

OneBeacon Insurance Group, Ltd.  
Form DEF 14A  
April 10, 2015  
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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  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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  - (3) Filing Party:
  - (4) Date Filed:



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**Notice of 2015**

**Annual General Meeting**

**of Members and**

**Proxy Statement**



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**ONEBEACON INSURANCE GROUP, LTD.**

**NOTICE OF 2015 ANNUAL GENERAL MEETING OF MEMBERS**

**TO BE HELD MAY 20, 2015**

April 10, 2015

Notice is hereby given that the 2015 Annual General Meeting of Members of OneBeacon Insurance Group, Ltd. will be held on Wednesday, May 20, 2015, at 12:00 noon Atlantic Time at Tucker's Point Hotel, 60 Tucker's Point Drive, Hamilton Parish, Bermuda. At this meeting, you will be asked to consider and vote upon the following proposals:

- 1) to elect three of the Company's directors to Class III with a term ending in 2018;
- 2) to authorize the election of the Board of Directors of Split Rock Insurance, Ltd.; and
- 3) to approve the appointment of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm for 2015.

The Company's audited financial statements for the year ended December 31, 2014, as approved by the Company's Board of Directors, will be presented at the Annual General Meeting.

Members who own common shares on the record date, which is March 26, 2015: (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 representatives 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 10, 2015, at the Company's registered office located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

Every person entitled to vote shares has the right to do so either in person or by a written proxy executed and filed with the Secretary. For your convenience, we offer three ways for members to vote by proxy in advance of the Annual General Meeting: by electronic completion of a proxy, by telephonic completion of a proxy, or, if a member requested a paper copy of these materials, by completing and mailing the proxy card in the

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postage-paid envelope provided. Instructions regarding these voting options are described in the Notice Regarding the Availability of Proxy Materials we mailed to all members and on the proxy card, if one was requested. We encourage all members to vote by proxy whether or not they expect to attend the meeting.

All members are invited to attend this meeting.

By Order of the Board of Directors,

*Sarah A. Kolar*  
Secretary

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

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OneBeacon Insurance Group, Ltd. (the Company) is an exempted Bermuda limited liability company that is publicly traded on the New York Stock Exchange under the symbol OB. The Company's underwriting companies offer a range of specialty insurance products sold through independent agencies, regional and national brokers, wholesalers and managing general agencies. Each business is managed by an experienced team of specialty insurance professionals focused on a specific customer group or industry segment, and providing distinct products and tailored coverages and services. OneBeacon's solutions target group accident; commercial surety; crop; content, technology and services liability; design professionals liability; entertainment, sports and leisure; environmental; excess property; financial services; healthcare professionals liability; management liability; ocean and inland marine; programs; public entities; technology; and tuition refund.

Our parent company, White Mountains Insurance Group, Ltd. (White Mountains), is a holding company whose businesses provide property and casualty insurance, reinsurance and certain other products. As of March 26, 2015, White Mountains, through various subsidiaries, beneficially owns all of the Company's issued and outstanding Class B shares, representing 96.8% of the voting power of our voting securities and 75.3% of our outstanding common shares.

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Our headquarters are located at 14 Wesley Street, 5th Floor, Hamilton HM 11, Bermuda. Our U.S. corporate headquarters are located at 601 Carlson Parkway, Minnetonka, Minnesota 55305. Our registered office is located at 2 Church Street, Hamilton HM 11, Bermuda.

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**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 2015 Annual General Meeting of Members (the 2015 Annual Meeting), to be held on Wednesday, May 20, 2015, at Tucker's Point Hotel, 60 Tucker's Point Drive, Hamilton Parish, Bermuda. The solicitation of proxies will be made primarily by mail, and the Proxy Statement and related proxy materials (including the Company's Annual Report on Form 10-K for 2014) will be made available to members of record on or about April 10, 2015. The Company is bearing the cost of solicitation.

**Members Entitled to Vote at the 2015 Annual Meeting**

Holders of the Company's common shares, par value \$0.01 per share, as of the close of business on March 26, 2015, the record date, are entitled to vote at the meeting. This includes shares for which you are the member of record, those for which you are the beneficial owner held in street name, and shares credited to your account in the Company's 401(k) plan. On the record date, there were 95,258,786 common shares outstanding and eligible to vote, 23,504,048 of which were Class A common shares (Class A shares), and 71,754,738 of which were Class B common shares (Class B shares).

- You are the member of record if your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services. If you are the member of record, we have made these proxy materials available to you directly and you may grant your voting proxy directly to us or vote in person at the meeting.
- You hold your shares in street name if your shares are held in a stock brokerage account or by another person, as nominee, on your behalf. If you hold shares in street name, your broker or nominee is making these proxy materials available to you and will provide you a voting instruction card to use. You must use this voting card or follow its instructions regarding voting by proxy on the Internet or by telephone to instruct your broker or nominee as to how you would like to vote your shares. Voting instructions and deadlines vary by institution. You are invited to attend the meeting but may not vote your shares in person at the meeting unless you receive a proxy from your broker or nominee.
- If you hold shares through the Company's 401(k) plan, we have made these proxy materials available to you directly. You may vote by Internet or telephone.

