending in 2008***

**David T. Foy** has been a director of the Company since October 2006. Mr. Foy has served as Executive Vice President and Chief Financial Officer of White Mountains since April 2003. Prior to joining White Mountains in 2003, Mr. Foy served as Senior Vice President and Chief Financial Officer of Hartford Life, Inc. and joined that company in 1993. Prior to joining Hartford Life, Inc., Mr. Foy was with Milliman and Robertson, an actuarial consulting firm. Mr. Foy also serves as the Chairman of the Board of Symetra Financial Corporation.

**Richard P. Howard** has been a director of the Company since October 2006. Mr. Howard has served as a portfolio manager for Prospector Partners, LLC since August 2005. Prior to that, he was a Managing Director of White Mountains Advisors LLC from 2001 through August 2005. From 1982 through 2001, Mr. Howard was a vice president and portfolio manager of T. Rowe Price Associates, Inc., including responsibility for the management of T. Rowe Price Capital Appreciation Fund. Mr. Howard serves as a Trustee of Milliken University.

**Robert R. Lusardi** has been a director of the Company since October 2006. Mr. Lusardi has been an Executive Vice President of White Mountains Capital, Inc. and Chief Executive Officer of White Mountains Financial Services LLC since February 2005. Prior to joining White Mountains, he was a member of the Executive Management Board of XL Capital Ltd, where he was first Chief Financial

2

Officer then Chief Executive Officer of the Financial Products and Services operating segment. From 1980 to 1998, Mr. Lusardi was a Managing Director and head of the global insurance and asset management practices at Lehman Brothers. He is a director and Chairman of the Finance Committee of Primus Guaranty Ltd. and Symetra Financial Corporation.

***Class III Directors Term Ending in 2009***

**Reid T. Campbell** has been a director of the Company since October 2006. He has served as a Managing Director of White Mountains Capital, Inc. since January 2004. He joined White Mountains in 1994 and has served in a variety of financial management positions with White Mountains. Prior to joining White Mountains, Mr. Campbell spent three years with KPMG LLP.

**Morgan W. Davis** has been a director of the Company since October 2006. Mr. Davis is currently the President and a director of American Centennial Insurance Co. He was formerly Managing Director at OneBeacon Insurance Group LLC from 2001 to 2005. From 1994 to 2001, he served in a variety of capacities for White Mountains. Prior to that, he was with Fireman s Fund Insurance Company for seven years and INA/ Cigna for ten years. He is a director of Montpelier Re Holdings, Ltd. and White Mountains.

**Allan L. Waters** has been a director of the Company since October 2006. Mr. Waters is currently the Chief Executive Officer of White Mountains Re Group, Ltd. He served as Managing Member of Mulherrin Capital Advisors, LLC from 1998 to March 2007. Mr. Waters formerly served as Senior Vice President and Chief Financial Officer of White Mountains from 1993 to 1998, as Vice President and Controller from 1990 to 1993, as Vice President of Finance from 1987 to 1990 and as Assistant Vice President of Finance from 1985 to 1987. He is a director of White Mountains and Artemis Woman, LLC.

**CORPORATE GOVERNANCE**

OneBeacon is committed to maintaining sound corporate governance practices. Corporate governance is the system by which companies are directed and controlled and involves the distribution of rights and responsibilities among the Board, management and the Company s Members. The Board has adopted Corporate Governance Guidelines that set forth its overall approach towards corporate governance. The Company also has a Code of Business Conduct that applies to all directors, officers and employees in carrying out their responsibilities to and on behalf of the Company. No waivers of the Code of Business Conduct were requested of, or granted by, the Board for any director or executive officer during 2006. The Company s Corporate Governance Guidelines and Code of Business Conduct are available at *www.onebeacon.com*.

White Mountains, through its subsidiary Lone Tree Holdings, Ltd., beneficially owns all of the Company s issued and outstanding class B common shares, representing 96.3% of the voting power of our voting securities and 72.4% of our outstanding common shares. As a result, we may rely upon the controlled company exemption under the rules of The New York Stock Exchange (the NYSE ) with respect to our board of directors and committee composition. Pursuant to this exemption, we are not required to comply with the rules that require that our Board of Directors be comprised of a majority of independent directors as defined by the NYSE. Our Board of Directors currently consists of 10 persons, three of whom are independent as defined under the rules of the NYSE and seven of whom are current or former employees, directors or officers of White Mountains or the Company.

The Board of Directors has determined that each of Ms. Grady and Messrs. Smith and Urness are independent in accordance with NYSE rules. For a director to be independent, the Board must determine that the director has no relationship with the Company (other than being a director or shareholder of the Company) or has only immaterial relationships with the Company. The Company does not apply categorical standards as a basis for determining director independence. Accordingly, the Board considers all relevant facts and circumstances, on a case-by-case basis, in making an independence determination.

The Board notes no relationships (other than being directors or shareholders) between Ms. Grady and Messrs. Smith and Urness and the Company or White Mountains. The Board notes relationships with the other members of the Board as disclosed in this proxy statement on page 29 under the heading Transactions with Related Persons, Promoters and Certain Control Persons . In making its independence determinations, the Board considered all such relationships in light of NYSE standards as well as the attributes it believes should be possessed by independent-minded directors. Those attributes include the relative impact of the transactions to the director s personal finances, the perceived degree of dependence by the director or the Company upon the relationship or transactions continuing in the future and whether the transactions were on terms that were reasonable and competitive.

At each meeting of the Board, the directors meet in executive session without Company management present except for the CEO, who is also a member of the Board. The Chairman presides over these meetings. The procedures for Members, employees and others interested in communicating directly with any or all of the non-management directors are described on page 6.