If you hold your shares in street name, NYSE rules provide that your broker or nominee may only vote on your behalf without specific voting instructions from you on routine matters, such as the appointment of the Company's independent registered public accounting firm (Proposal 3). The election of directors proposals are considered non-routine matters, and your broker or nominee will therefore be unable to vote on your behalf on these matters unless you provide specific voting instructions by way of the voting instruction card your broker or nominee provides you. If you do not instruct your broker or nominee on Proposals 1 and 2 (referred to as a broker non-vote), your vote will be considered as



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present for quorum purposes but not included in the number of votes cast for these ballot items and will have no effect on the voting for these items. If you abstain, your vote will have the effect of a vote against the ballot items. Should any matter not described in this Proxy Statement be acted upon at the meeting, the persons named in the proxy card will vote in accordance with their judgment. The Board knows of no other matters which are to be considered at the 2015 Annual Meeting.

If you hold your shares through the Company's 401(k) plan, you are considered a named fiduciary who may direct Vanguard Fiduciary Trust Company, the trustee of the Company's 401(k) plan, how to vote your shares. For shares which are not allocated to participant accounts or for shares for which no direction has been received, Vanguard will vote those shares in the same proportion as the shares for which direction has been received. Vanguard may, in exercising its fiduciary responsibility, disregard the direction on behalf of the unallocated shares and shares for which no direction was received and vote in its discretion where doing so would be consistent with the Employee Retirement Income Security Act.

### **Delivery of Proxy Materials**

Pursuant to Securities and Exchange Commission (SEC) rules, we are making our proxy materials, which include our Notice of the 2015 Annual Meeting, Proxy Statement and Annual Report on Form 10-K for 2014, available to you over the Internet at [www.proxyvote.com](http://www.proxyvote.com) instead of mailing you a printed set of the proxy materials. You will need your 12-digit Control Identification Number, provided with the Notice Regarding the Availability of Proxy Materials, to access the proxy materials. In accordance with the e-proxy process, we mailed to each of our members of record as of the close of business on March 26, 2015, a Notice Regarding the Availability of Proxy Materials, which mailing commenced on or about April 10, 2015. The Notice Regarding the Availability of

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Proxy Materials contains instructions on how you may access our proxy materials and vote your shares by proxy over the Internet or by telephone. If you would like to receive a printed copy of our proxy materials from us instead of downloading them from the Internet, please follow the instructions included with the Notice Regarding the Availability of Proxy Materials.

**How to Vote**

Every person entitled to vote shares has the right to do so either in person or by a written proxy executed and filed with the Secretary. Please refer to **Members Entitled to Vote at the 2015 Annual Meeting** above to determine whether you are the member of record of your shares or if you are the beneficial owner holding them in street name. For your convenience, we offer three ways for members to vote by proxy in advance of the 2015 Annual Meeting which are summarized below.

- **By Proxy Over the Internet or by Telephone.** The Internet and telephone voting procedures we established for members of record and members who hold shares through our 401(k) plan to vote by proxy are designed to authenticate your identity, allow you to give your voting instructions and confirm that these instructions have been properly recorded. If you are a member of record or hold shares through our 401(k) plan, follow the voting instructions set forth on the Notice Regarding the Availability of Proxy Materials to vote by proxy over the Internet or telephone. For members of record, the deadline for Internet and telephone voting by proxy ends at 11:59 p.m. Atlantic Time (10:59 p.m. Eastern Time) on May 19, 2015. For members who hold shares through our 401(k) plan, the deadline for Internet and telephone voting by proxy ends at 11:00 a.m. Atlantic Time (10:00 a.m. Eastern Time) on May 18, 2015. The availability of Internet and telephone voting for beneficial owners will depend on the voting processes of your broker or nominee. Please follow those instructions closely.
- **Proxy Card.** If you are a member of record and request that a printed copy of the proxy materials be sent to you, you will receive a proxy card with a postage-paid envelope. Complete, sign (exactly as your name appears on your proxy card) and date the card and return it in the envelope. If you are a member of record and return your signed proxy card without indicating your voting preferences, the persons named in the proxy card will vote FOR the election of the Class III directors, FOR authorization of the election of the directors of Split Rock Insurance, Ltd. by its Member, and FOR the approval of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2015. Beneficial owners who hold their shares in street name may vote their shares by providing voting instructions to their broker or nominee before the meeting.
- **In Person at the 2015 Annual Meeting.** All members may vote in person at the meeting. If you hold your shares in street name, you must obtain a legal proxy from your broker or nominee and present it to the inspector of election with your ballot to vote at the meeting.

We encourage you to vote by proxy over the Internet or telephone or by proxy card in advance of the meeting, even if you plan to attend the meeting. If you received more than one Notice Regarding the Availability of Proxy Materials, you hold shares registered in more than one name. Please vote all shares for which you received a Notice Regarding the Availability of Proxy Materials so that you can ensure that all of your shares are represented at the meeting.

**Changing Your Vote**

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You may change your vote and revoke your proxy prior to the vote at the 2015 Annual Meeting. If you are a member of record or hold shares through our 401(k) plan, you may change your vote in any of the following ways:

- sending a written statement revoking your proxy to our corporate secretary at: Secretary, OneBeacon Insurance Group, Ltd., 14 Wesley Street, 5th floor, Hamilton HM 11, Bermuda. If you are a member of record, we must receive your written statement by May 19, 2015 for it to be effective in revoking your proxy. If you hold shares through our 401(k) plan, we must receive your written statement by May 17, 2015 for it to be effective in revoking your proxy;
- submitting a new, proper proxy by Internet, telephone or proxy card after the date of the revoked proxy, but no later than 11:59 p.m. Atlantic Time (10:59 p.m. Eastern Time) on May 19, 2015 for members of record, and 11:00 a.m. Atlantic Time (10:00 a.m. Eastern Time) on May 18, 2015 for members who hold shares through our 401(k) plan; or
- attending the meeting and voting in person.