**The Board**

The day-to-day management of the Company, including preparation of financial statements and short-term and long-term strategic planning, is the responsibility of management. The primary responsibility of the Board is to oversee and review management s performance of these functions in order to advance the long-term interests of the Company and its Members.

In fulfilling this responsibility, directors must exercise common sense business judgment and act in what they reasonably believe to be in the best interests of the Company and its Members. Directors are entitled to rely on the honesty and integrity of senior management and the Company s outside advisors and auditors. However, it is the Board s responsibility to establish that they have a reasonable basis for such reliance by ensuring that they have a strong foundation for trusting the integrity, honesty and undivided loyalty of the senior management team upon whom they are relying and the independence and expertise of outside advisors and auditors.

**Committees of the Board**

***Audit Committee***

The primary purposes of the Audit Committee are to: (1) assist Board oversight of: the integrity of the Company s financial statements; the qualifications and independence of the independent auditors; the performance of the internal audit function and the independent auditors; and the Company s compliance with legal and regulatory requirements; (2) provide an avenue of communication among the independent auditors, management, the internal auditors and the Board; and (3) prepare the Report of the Audit Committee (which appears on page 34).

The Audit Committee is currently comprised of Mr. Foy, Mr. Smith and Mr. Urness (Acting Chairman). Mr. Urness is the acting audit committee financial expert, as defined in SEC rules, based upon his training and experience. Mr. Waters served as the Chairman and as the audit committee financial expert based upon his training and experience until March 2007. The NYSE rules require that we have a majority of independent directors on our Audit Committee until the one year anniversary of our initial public offering, at which time we must have a fully independent Audit Committee. The Board has determined that each current member of the Audit Committee except for Mr. Foy satisfies applicable NYSE requirements as well as the separate independence standards set forth by the SEC. Mr. Foy is not independent because he is an executive officer of White Mountains.

The Audit Committee Charter, which outlines the duties and responsibilities of the Audit Committee, is available at *www.onebeacon.com*.

***Compensation Committee***

The primary purposes of the Compensation Committee are to: (1) review and make recommendations on director compensation; (2) discharge the Board s responsibilities relating to the compensation of executives; (3) oversee the administration of the Company s compensation plans, in particular the incentive compensation and equity-based plans; and (4) prepare the Report of the Compensation Committee on Executive Compensation (which begins on page 18). The Compensation Committee approves all compensation for executive officers and the other executives who report directly to the Chief Executive Officer. The Compensation Committee relies on the Chief Executive Officer and the Chief Human Resources Officer to assess, design and recommend compensation programs, plans, and awards for executives and directors, subject to Committee approval, and to administer approved programs for its non-executive officers and employees within the parameters of plan design and Committee direction. The Committee also approves all equity and non-equity incentive compensation plan awards. Currently, the Committee has not delegated any of its authority to a subcommittee or members of management. The Committee has not engaged a compensation consultant to assist it in the performance of its oversight duties, although the Committee may engage a consultant either independently or jointly with management in the future.

Since we rely on the controlled company exemption under the rules of the NYSE, we are not required to have a fully independent compensation committee. The Compensation Committee is currently comprised of Mr. Smith (Chairman), Ms. Grady and Mr. Urness. The Board has determined that each current member of the Compensation Committee satisfies NYSE independence standards.

The Compensation Committee Charter, which outlines the duties and responsibilities of the Compensation Committee, is available at *www.onebeacon.com* .

***Nominating and Governance Committee***

The primary purposes of the Nominating and Governance Committee are to: (1) identify individuals qualified to become Board members and recommend such individuals to the Board for nomination for election to the Board; (2) make recommendations to the Board concerning committee appointments; (3) develop, recommend and annually review corporate governance guidelines applicable to the Company and oversee corporate governance matters and (4) oversee the evaluation of the Board and management.

Since we rely on the controlled company exemption under the rules of the NYSE, we are not required to have a fully independent nominating committee. The Nominating and Governance Committee is currently comprised of Mr. Foy (Chairman), Mr. Campbell, Mr. Davis and Ms. Grady. The Board has determined that Ms. Grady satisfies NYSE independence standards.

The Nominating and Governance Committee Charter, which outlines the duties and responsibilities of the Nominating and Governance Committee, is available at *www.onebeacon.com* .

*General Criteria and Process for Selection of Director Candidates.* The Committee considers director candidates from diverse sources and welcomes suggestions from Members, management and the Board of Directors. The Committee s goal is to have a balanced, engaged and collegial Board whose members possess the skills and background necessary to ensure that Member value is maximized in a manner consistent with all legal requirements and the highest ethical standards. There is no difference in the way in which the Committee evaluates nominees for director based upon the source of the nomination. From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates.

In identifying and evaluating director candidates, including those nominated by Members, the Nominating and Governance Committee does not set specific criteria for directors. The Committee is responsible for determining desired Board skills and attributes such as independence, integrity, expertise, breadth of experience, knowledge about the Company s business or industry and ownership interest in the Company. Directors must be willing to devote adequate time and effort to Board responsibilities. As set forth in the Company s Corporate Governance Guidelines and its Charter, the Committee is responsible for recommending director candidates to the Board.

*Consideration of Director Candidates Nominated by Members.* The Company has not adopted a specific policy regarding consideration of director candidates from Members. Members who wish to recommend candidates for consideration by the committee may submit their nominations in writing to the Secretary at the address provided in this Proxy Statement or on the Company s web site at www.onebeacon.com. The Committee may consider such Member recommendations when it evaluates and recommends candidates to the Board for submission to Members at each annual general meeting. In addition, subject to the rights of White Mountains as the holder of the Class B common shares, Members may nominate director candidates for election without consideration by the Committee by complying with the eligibility, advance notice and other provisions of our Bye-Laws as described below.

*Procedures for Nominating Director Candidates.* Member nominations of director candidates may be made if received timely by the Secretary as outlined below. Under the Company s Bye-laws, nominations for the election of directors may be made by the Board or by any Member entitled to vote for the election of directors (a Qualified Member ). A Qualified Member may nominate persons for election as directors only if written notice of such Qualified Member s intent to make such nomination is delivered to the Secretary not later than: (1) with respect to an election to be held at an annual general meeting, between 90 days and 120 days prior to the anniversary date of the immediately preceding annual general meeting or not later than 10 days after notice or public disclosure of the date of the annual general meeting is given or made available to Qualified Members, whichever date is earlier, and (2) with respect to an election to be held at a special general meeting for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to Qualified Members. Each such notice shall set forth: (a) the name and address of the Qualified Member who intends to make the nomination and of the person or persons to be nominated; (b) the class and number of shares that are owned beneficially and of record by the Qualified Member; (c) a representation that the Qualified Member is a holder of record of common shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (d) a representation as to whether the Qualified Member intends or is part of a group that intends to deliver a proxy statement or form of proxy to holders of at least the percentage of outstanding shares require to elect the nominee or otherwise to solicit proxies from Members in support of such nomination; (e) a description of all arrangements or understandings between the Qualified Member and each such candidate and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Qualified Member; (f) such other information regarding each candidate proposed by such Qualified Member as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each such candidate been nominated, or intended to be nominated, by the Board; and (g) the consent of each such candidate to serve as a director of the Company if so elected.

**Meetings of the Board**

The Company was formed in July 2006 and completed its initial public offering in November 2006. During 2006, the following meetings of the Board were held: 4 meetings of the full Board, 1 meeting of the Compensation Committee and 1 meeting of the Nominating and Governance Committee. The Audit Committee did not meet during 2006. During 2006, each director attended all of the meetings of the Board (held during the period for which he or she has been a director); and (2) the meetings held by all committees of the Board on which he or she served (during the periods that he or she served). Because the Company s initial public offering was in November 2006, there was no Annual General Meeting in 2006.

All directors are encouraged but not required to attend the Annual General Meetings of Members. All directors plan to attend the 2007 Annual Meeting.

**Communication with the Board**

The Nominating and Governance Committee has approved a process by which anyone who has a concern about our conduct may communicate that concern to the Chairman of the Board of Directors on behalf of the non-management directors as a group. You may contact the Chairman of the Board in writing care of the Secretary at the address in this Proxy Statement. Interested parties also may contact the Chairman of the Board electronically by submitting comments on our web site at www.onebeacon.com under the heading Investor Relations/Corporate Governance.

Anyone who has a concern regarding our accounting, internal accounting controls or auditing matters may communicate that concern to the Audit Committee. You may contact the Audit Committee in writing care of the Secretary at our Bermuda office. Interested parties may also contact the Audit Committee electronically by submitting comments on our web site at www.onebeacon.com under the heading Investor Relations/Corporate Governance.

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

**Voting Rights of Members**

As of March 26, 2007, there were 28,258,554 Class A common shares outstanding and 71,754,738 Class B common shares outstanding. Members of record of Class A common shares shall be entitled to one vote per common share, provided that if and so long as the votes conferred by Controlled Class A common shares (as defined below) of any person, other than White Mountains, constitute more than 9.5% percent of the votes conferred by the outstanding common shares of the Company, the vote conferred by each Class A common share comprised in such Controlled Class A common shares shall be reduced by whatever amount is necessary so that after any such reduction the votes conferred by such shares constitute 9.5% of the votes conferred by our outstanding common shares.

In giving effect to the foregoing provisions, the reduction in the vote conferred by the Controlled Class A common shares of any person shall be effected proportionately among all the Controlled Class A common shares of such person; provided, however, that if a holder of our common shares owns, or is treated as owning by the application of Section 958 of the Internal Revenue Code of 1986, as amended, of the United States (the Code ), interests in another holder of our common shares, the reduction in votes conferred by Controlled Class A common shares of such holder (determined solely on the basis of Controlled Class A common shares held directly by such holder and Controlled Class A common shares attributed from such other holder) shall first be effected by reducing the votes conferred on the Controlled Class A common shares held directly by such holder and any remaining reduction in votes shall then be conferred proportionally among the Controlled Class A common shares held by the other holders (in each case, to the extent that doing so does not cause any person to be treated as owning Controlled Class A common shares constituting more than 9.5% of the votes conferred by the outstanding common shares of OneBeacon). In the event that the aggregate reductions required by the foregoing provisions result in less than 100 percent of the voting power over the votes entitled to be cast, the excess of 100 percent of the voting power over the votes entitled to be cast shall be conferred on the Class A common shares held by our holders proportionately, based on the number of Class A common shares held by each holder; to the extent that doing so does not cause any person to be treated as owning Controlled Class A common shares constituting more than 9.5% of the votes conferred by the outstanding common shares of OneBeacon.

Controlled Class A common shares in reference to any person other than White Mountains means:

(1) all Class A common shares directly, indirectly or constructively owned by such person within the meaning of Section 958 of the Code; and

(2) all Class A common shares directly, indirectly or constructively owned by any person or group of persons within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations promulgated thereunder; provided that this clause (ii) shall not apply to (a) any person (or any group that includes any person) that has been exempted from the provisions of this clause or (b) any person or group that the Board, by the affirmative vote of at least seventy-five percent (75%) of the entire Board, may exempt from the provisions of this clause.