If you hold your shares in street name, you may change your vote by submitting new voting instructions to your broker or nominee by the deadline your broker or nominee has set for changing voting instructions.

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**Votes Required for Approval**

With respect to the election of directors, the nominees receiving the highest number of votes, up to the number of directors to be elected, shall be deemed elected. The other proposals require the affirmative vote of a majority of the voting power held by holders of common shares present at the 2015 Annual Meeting, in person or by proxy, provided a quorum is present. Members do not have cumulative voting rights.

Table of Contents**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 2015 Annual Meeting, Raymond Barrette, Reid T. Campbell and Morgan W. Davis are nominated to be elected as Class III directors with a term ending in 2018.

The nominees, together with the other members of the Board, are listed below, along with their biographies and qualifications to serve as directors of our Board.

**Director Qualifications and Board Diversity**

The Nominating and Governance Committee is responsible for identifying and evaluating director candidates and recommending them to the Board for nomination and election by members. In performing this role, the Nominating and Governance Committee does not set specific criteria for directors nor does it have a formal diversity policy. The Committee is responsible for determining desired Board skills and attributes at any given time based upon the needs of the Company, the Board and the standing committees of the Board. All directors must possess the attributes of integrity, strong leadership, sound judgment, excellent decision making skills and a willingness to work as an integral part of a team. All directors must be willing to devote adequate time and effort to Board responsibilities. In addition, the Nominating and Governance Committee may consider qualifications such as independence, expertise and breadth of experience in a variety of areas including finance, leadership, risk management, legal and regulatory compliance, and the insurance industry. The Nominating and Governance Committee may consider any other factor, skill, qualification or attribute it deems relevant as it determines the best mix of characteristics for the members of the Board at any given time. The Board believes that having directors with a combination of these skills and experience ensures that the Board and the Company are operating effectively.

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

<b>Director</b>	<b>Age</b>	<b>Director Since</b>
<b><i>Class I Directors Term ending in 2016</i></b>		
Lois W. Grady	70	2006
T. Michael Miller	56	2006
Lowndes A. Smith	75	2006
Kent D. Urness	66	2007
<b><i>Class II Directors Term ending in 2017</i></b>		
David T. Foy	48	2006
Ira H. Malis	55	2007
Patrick A. Thiele	64	2014
<b><i>Class III Nominees Term ending in 2018*</i></b>		
Raymond Barrette	64	2007
Reid T. Campbell	47	2006

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\*Nominees to be elected at the 2015 Annual Meeting.

**The Board recommends a vote FOR Proposal 1, which calls for the election of the 2015 nominees.**

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The following information presents the principal occupation, business experience and other affiliations of the directors.

*Class I Directors Term Ending in 2016*

**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., in 2004. 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, Inc. from 1998-2002. Ms. Grady also serves on the Board of Directors of Symetra Financial Corporation where she chairs the Compensation Committee.

Ms. Grady possesses extensive experience in the insurance and financial service industries having served as a member of the senior management team at Hartford Life. While at Hartford Life, Ms. Grady gained broad experience in the areas of technology, systems, strategy, mergers and acquisitions, financial reporting, expense management, risk management and legal and regulatory compliance.

**T. Michael Miller** has been a director of the Company since August 2006, and he has served as President and Chief Executive Officer of the Company since October 2006. Mr. Miller joined the Company in April 2005 to assume responsibility for the Company's insurance operations. Throughout his tenure at the Company, Mr. Miller has also held various chief executive positions with OneBeacon companies. Mr. Miller's experience prior to joining OneBeacon includes 10 years at St. Paul Travelers, most recently as Co-Chief Operating Officer, and 14 years with The Chubb Corporation.

Mr. Miller possesses over 30 years of experience in the insurance industry. He is the Chief Executive Officer of the Company and thus has extensive experience and detailed knowledge of all aspects of the business and operations of the Company, including the Company's strategy, management, risk profile and financial issues.

**Lowndes A. Smith** has been Chairman of the Board of the Company since October 2006. Mr. Smith has served as Managing Partner of Whittington Gray Associates since 2001. Mr. Smith formerly served as Vice Chairman of The Hartford Financial Services Group, Inc. and President and Chief Executive Officer of Hartford Life Insurance Company until 2001. He joined The Hartford in 1968. From 1989 until September 2014, he co-chaired the Investment Committee of The Hartford's mutual funds and served as a director of 84 investment companies in the mutual funds of The Hartford. Mr. Smith is also a director, the Chair of the Audit Committee and serves on the Compensation Committee of the Board of Directors of White Mountains and also serves as the Chairman of the Board of Directors of Symetra Financial Corporation where he also serves on the Audit, Compensation and Nominating & Governance Committees.

Mr. Smith possesses more than 40 years of experience in the property and casualty and life insurance industries and has broad management, financial and board experience. He has extensive financial reporting, accounting, management, risk management, mergers and acquisitions and investor relations experience.

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**Kent D. Urness** has been a director of the Company since February 2007. From 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 Lloyd's. 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.

Mr. Urness possesses more than 40 years of experience in the insurance industry having worked for 34 years in management and executive positions at The St. Paul Companies and St. Paul Travelers. He has extensive experience in management, insurance operations, underwriting, technology, systems, financial reporting, regulatory compliance and internal controls, among other things.