Lone Tree Holdings Ltd., the Member of record of the outstanding Class B common shares, is entitled to ten votes for every Class B common share.

**Principal Holders of Common Shares**

To the knowledge of the Company, there was no person or entity beneficially owning more than 5% of the common shares outstanding as of March 5, 2007, except as shown below.

| Name and address of beneficial owner | Number of common shares beneficially owned | | Percent of Class | |
|---|---|---|---|---|
| Lone Tree Holdings Ltd., Bank of Butterfield Building, 42 Reid Street, Hamilton HM 12, Bermuda | 71,754,738 | (1) | 100 | %(2) |
| RS Investment Management Company LLC, 388 Market Street, Suite 1700 San Francisco, CA 94111 | 2,646,260 | (3) | 11.00 | % |
| Lazard Asset Management LLC, 30 Rockefeller Plaza, New York, NY 10112 | 2,153,966 | (3) | 8.97 | % |
| Oppenheimer Capital LLC, 1345 Avenue of the Americas, 49th Floor, New York, NY 10105 | 1,459,842 | (3) | 6.08 | % |
| Advisory Research, Inc./David Heller, 180 North Stetson Street, Chicago, IL 60601 | 1,204,200 | (3) | 5.02 | % |

(1) Class B common shares.

(2) Represents 96.3% of the voting power of our voting securities and 72.4% of our outstanding common shares.

(3) Class A common shares. Information based solely on Schedule 13G filings with the Securities and Exchange Commission.

**Beneficial Stock Ownership of Directors and Executive Officers**

The following table sets forth, as of March 5, 2007, beneficial ownership of Class A common shares by each director, the named executive officers and the executive officers of the Company as a group:

| | Number of common shares owned | |
|---|---|---|
| Name of beneficial owner | Beneficially (a) | Economically (b) |
| ***Directors*** | | |
| Reid T. Campbell | | |
| Morgan W. Davis | 20,000 | 20,000 |
| David T. Foy | | |
| Lois G. Grady | 4,000 | 4,000 |
| Richard P. Howard | 5,000 | 5,000 |
| Robert R. Lusardi | | |
| Lowndes A. Smith | 10,000 | 10,000 |
| Kent D. Urness | | |
| Allan L. Waters | 100 | 100 |
| ***Named Executive Officers*** | | |
| T. Michael Miller | 5,100 | 533,616 |
| Paul H. McDonough | 4,000 | 107,621 |
| Thomas L. Forsyth | 1,000 | 71,813 |
| Alexander C. Archimedes | 1,100 | 99,930 |
| Andrew C. Carnase | 5,100 | 112,729 |
| All directors and all executive officers as a group (16 persons) | 72,898 | 1,075,603 |

(a) No director or executive officer individually or as a group beneficially owns 1% or more of the total common shares outstanding at March 5, 2007. Beneficial ownership has been determined in accordance with Rule 13d-3(d)(1) of the Securities Exchange Act of 1934.

(b) Common shares shown as economically owned include common shares beneficially owned, including through the Employee Stock Ownership Plan, target unearned phantom performance share awards and unvested incentive stock options.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

***Introduction***

OneBeacon became a public company on November 9, 2006. Prior to the Company s initial public offering, it was a wholly-owned subsidiary of White Mountains, and as such, its compensation philosophy and executive compensation programs were governed by the White Mountains Compensation Committee. Now that the Company is a stand-alone public company, the Company s Compensation Committee has had the opportunity to review our legacy compensation philosophy and compensation programs.

Our executive compensation program is designed to attract, retain and motivate our executives to maximize shareholder value over long periods of time. We manage all aspects of our business, including executive compensation, according to our four operating principles, which remain:

- *Underwriting comes first*
- *Maintain a disciplined balance sheet*
- *Invest for total return*
- *Think like owners*

The overall goal of our executive compensation program is to develop, implement and monitor executive compensation policies and practices which are consistent with and supportive of the long-term maximization of shareholder value and our operating principles.

***Compensation Philosophy and Principles***

We believe our executive compensation programs should support the Company s primary objective of maximizing shareholder value over long periods of time. The Committee believes that, in order to achieve this objective, our executive compensation programs must address four key compensation principles. They are as follows:

*Competitiveness*

In order to execute our operating principles, a certain level of experience and expertise is required to manage our business with an intense and disciplined focus. Our overall executive compensation programs must be competitive to allow us to attract and retain the most talented and experienced executives. We believe we need to assess competitiveness relative to external benchmarks in terms of total compensation rather than the competitiveness of any individual element of compensation. Although White Mountains historically has not benchmarked compensation, we believe that external benchmarking is important given our recruiting needs to support the business.

*Pay for Performance*

We believe that talented executives are most attracted to an environment in which their contributions are rewarded commensurate with the value they create. And, we believe that when performance objectives are clearly articulated and incentive opportunities aligned, talented and motivated individuals excel.

*Alignment with Shareholder Interests*

We recognize that, to maximize shareholder value, we must closely align the financial interests of management with those of the Company s shareholders. This compensation principle reinforces our *Think Like an Owner* operating principle**.** We believe that when our owners realize attractive returns, our executives should receive compensation at attractive levels. If our owners do not realize the expected return on their investment, executives overall compensation should be proportionately reflective.

*Long-Term and At-Risk*

Recognizing that shareholder return is best measured over long periods of time, a significant portion of executive compensation is comprised of long-term, at-risk pay. Less emphasis is placed on base salary, annual incentives, perquisites and employee benefits.

***Elements of Compensation***

We compensate our executives through a combination of base salary, annual incentive and long-term compensation. The focus of our compensation programs is to ensure overall competitiveness while emphasizing performance-based compensation versus base salary, annual incentives, perquisites or employee benefits Base salary and annual incentives have historically been set at levels lower than those paid by other property and casualty insurers with a higher percentage of total compensation paid in long-term incentive or performance-based compensation. We believe that, by placing more emphasis on long-term performance-based compensation, we advance the Committee s philosophy and principles which ultimately contribute to achieving our long-term goals and core operating principles.

*Base Salary*

We have limited base salaries to no more than $400,000 annually, consistent with the practices of White Mountains and the belief that the primary focus of executive compensation should be variable and performance-based. As such, the base salary of T. Michael Miller, our President and Chief Executive Officer, has been capped at $400,000 and the other named executive officers salaries have been set at various levels below this cap. Executive salaries are not routinely adjusted despite an annual performance review process. Instead, depending on market considerations, executive officers salaries may be adjusted selectively by the Compensation Committee.

*Annual Incentives (Management Incentive Program)*

We provide annual incentive opportunities to our executive officers through our Management Incentive Program (MIP). The annual target bonus for each of our named executive officers is equal to 50% of his base salary. The aggregate bonus pool can range from 0 200% of target, depending upon Company performance in a number of categories established early in each performance year typically including some or all of our long-term financial goals and other specific operational goals as determined by the Committee. Individual incentive payments can vary widely around the pool average. There is no cap (other than the size of the pool) on any individual award. Typically, we expect the Chief Executive Officer and Chief Financial Officer to receive the incentive performance factor applicable to all of OneBeacon given our belief the results of their efforts are appropriately reflected by the results of the Company. We would expect there to be variability in the incentive performance factors of the other executive officers based on individual performance and the performance of their respective business or functional groups.

The Compensation Committee reserves the right to exercise discretion in the final determination of the overall performance factor and the performance factors for each business and/or named executive officer. We believe discretion best facilitates performance-based differentiation at the business and individual level. While we understand discretion disqualifies this portion of compensation under Section 162(m) of the Internal Revenue Code, generally a named executive officer s non-performance-based compensation will not exceed $1 million, the threshold for deductibility of non-performance based executive compensation established under Section 162(m).

*Long-Term Incentive Compensation*

We provide long-term incentive opportunities to our executive officers in the form of share-based performance awards. As a wholly-owned subsidiary of White Mountains, the primary long-term incentive vehicle for executives was OneBeacon performance units and a secondary vehicle was White Mountains performance shares. Performance unit awards are payable upon the level of satisfaction of pre-established financial targets with respect to each three-year cycle. The number of units earned can range from 0% to 200% of the number of target units originally awarded based on the level of performance against the target average combined ratio achieved over the three-year performance cycle. Performance units typically grow from their initial value at a rate tied to a financial measure such as the compounded return on equity over the three-year cycle.

Beginning in 2007 with our initial public offering and going forward, the Committee intends to use OneBeacon performance shares as the primary long-term incentive vehicle. However, from time to time the Committee may award other long-term incentive vehicles such as incentive or non-qualified stock options, stock appreciation rights, restricted stock awards and performance units. In connection therewith, the Board of Directors has adopted, and is requesting that shareholders approve, the 2007 OneBeacon Long-Term Incentive Plan (2007 Plan). Please see the description of the material terms of the 2007 Plan under the heading Proposal No. 2 Approval of 2007 OneBeacon Long-Term Incentive Plan and Approval of Performance Criteria on page 36 of this proxy statement.

Performance shares will be awards of phantom shares with respect to our common shares, some or all of which will be earned if performance goals established by the compensation committee are satisfied over a specified award period. The value earned by an employee pursuant to an award of performance shares will be generally equal to the number of award shares earned with respect to the award period (which may not be more than 200% of the target number of shares awarded) multiplied by the fair market value of a common share on the date of the Compensation Committee certifies performance under the plan. The maximum number of performance shares that can be earned by a participant pursuant to an award of performance shares with respect to any particular award period of one year or more will not exceed 500,000.

While the Compensation Committee establishes the performance measures for each performance share grant at the beginning of the award cycle, we expect the performance goals will not typically change from year-to-year as they have in the past with performance unit awards. The target performance share goal has been set as annual *growth in intrinsic business value per share* ( GIBVPS ), of 13%, or 700 basis points above the 10 Year Treasury yield, whichever is higher. GIBVPS is measured by the following metrics over the three-year performance cycle:
(a) Underwriting Return on Equity including an adjustment to normalize catastrophe losses across years (weighted 40%); (b) Growth in Adjusted Book Value per Common Share, including an adjustment for dividends paid (weighted 40%); and (c) Growth in the Company s Price per Common Share, including an adjustment for dividends paid (weighted 20%). Underwriting Return on Equity and Adjusted Book Value per Common Share are non-GAAP financial measures that the Company uses to measure its performance.

Underwriting Return on Equity means actual GAAP net income of the Company, plus the dividends and accretion recorded in the period for the Company s economically defeased preferred stock minus actual investment income and realized gains, each after taxes, plus after-tax standard investment income plus actual after-tax losses associated with catastrophic events ( Actual CAT Losses ) minus a charge for losses associated with catastrophic events ( CAT Charge ), divided by the average of (a) the Company s GAAP shareholders equity at the beginning of the period minus any remaining accretion to face value related to the Company s economically defeased preferred stock at the beginning of the period, and (b) the Company s GAAP shareholders equity at the end of the period, minus any remaining accretion to face value related to the Company s economically defeased preferred stock at the end of the period.