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*Class II Directors Term Ending in 2017*

**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., a subsidiary of The Hartford Financial Services Group, Inc. Prior to joining Hartford Life in 1993, Mr. Foy was with Milliman and Robertson, an actuarial consulting firm. Mr. Foy also serves on the Board of Directors of Symetra Financial Corporation where he chairs the Finance Committee.

Mr. Foy possesses extensive financial reporting and insurance industry experience having served as Chief Financial Officer of White Mountains and Hartford Life. Mr. Foy is also an actuary. Because Mr. Foy is Chief Financial Officer of White Mountains, he has extensive and detailed knowledge of the Company's operations, management, financial reporting, underwriting, reserves, investor relations, rating agency relationships, mergers and acquisitions, capital and business, among other things.

**Ira H. Malis** has been a director of the Company since August 2007. Prior to his retirement in June of 2013, Mr. Malis had served as a Managing Director of Equity Capital Markets at Stifel Nicolaus since November 2007. He was formerly Senior Vice President of Legg Mason Capital Management from 2004 to August 2007. From 2000 to 2004, he served as Sell-Side Director of Research at Legg Mason Wood Walker. Prior to that, he held research analyst and consultant positions at various investment firms from 1983-2000.

Mr. Malis possesses extensive knowledge of the property and casualty insurance industry having worked as an analyst at investment companies and banks for over 20 years. He has broad experience in and knowledge of accounting, financial reporting, capital management, investor relations and ratings agencies as well as the property and casualty insurance industry generally. He also has a detailed understanding of investment portfolios, strategies and performance as well as the financial markets generally.

**Patrick A. Thiele** has been a director of the Company since February 2014. Mr. Thiele served as Chief Executive Officer of PartnerRe Ltd. from 2000 until his retirement in 2010. In February 2015, Mr. Thiele joined the boards of the investment companies in the Mairs and Power family of mutual funds. He previously held executive roles at CGU (now Aviva) and at The St. Paul Companies, where he spent the first 20 years of his insurance career. At The St. Paul, Mr. Thiele assumed a broad range of responsibilities, culminating in his appointment as its Chief Executive Officer of Worldwide Insurance Operations. Mr. Thiele began his career in 1975, working as a securities analyst with the National Bank of Detroit.

Mr. Thiele possesses more than 30 years of experience in the property and casualty insurance industry, having served in management and executive positions for much of his career. He has expertise in management, insurance operations, underwriting, investment management, technology, systems, financial reporting, regulatory compliance, internal controls and risk management, among other things.

*Class III Nominees Term Ending in 2018*

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**Raymond Barrette** has been a director of the Company since August 2007. Since January 2007, Mr. Barrette has been Chairman and Chief Executive Officer of White Mountains. He served as a director of White Mountains from 2000 to 2005 and was re-appointed as a director in August 2006. He previously served as President and Chief Executive Officer of White Mountains from 2003 to 2005, as Chief Executive Officer of OneBeacon Insurance Company from 2001 to 2002, as President of White Mountains from 2000 to 2001 and as Executive Vice President and Chief Financial Officer of White Mountains from 1997 to 2000. Prior to joining White Mountains in 1997, Mr. Barrette had 23 years of experience in the insurance business, mostly at Fireman's Fund Insurance Company. Mr. Barrette also served as a director of Montpelier Re Holdings, Ltd. from 2001 to 2007.

Mr. Barrette possesses broad management, financial and operational experience having worked in the property and casualty insurance industry for over 35 years. In his current position as the Chairman and Chief Executive Officer of White Mountains, he has extensive and detailed knowledge and information regarding the business, operations, financial reporting, capital, underwriting and other aspects of the Company. He is also an actuary.

**Reid T. Campbell** has been a director of the Company since October 2006. Mr. Campbell has served as a Managing Director of White Mountains Capital, Inc. since January 2004 and became President of White Mountains Advisors, LLC in January 2015. He joined White Mountains in 1994 and has served in a variety of financial management positions with White Mountains and its subsidiaries. Prior to joining White Mountains, Mr. Campbell spent three years with KPMG LLP.

Mr. Campbell possesses extensive financial management, reporting and accounting expertise having served in a variety of financial management positions at White Mountains and a public accounting firm. In his current position as Managing Director of

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White Mountains Capital, Inc., he has detailed and extensive knowledge and information regarding the business, operations, financial reporting, accounting, financial management, capital management, rating agency relationships and other aspects of the Company.

**Morgan W. Davis** has been a director of the Company since October 2006. Mr. Davis served as the President and a director of American Centennial Insurance Company, formerly a wholly-owned subsidiary of White Mountains, from October 1999 to October 2008. He formerly was a Managing Director at OneBeacon Insurance Group LLC from 2001 to 2005. From 1994 to 2001, he served in a variety of capacities with White Mountains. Prior to 1994, Mr. Davis was with Fireman's Fund Insurance Company for seven years and INA/Cigna for ten years. He is also a director, Deputy Chairman of the Board and Chair of the Compensation Committee of White Mountains, and a director of Comparenow.com, QuoteLab, LLC, Valen Technology, and Montpelier Re Holdings, Ltd., where he serves as Chairman of the Compensation and Nominating Committee.

Mr. Davis possesses broad industry, management, operational and board experience having worked in the property and casualty insurance industry for almost 40 years. He has served on the boards of more than a dozen insurance companies, and has held executive and management positions at four large insurance companies.

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**CORPORATE GOVERNANCE**

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 2014. The Company's Corporate Governance Guidelines and Code of Business Conduct are available at [www.onebeacon.com](http://www.onebeacon.com) and in print, free of charge, to any member who requests a copy.