Growth in Adjusted Book Value per Common Share means the Company s GAAP shareholders equity at the end of the period on an as converted/as diluted basis minus any remaining accretion to face value related to the Company s economically defeased preferred stock at the end of the period plus compounded dividends paid during the period, divided by the number of as converted/as diluted common shares of the Company outstanding at the end of the period, divided by the Company s GAAP shareholders equity at the beginning of the period on an as converted/as diluted basis minus any remaining accretion to face value related to the Company s economically defeased preferred stock at the beginning of the period, divided by the number of as converted/as diluted common shares of the Company outstanding at the beginning of the period, minus one.

Growth in the Company s Price per Common Share means the market price for one common share at the end of the period, plus compounded dividends paid per common share of the Company during the period, divided by the market price for a share of the Company s common stock at the beginning of the period, minus one.

For the purpose of these definitions, after-tax standard investment income will equal the yield on the 10-year Treasury note at the beginning of the period, to be reset annually, plus 100 basis points multiplied by the Company s average invested assets for the period, multiplied by one minus the Company s actual tax rate on investment income, realized gains, and unrealized gains for the period, and average invested assets will exclude investment assets in trust accounts related to the Company s economically defeased preferred stock. The CAT Charge is equal to one-half of the annual plan CAT losses represented as a percentage of plan net earned premium, times actual net earned premium, plus 0.2% times actual net earned premium, plus one-half of Actual CAT Losses, subject to an overall maximum of 5.5% of actual net earned premium, each after taxes.

Based on the level of performance against target, the number of actual performance shares awarded can range from 0% to 200% of the number of target performance shares originally granted. We have set a performance range such that 0% of targeted shares will be granted at levels of 6% GIBVPS or lower and 200% of targeted shares will be granted at levels of 20% GIBVPS or higher, and perfectly pro-rated for various levels of performance across this continuum. The value per share at vesting is the fair market value on the day the Compensation Committee certifies performance under the plan. The OneBeacon Compensation Committee has determined that the targeted per share value for each award cycle will be calculated using the share price at the beginning of the cycle period plus growth in share price of 13% per year less compounded anticipated dividends. Performance shares are typically paid in cash but can be paid in shares at the discretion of our Compensation Committee.

Other than the stock options granted to certain executives and key employees in anticipation of the initial public offering described below, there are no other options outstanding and the Committee does not currently intend to grant any additional options.

While there are no outstanding restricted stock awards, the Committee recognizes that time-based restricted stock awards may be an appropriate tool to aid in recruiting executives from other companies and where sizable in-the-money awards would be forfeited prior to vesting. The Company s Long-Term Incentive Plan provides for the possibility of restricted share awards should the Committee so choose.

*Compensation Mix*

We have not established any formulas for determining the appropriate mix of short- and long-term compensation. As previously stated, we emphasize long-term performance-based compensation. For example, Mr. Miller s total 2007 compensation reflects a long-term incentive award with a target value of approximately $4,000,000, or approximately 85% of his total target compensation.

***Other Elements of Compensation***

*Retirement Benefits*

We have no active pension plans. Benefit accruals under all qualified pension plans and all supplemental pension plans were frozen for all employees in 2002. None of our executive officers is eligible to participate in or receive payments under any of our frozen pension plans.

Executive officers and other key employees may participate in our non-qualified deferred compensation plan. Under the plan, participants may defer all or a portion of their compensation, which may be invested in the same investment options that are offered under our qualified plans, including our common shares, and, as long as we remain part of the White Mountains group, White Mountains shares. None of these investment options offered under these plans provide above-market rates of interest.

All of our employees may participate in our qualified 401(k) plans and employee stock ownership plan. We do not provide supplemental retirement benefits to any employees in connection with these plans.

*Perquisites*

Because of our belief in emphasizing performance-based, long-term compensation, we generally do not offer perquisites to our executive officers other than as described below and in the Summary Compensation Table on page 19 of this proxy statement. The perquisites that we offer to our executives primarily consist of housing/relocation allowance, subsidized parking and related tax reimbursements. The Committee intends to review the Company s perquisite policy at a future meeting in 2007 as part of its overall executive compensation review.

We also allow Mr. Miller to use corporate aircraft for personal reasons where the added security or convenience is warranted. Approved trips are considered a perquisite and the aggregate incremental cost to the Company of the personal flights is included in Mr. Miller s total compensation in the Summary Compensation Table on page 19. Other trips are reimbursed by Mr. Miller at their full, incremental cost and are not considered a perquisite. From time to time, an executive officer may take his spouse or other family members with him on a business trip. In this instance, we do not include the aggregate incremental cost to the Company to provide that portion of the flight in the executive s total compensation in the Summary Compensation Table because the additional passenger(s) do not increase the aggregate incremental cost of the flight. However, we impute to the executive s income the Standard Industrial Fare Classification (SIFL) amount for the spouse and/or family s flight as required by the Internal Revenue Code. Imputed amounts, as well as related tax reimbursements, are included in the Other Compensation column in the Summary Compensation Table on page 19. During 2006, Mr. Miller had $91,752 of aggregate incremental cost for personal use of corporate aircraft, shown in the All Other Compensation column of the Summary Compensation Table. No other named executive officer used corporate aircraft for personal reasons in 2006.

Our executive officers also participate in other employee benefit plans on the same terms as our other employees. These plans include medical and health insurance, life insurance and charitable gift matching.

*Board Fees*

Our executive officers, and White Mountains executive officers, do not receive director fees for serving on the Company s or subsidiaries boards of directors.

*Employment Agreements*

We have no long-term employment agreements with our executive officers except those that govern their responsibilities and duties as between the Company and its subsidiaries. From time to time we have entered into short-term employment agreements with newly hired executives. The details of these agreements are disclosed within this proxy statement under the caption Employment Offer Letters and Potential Payments Upon Termination or Change in Control. At all times, all executives remain *at will* employees.

*Severance Arrangements*

We do not have a formal severance policy; any recommended severance payment to an executive officer would be at the sole discretion of the Committee.

*Change in Control*

We have no change in control agreements with our executive officers or key employees. All long-term compensation instruments carry double trigger change in control provisions, and will vest if (i) there is a change in control in OneBeacon and (ii) within 24 months of the change in control, the recipient is terminated, other than for cause. A change in control will be defined as (i) a third party coming to own more than 35% of OneBeacon s common stock (on an economic basis) and more of OneBeacon s common stock than White Mountains owns (also on an economic basis), (ii) the continuing directors ceasing to constitute a majority of the OneBeacon board, or (iii) OneBeacon disposing of substantially all of its assets to a third party. If both triggers are pulled, the manager in question will vest in (i) 100% of his or her options and (ii) the pro rata portion of his or her performance shares earned at the time of the termination, assuming a 100% payout percentage. The change in control provisions of our long-term incentive plans are described in more detail on page 25 under the heading Potential Payments Upon Termination or Change in Control.

*Ownership Guidelines*

We do not currently have specific ownership guidelines. Going forward, a significant portion of executive compensation will be in performance shares thus directly tied to the Company s stock performance over the long term. The Committee may review whether ownership guidelines are appropriate at some future date.

***The OneBeacon Compensation Committee***

Our Compensation Committee is currently comprised of three members: Lowndes A. Smith, Chair, Lois W. Grady and Kent D. Urness. The Board has determined that each member of the Compensation Committee is (i) independent in accordance with the New York Stock Exchange Listing Standards, (ii) a non-employee director as that term is defined in Section 16 of the Securities Exchange Act of 1934, as amended and (iii) an outside director as that term is defined in Section 162(m) of the Internal Revenue Code.

***Our Compensation Process***

The Compensation Committee, consistent with its charter, reviews and approves the corporate goals and objectives relevant to the CEO, evaluates the CEO s performance in light of these goals and objectives, certifies the performance metrics of our short-term and long-term incentive plans and determines and approves the CEO s compensation based on this evaluation. Additionally, the Committee looks to the CEO to evaluate and discuss his senior team s performance with the Committee at least annually, and to make recommendations to the Committee as to their salary, annual incentive targets, annual incentive payments, long-term incentive grants and long-term incentive payments. Our Compensation Committee is responsible for approving all compensation for all executive officers and the other officers who directly report to the CEO.

The Compensation Committee relies on T. Michael Miller, Chief Executive Officer, and Thomas N. Schmitt, Chief Human Resources Executive, for assessing, designing and recommending compensation programs, plans, and awards for executives and directors subject to Committee approval and for administering approved programs for its non-executive officers and employees within the parameters of plan design and Committee direction. Messrs. Miller and Schmitt attend Committee meetings and at the Committee s request, present management s analysis and recommendations regarding various compensation programs, actions and awards. The Committee, from time to time, meets in executive session without management except for members of management as requested by the Committee.

At each Compensation Committee meeting, the Committee looks to Messrs. Miller and Schmitt to report performance to date under the Company s annual and long-term incentive plans and to present and discuss the accompanying metrics and financials. At least once each year, the Committee will look to Messrs. Miller and Schmitt to present their recommendations for the next cycle s incentive compensation performance objectives, pool size and executive participants, taking into consideration external competitive benchmarks and anticipated economic value creation over each plan s three-year performance cycle.

We have not explicitly benchmarked Mr. Miller s compensation relative to peer company CEOs compensation, but intend to do so in 2007 with the assistance of an external compensation consultant as described below. Similarly, we have not formally benchmarked other executive compensation but instead have relied on our judgment and experience in recruiting executives when establishing their compensation. The Committee has charged Messrs. Miller and Schmitt with reviewing all elements of our executive compensation programs with respect to our four compensation principles and reporting back to the Committee at a subsequent meeting.

***Compensation Consultant***

The Compensation Committee and management intend to work with an external compensation consultant to assist in benchmarking executive compensation, to assess the overall competitiveness of our executive compensation programs, and to make recommendations regarding total compensation, relative mix of the various elements of executive compensation and other plan design considerations that best support our compensation philosophy and principles.

The Committee believes strongly that it should coordinate with management in working with a consultant to ensure seamless administration and clear communication between all parties. However, the Committee will engage the consultant and will have the ability to terminate the consultant. The consultant will report directly to the Committee. The Committee may, from time to time, commission work independent of management s knowledge or involvement, such as specific benchmarking with respect to the CEO s compensation. The Committee will be copied on the final work product of any materials requested by management and will receive copies of all of the consultant s bills. The Committee may request that the consultant meet with the Committee, sometimes in executive session, from time to time as necessary or appropriate.

***The White Mountains Compensation Committee***

2006 was a year of transition for the Company, with most executive compensation actions initiated and governed by the White Mountains Compensation Committee (prior to the initial public offering) and some by the OneBeacon Compensation Committee. Relevant actions taken by the White Mountains Compensation Committee for the 2006 plan year with respect to the Company s named executive officers are as follows:

The White Mountains Compensation Committee awarded Mr. Miller 2006-2008 long-term incentive awards under the White Mountains Long-Term Incentive Plan. This plan has been shareholder approved and meets all other requirements of performance-based compensation under the provisions and requirements of Section 162(m). In 2006, the White Mountains Compensation Committee granted Mr. Miller 10,560 OneBeacon performance units at a targeted $1,446,720 and 3,300 White Mountains performance shares valued at $1,782,000. Mr. Miller was the only OneBeacon-affiliated White Mountains named executive officer; Section 162(m) did not apply to any other long-term incentive awards to OneBeacon named executive officers.