As described in more detail under the heading "Voting Securities and the Principal Holders Thereof," White Mountains, through various subsidiaries, beneficially owns all of the Company's issued and outstanding Class B shares, representing 96.8% of the voting power of our voting securities and 75.3% of our outstanding common shares as of the record date. As a result, we rely upon the controlled company exemption under New York Stock Exchange Corporate Governance Standards ("NYSE Standards") with respect to our Board and committee composition. Pursuant to this exemption, we are not required to comply with the rules that require that our Board be comprised of a majority of independent directors as defined by the NYSE Standards. Our Board currently consists of 10 persons, 6 of whom are independent as defined under the NYSE Standards, and 4 of whom are current or former employees or officers of White Mountains or the Company.

The Board has determined that each of Ms. Grady and Messrs. Davis, Malis, Smith, Thiele and Urness are independent in accordance with NYSE Standards. 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 member 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 members) between Ms. Grady and Messrs. Davis, Malis, Smith, Thiele and Urness and the Company or White Mountains. The Board notes relationships with the other members of the Board, including Richard Howard, who resigned as a director effective December 31, 2014, as disclosed 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.

At least once per year, and more often if needed, the non-management directors meet in executive session without Company management present. Mr. Smith, the Chairman of the Board, 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 under "Communication with the Board."

**The Board and its Leadership Structure**

The primary responsibility of the Board is to oversee and review management's performance in order to advance the long-term interests of the Company and its members. 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.

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In fulfilling their responsibilities, directors must exercise common sense business judgment and act in what they reasonably believe to be in the best interests of the Company. Directors are entitled to rely on the honesty and integrity of senior management and the Company's outside advisors and auditors, provided that the directors adequately monitor the delegates and satisfy themselves that the delegates have the requisite skills to discharge the functions delegated to them.

The Chairman and Deputy Chairman of the Board are selected by the Board from among its members. The Board has no established policy with respect to combining or separating the offices of Chairman and Chief Executive Officer. This decision is made based on the Company's best interests at any given point in time.

Mr. Smith serves as the independent Chairman of the Board, and Mr. Miller serves as Chief Executive Officer of the Company and Deputy Chairman of the Board. The Board believes it is appropriate to maintain this leadership structure.

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**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; (3) approve certain related or affiliated person transactions and review disclosures thereof; and (4) prepare the Report of the Audit Committee (which appears under Report of the Audit Committee ).

Even though we rely on the controlled company exemption under the NYSE Standards, we are required to have a fully independent audit committee. The Audit Committee is currently comprised of Mr. Urness (Chairman) and Messrs. Malis, Thiele and Smith. All four members of the Audit Committee qualify as audit committee financial experts, as defined in SEC rules, based upon their education, training and experience. The Board has determined that each member of the Audit Committee satisfies applicable requirements under the NYSE Standards as well as the separate audit committee independence standards set forth by the SEC.

The Audit Committee Charter, which outlines the duties and responsibilities of the Audit Committee, is available at [www.onebeacon.com](http://www.onebeacon.com) and in print, free of charge, to any member who requests a copy.

*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) review and discuss the Compensation Discussion and Analysis with management (which appears under Executive Compensation Compensation Discussion and Analysis ) and prepare the Compensation Committee Report (which appears under Executive Compensation Compensation Committee Report ). The Compensation Committee approves all compensation for executive officers and certain other executives who report directly to the Chief Executive Officer except for compensation approved by the Performance Compensation Subcommittee (the Subcommittee ). 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 or Subcommittee approval, and to administer approved programs for its non-executive officers and employees within the parameters of plan design and Committee direction. The Committee or the Subcommittee also approves all long-term equity and non-equity incentive compensation plan awards. The Compensation Committee Charter, which outlines the duties and responsibilities of the Compensation Committee, is available at [www.onebeacon.com](http://www.onebeacon.com) and in print, free of charge, to any member who requests a copy.

Since we rely on the controlled company exemption under the NYSE Standards, we are not required to have a fully independent compensation committee. The Compensation Committee is currently comprised of Mr. Smith (Chairman), Mr. Barrette, Ms. Grady and Mr. Urness. The Board has determined that Messrs. Smith and Urness and Ms. Grady satisfy independence criteria under the NYSE Standards.

*Compensation Committee Interlocks and Insider Participation.* No member of the Compensation Committee was an employee of the Company during 2014 or has served as an officer of the Company, and no member had any relationships required to be disclosed in the Proxy Statement.

***Performance Compensation Subcommittee***

The Performance Compensation Subcommittee is composed solely of independent directors (Messrs. Smith and Urness and Ms. Grady). The Compensation Committee has delegated to the Subcommittee the review and approval of: (1) awards under equity compensation plans of the Company for purposes of compliance with the short-swing exemption from Rule 16(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act ); and (2) performance-based compensation to ensure compliance as and when required with Section 162(m) ( Section 162(m) ) of the Internal Revenue Code of 1986, of the United States, as amended (the Code ), when deemed desirable.

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*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 for nomination and 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 NYSE Standards, 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 and Mr. Davis satisfy independence criteria under the NYSE 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](http://www.onebeacon.com) and in print, free of charge, to any member who requests a copy.

*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. There is no difference in the way in which the Committee evaluates potential nominees for director based upon the source of the recommendation. From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates. Director qualifications and board diversity are discussed under The Board of Directors Director Qualifications and Board Diversity.