At the February 21, 2007 White Mountains Compensation Committee meeting, the Committee cancelled Mr. Miller s 2005-2007 and 2006-2008 White Mountains performance share awards based on the belief that Mr. Miller s compensation should not be tied to White Mountains share performance after OneBeacon s initial public offering.

***OneBeacon Compensation Committee Activity***

On October 18, 2006, the OneBeacon Compensation Committee approved the OneBeacon Long-Term Incentive Plan (the Plan ). The purpose of the Plan is to advance the interests of the Company and its shareholders by providing long-term incentives to certain executives, consultants and directors of the Company and its subsidiaries. Awards made under this plan will be deemed to be performance-based compensation under Section 162(m) and the transitional rule 162-27(f)(4)(iii) and therefore we expect that any payments made under this plan will be fully deductible.

In addition, in connection with the initial public offering of OneBeacon, the Compensation Committee awarded to a sizable group of OneBeacon executives, including Mr. Miller and the other named executive officers, OneBeacon options with an exercise price of $30.00 per share, a price that was 20% above the middle of the price range included in OneBeacon s preliminary prospectus. The options vest in three equal installments on each of the third, fourth and fifth anniversaries of the date of the grant and have a term of 5.5 years. The Committee granted Mr. Miller 277,826 options and the other named executive officers lesser amounts as set forth in the Grants of Plan-Based Awards table on page 20 of this proxy statement.

On February 20, 2007, the Committee approved all elements of compensation for Mr. Miller, the executive officers and his other direct reports. The Summary Compensation Table provides total compensation for the named executive officers. Set forth below is a summary of the rationale for the Committee s compensation actions that fall outside of the base salary and annual cash incentive awards.

The Committee formally recognized the extraordinary contributions made by Mr. Miller, Mr. McDonough and selected other executive officers and key employees over this past year to successfully launch us as a public company. Consistent with our pay-for-performance principle, the Committee approved one-time bonus payments of $750,000 and $500,000 to Mr. Miller and Mr. McDonough, respectively, as well as other, smaller awards to selected individuals. While not considered approved compensation under Section 162(m) because of their discretionary nature, the Committee believed the extraordinary results of these two individuals warranted special consideration and remuneration.

The Committee approved payments under the 2004-2006 Long-Term Incentive award cycles (LTIP). Certain executives had a portion of their LTIP based on White Mountains results. Of the named executive officers, Mr. Carnase and Mr. Archimedes had 2004-2006 White Mountains performance share awards made under the OneBeacon Long-Term Incentive Plan. In February 2007, the Committee cancelled the outstanding 2005-2007 and 2006-2008 White Mountains phantom performance share awards made under the OneBeacon Long-Term Incentive Plan to all executives and replaced them with OneBeacon-specific awards of approximately equivalent target value.

In 2006, the OneBeacon Board of Directors and the White Mountains Compensation Committee approved the creation of a special 2006 bonus program for select employees at OneBeacon, including Mr. Miller and Mr. McDonough. The program was designed to reflect that the performance targets for the 2004-2006 performance unit cycle were set in a manner that could result in an inequitable sharing of the value created at OneBeacon with White Mountains (i.e., a 96% combined ratio produced at OneBeacon would contribute at or above target results for White Mountains, but would contribute below target results at OneBeacon). As a result, the OneBeacon Compensation Committee approved for payment at its February 20, 2007 Committee meeting a total of $3,000,000 under this program. Of the named executive officers, $400,815 and $144,043 were awarded to Mr. Miller and Mr. McDonough, respectively.

The Committee set the 2007 OneBeacon Management Incentive Plan objectives which will be the basis on which they will ultimately determine the overall Company performance factor for 2007 performance. The objectives are consistent with the Company s stated long-term financial goals and substantially meeting these objectives will yield an expected payment at or near target.

*The following report of the Compensation Committee shall not constitute soliciting material and shall not be deemed to be incorporated by reference into any other filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, including by any general statement incorporating this proxy statement except to the extent the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.*

**REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION**

The Compensation Committee of Company s Board of Directors has submitted the following report for inclusion in this proxy statement:

Our Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management. Based on our Committee s review of and the discussions with management with respect to the Compensation Discussion and Analysis, our Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the Committee:

***Lowndes A. Smith, Chairman***
***Lois W. Grady***
***Kent D. Urness***
***Allan L. Waters****

* *Resigned from the Compensation Committee effective March 2007.*

**Summary Compensation Table**

The following table sets forth the cash compensation paid by us and our subsidiaries, as well as certain other compensation paid or accrued, for the fiscal year ended December 31, 2006, to our Chief Executive Officer, our Chief Financial Officer and each of our three other most highly compensated executive officers (the named executive officers ) for such year. None of our named executive officers is eligible to participate in our pension plans. The Company does not pay above-market earnings in its non-qualified deferred compensation plans.

| Name and Principal Position | Year | Salary ($) | Bonus ($)(1) | Stock Awards ($)(2) | Option Awards ($)(3) | Non-Equity Incentive Plan Compensation ($)(4) | All Other Compensation ($)(5) | Total ($) |
|---|---|---|---|---|---|---|---|---|