*Consideration of Director Candidates Recommended by 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 under the heading Other Matters Contact Information in this Proxy Statement. 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 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 Bye-law 13 of 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: (1) the name and address of the Qualified Member who intends to make the nomination and of the person or persons to be nominated; (2) the class and number of shares that are owned beneficially and of record by the Qualified Member; (3) 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; (4) 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 required to elect the nominee or otherwise to solicit proxies from Qualified Members in support of such nomination; (5) a description of all



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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; (6) 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 (7) the consent of each such candidate to serve as a director of the Company if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

### *Executive Committee*

The primary purpose of the Executive Committee is to act on behalf of the full Board during intervals between regular meetings, with the exception of matters that, by applicable law or the Company's By-laws, may not be delegated. The Executive Committee is currently comprised of Mr. Miller (Chair), Mr. Foy and Mr. Smith.

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**Meetings of the Board and Board Committees; Annual General Meeting**

During 2014, the full Board met 4 times, the Audit Committee met 8 times, the Compensation Committee met 6 times, the Performance Compensation Subcommittee met 3 times, the Nominating and Governance Committee met 3 times and the Executive Committee did not meet. During 2015, Ms. Grady and each of Messrs. Miller, Smith, Urness, Howard, Malis, Thiele, Barrette and Davis attended at least 75% of the meetings of the Board and the meetings held by all committees of the Board on which he or she served. During 2015, Mr. Campbell and Mr. Foy did not attend at least 75% of the meetings of the Board and the meetings held by all of the committees of the Board on which they served. Mr. Campbell and Mr. Foy each attended 3 of the 4 Board meetings held during 2014, and 2 of the 3 meetings of the Nominating and Governance Committee held in 2014. Pursuant to the Company's Corporate Governance Guidelines, directors are expected to regularly attend the annual general meetings of members. Nine of the directors in office on May 21, 2014, the date of the 2014 Annual General meeting, attended the 2014 Annual General Meeting.

**Risk Oversight**

The Board believes that oversight of the Company's risk management efforts is the responsibility of the entire Board and the senior leadership. The subject of risk management is a recurring discussion topic at Board meetings, for which the Board receives regular updates, and comprehensive formal reports. At least annually, the Board receives a report regarding the efforts of the Company's Enterprise Risk Management Committee including a Company-wide risks report. In addition, in order to ensure that all areas of risk are adequately covered from a Board oversight perspective, senior management presents an overview of legal and regulatory compliance responsibility to the Audit Committee at least annually, which covers all areas of the Company's compliance efforts as well as the relevant Board or committee oversight responsibility. The Board or relevant committee receives regular updates as necessary or appropriate regarding changes in the law that impact the business and operations of the Company as well as the Company's regulatory compliance structure.

Additionally, the Board's committees are assigned oversight responsibility for particular areas of risk. For example, the Audit Committee oversees management of risks related to accounting, auditing and financial reporting, including the development, implementation and maintenance of appropriate internal controls over financial reporting as well as risks related to data security and privacy, among other areas. The Nominating and Governance Committee is responsible for the oversight of risks associated with committee assignments, director independence and conflicts of interest. From time to time as necessary or appropriate, the Nominating and Governance Committee receives a corporate governance update highlighting recent changes in the rules governing corporate governance disclosures as well as the impact on the Company and its disclosures. The Compensation Committee oversees risks related to executive compensation plans and implementation. All of these risks are discussed at committee meetings to which all Board members are invited as well as in the course of the regularly scheduled Board meetings.

*Compensation Risks Analysis:* The Company's management and Compensation Committee assess the structure of the Company's compensation policies and practices, including the design of its performance based compensation programs annually.

In connection with the establishment and granting of awards under the 2014 Management Incentive Plan and the 2014-2016 cycle of the long-term incentive plan, management undertook an analysis of the performance metrics proposed to be established under those plans. Management analyzed each plan generally as well as each performance goal under each plan, in conjunction with the business process or processes involved in attaining the performance goal. Management considered any mitigating factors, including internal controls designed to prevent fraud or manipulation of business processes and operations, in its evaluation. For example, there is both pricing and reserving risk inherent in the property and casualty insurance business. The Company has established disciplines and controls regarding pricing, including underwriting guidelines and internal controls that seek to prevent any deviation from or circumvention of the guidelines by one or more

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underwriters. With respect to reserving risk, the Company has appointed a Chief Actuary who independently sets, and PricewaterhouseCoopers LLP, the Company's independent accountant, which audits, the Company's reserves to ensure that they are adequate to support the Company's business.

Management presented its analysis to the Compensation Committee in February 2014. Based on the analysis, the Committee concluded that the Company's performance-based compensation plan, including the 2014 Management Incentive Plan and the 2014-2016 cycle of the long-term incentive plans and the performance measures of combined ratio and growth in book value used in those plans did not create risks that would be reasonably likely to have a material adverse effect on the Company.

### **Communication with the Board**

Members, employees and others interested in communicating directly with the Board, the Audit Committee or any non-management member of the Board may do so by following the instructions set forth on our website, [onebeacon.com](http://onebeacon.com).

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**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

**Voting Rights of Members**

As of the record date, there were 23,504,048 Class A shares outstanding and 71,754,738 Class B shares outstanding. Members of record of Class A shares shall be entitled to one vote per common share, provided that, if and so long as the votes conferred by Controlled Class A shares (as defined below) of any person, other than White Mountains, constitute more than 9.5% 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 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. Class B shares shall be entitled to ten votes for every Class B share.

In giving effect to the foregoing provisions, the reduction in the vote conferred by the Controlled Class A shares of any person shall be effected proportionately among all the Controlled Class A 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 Code, interests in another holder of our common shares, the reduction in votes conferred by Controlled Class A shares of such holder (determined solely on the basis of Controlled Class A shares held directly by such holder and Controlled Class A shares attributed from such other holder) shall first be effected by reducing the votes conferred on the Controlled Class A shares held directly by such holder and any remaining reduction in votes shall then be conferred proportionally among the Controlled Class A 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 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% of the voting power over the votes entitled to be cast, the excess of 100% of the voting power over the votes entitled to be cast shall be conferred on the Class A shares held by our holders proportionately, based on the number of Class A shares held by each holder; to the extent that doing so does not cause any person to be treated as owning Controlled Class A shares constituting more than 9.5% of the votes conferred by the outstanding common shares of OneBeacon.

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

- (1) all Class A shares directly, indirectly or constructively owned by such person within the meaning of Section 958 of the Code; and
- (2) all Class A shares directly, indirectly or constructively owned by any person or group of persons within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act) and the rules and regulations promulgated thereunder, unless the Board, by an affirmative vote of at least 75%, has exempted such person or group that includes any such person from being a holder of Controlled Class A shares under Section 13(d)(3).

Several subsidiaries of White Mountains are the members of record of all of the outstanding Class B shares, and they are entitled to ten votes for every Class B share. See Voting Securities and Principal Holders Thereof Principal Holders of Common Shares.



Table of Contents**Principal Holders of Common Shares**

To the knowledge of the Company, there was no person or entity beneficially owning more than 5% of either class of the common shares outstanding as of March 26, 2015, except as shown below. Except as noted all beneficial owners have sole voting and dispositive power with respect to the shares they hold.

<b>Name and Address of Beneficial Owner</b>	<b>Number of Common Shares Beneficially Owned</b>	<b>Percent of Class A</b>	<b>Percent of Class B</b>	<b>Percent of all Common Shares Outstanding</b>
White Mountains Insurance Group, Ltd. (1) 80 South Main Street Hanover, NH 03755	71,754,738		100.00%	75.33%
Vanguard Fiduciary Trust Company (2) 500 Admiral Nelson Blvd. Malvern, PA 19355	2,229,843	9.49%		2.34%
Wells Fargo & Company (3) 420 Montgomery Street San Francisco, CA 94104	1,940,815	8.26%		2.04%
Wellington Management Group LLP (4) c/o Wellington Management Company LLP 280 Congress Street Boston, MA 02210	1,810,928	7.70%		1.90%
T. Rowe Price Associates, Inc. (5) 100 E. Pratt Street Baltimore, MD 21202	1,604,235	6.83%		1.68%
Blackrock, Inc. (6) 55 East 52nd Street New York, NY 10022	1,386,161	5.91%		1.46%
The Vanguard Group (7) 100 Vanguard Blvd. Malvern, PA 19355	1,314,171	5.59%		1.38%
Boston Partners (8) One Beacon Street 30th Floor Boston, MA 02108	1,220,431	5.19%		1.28%
River Road Asset Management, LLC (9) 462 S. 4th Street - Suite 1600 Louisville, KY 40207	1,176,144	5.00%		1.23%

(1) Information as of December 31, 2013 is based on Schedule 13G Amendment No. 2 filed with the SEC on February 13, 2013. White Mountains is the beneficial owner of 71,754,738 Class B shares which it holds through various subsidiaries as follows: (a) Lone Tree Holdings Ltd. is the beneficial owner of 71,754,738 Class B shares, holding 57,327,289 Class B shares directly and 14,427,449 Class B shares indirectly through its subsidiaries; (b) Sirius Bermuda Insurance Company Ltd. (formerly Sirius International Financial Services Ltd.) is the beneficial owner of 14,427,449 Class B shares, holding 7,100,000 Class B shares directly and 7,327,449 Class B shares indirectly through its subsidiaries; (c) Sirius International Insurance Corporation is the beneficial owner of 7,327,449 Class B shares held indirectly through its subsidiaries; and (d) Sirius International Holdings (NL) B.V. is the beneficial owner of 7,327,449 Class B shares, holding 6,178,271 Class B shares directly and 1,149,178 Class B shares indirectly through its subsidiary. The White Mountains subsidiaries that hold Class B shares have shared voting and dispositive power over those shares.



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(2) Information as of December 31, 2014 is based on Schedule 13G Amendment No. 5 filed with the Securities and Exchange on February 4, 2015, by Vanguard Fiduciary Trust Company ( Vanguard ) as trustee of OneBeacon benefit plans. Vanguard has shared voting and shared dispositive power over 2,229,843 Class A shares on behalf of the plans.

(3) Information as of December 31, 2014 is based on Schedule 13G Amendment No. 3 filed with the SEC on February 5, 2015, by Wells Fargo & Company on behalf of itself and its subsidiaries. Wells Fargo & Company is the beneficial owner of 1,940,815 Class A shares, has sole voting power over 1,051 Class A shares, sole dispositive power over 1,051 Class A shares, shared voting power over 1,669,315 Class A shares and shared dispositive power over 1,939,764 Class A shares. Wells Capital Management Incorporated is the beneficial owner of 1,349,421 Class A shares, has shared voting power over 369,621 Class A shares and shared dispositive power over 1,349,421 Class A shares.

(4) Information as of December 31, 2014 is based on Schedule 13G filed with the SEC on February 12, 2015 by Wellington Management Group LLP ( Wellington ). Wellington is the beneficial owner of 1,810,928 Class A shares, has shared voting power over 1,523,195 Class A shares and shared dispositive power over 1,810,928 Class A shares.

(5) Information as of December 31, 2014, is based on Schedule 13G Amendment No. 8 filed with the SEC on February 10, 2015, by T. Rowe Price Associates Inc. ( T. Rowe Price ). T. Rowe Price is the beneficial owner of 1,604,235 Class A shares, has sole voting power over 318,535 Class A shares and sole dispositive power of 1,604,235 Class A shares. T. Rowe Price Mid-Cap Value Fund, Inc. is the beneficial owner of 1,274,100 Class A shares, has sole voting power over 1,274,100 Class A shares and no shared voting power or dispositive power over any Class A shares. The Class A shares are owned by various individual and institutional investors which T. Rowe Price serves as an investment adviser with power to direct investment and/or sole power to vote the securities. T. Rowe Price expressly disclaims beneficial ownership of the Class A shares.

(6) Information as of December 31, 2014, is based on Schedule 13G Amendment No. 2 filed with the SEC on February 2, 2015, by BlackRock, Inc. ( BlackRock ). BlackRock is the beneficial owner of 1,386,161 Class A shares, has sole voting power over 1,321,999 Class A shares, sole dispositive power over 1,386,161 Class A shares and no shared voting or dispositive power over any Class A shares.

(7) Information as of December 31, 2014 is based on Schedule 13G filed with the SEC on February 11, 2015 by the Vanguard Group. The Vanguard Group is the beneficial owner of 1,314,171 Class A shares, has sole voting power over 36,739 Class A shares, no shared voting power over any Class A shares, sole dispositive power over 1,278,832 and shared dispositive power over 35,339 Class A shares.

(8) Information as of December 31, 2014 is based on Schedule 13G filed with the SEC on February 11, 2015 by Boston Partners. Boston Partners is the beneficial owners of 1,220,431 Class A shares, has sole voting power over 1,189,613 Class A shares, no shared voting power over any Class A shares, sole dispositive power over 1,220,431 Class A shares and no shared dispositive power over any Class A shares.

(9) Information as of December 31, 2013, is based on Schedule 13G filed with the SEC on September 9, 2013, by River Road Asset Management, LLC ( River Road ). River Road has sole voting power over 796,759 Class A shares, sole dispositive power over 1,176,144 Class A shares and no shared voting or dispositive power over Class A shares.





Table of Contents**Beneficial Share Ownership of Directors and Executive Officers**

The following table sets forth, as of March 26, 2015, the beneficial ownership of either class of common shares by each director, named executive officer, and all directors and executive officers as a group.

Name of Beneficial Owner	Number of Common Shares Owned		
	Beneficially (1)	Percent of Class Beneficially Owned	Economically (2)
<b>Directors</b>			
Raymond Barrette (3)	71,754,738	100%	
Reid T. Campbell			
Morgan W. Davis	41,928	*	41,928
David T. Foy			
Lois W. Grady	25,870	*	25,870
Ira H. Malis	34,055	*	34,055
Patrick A. Thiele	22,146	*	22,146
Lowndes A. Smith	44,664	*	44,664
Kent D. Urness	35,320	*	35,320
<b>Named Executive Officers</b>			
T. Michael Miller	423,707	1.80%	654,971
Paul H. McDonough	16,813	*	64,430
Maureen A. Phillips	9,393	*	32,655
Dennis A. Crosby	46,460	*	91,137
Paul F. Romano	59,252	*	84,942
All directors and executive officers as a group (16 persons) (4)	72,546,677	76.16%	1,200,686

\*Denotes beneficial ownership of less than 1% of the issued and outstanding Class A shares.

(1) Beneficial ownership has been determined in accordance with Rule 13d-3(d)(1) of the Exchange Act. Except as indicated in footnote (3) with respect to Class B shares beneficially owned by White Mountains and footnote (4) with respect to shares held by all directors and executive officers as a group, all of the amounts shown are Class A common shares. Amounts shown include unvested restricted shares and shares held through the OneBeacon 401(k) Savings and Employee Stock Ownership Plan in which the executive officer is fully vested.

(2) Common shares shown as economically owned include: (a) common shares beneficially owned over which the holder has pecuniary interest; (b) target unearned performance share awards; (c) unvested restricted stock units and (d) unvested Class A shares in the OneBeacon 401(k) Savings and Employee Stock Ownership Plan.

(3) All of the Company's issued and outstanding Class B shares are beneficially owned by various subsidiaries of White Mountains, representing approximately 96.8% of the voting power of our voting securities and approximately 75.3% of our outstanding common shares. The White Mountains Board of Directors has delegated to Mr. Barrette the voting power over the Class B shares.

(4) Represents Class A and Class B shares owned beneficially and economically, as applicable, by directors and executive officers as a group.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

*Compensation Philosophy and Principles*

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

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

We believe our executive compensation program supports the Company's primary objective of maximizing value over long periods of time by utilizing a pay for performance program that closely aligns the financial interests of management with those of our owners. We accomplish this by emphasizing variable long-term compensation, the value of which is tied to performance over a number of years. To that end, the Compensation Committee, referred to as the Committee in this Compensation Discussion and Analysis, ( CD&A ) has established base salaries and target annual bonuses that tend to be lower than those paid by comparable property and casualty insurers.

Our executive compensation programs are designed to address four key principles:

*Competitiveness*

In order to execute our operating principles, 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 talented and experienced executives. We assess competitiveness relative to the market in terms of total compensation rather than by individual elements of compensation.

*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 are aligned, talented and motivated individuals excel.

*Alignment with Owner Interests*