UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended September 30, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-33128

ONEBEACON INSURANCE GROUP, LTD.

(Exact name of Registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	**98-0503315** (I.R.S. Employer Identification No.)
601 Carlson Parkway **Minnetonka, Minnesota** (Address of principal executive offices)	**55305** (Zip Code)

Registrant s telephone number, including area code: **(952) 852-2431**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated Filer x
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of October 28, 2011, 23,313,719 Class A common shares, par value of $0.01 per share, and 71,754,738 Class B common shares, par value of $0.01 per share, were outstanding.

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ONEBEACON INSURANCE GROUP, LTD.

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

ONEBEACON INSURANCE GROUP, LTD.

CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (Unaudited)	December 31, 2010
	(in millions, except share and per share amounts)	
Assets		
Investment Securities:		
Fixed maturity investments, at fair value	$ 2,019.3	$ 2,415.5
Short-term investments, at amortized cost	185.8	300.0
Common equity securities, at fair value	244.5	285.3
Convertible bonds, at fair value	80.9	93.8
Other investments	157.1	171.4
Total investments	2,687.6	3,266.0
Cash	63.0	33.6
Reinsurance recoverable on unpaid losses	2,239.1	1,893.2
Reinsurance recoverable on paid losses	13.7	44.5
Premiums receivable	243.7	275.0
Deferred acquisition costs	129.6	114.5
Ceded unearned premiums	11.5	113.9
Net deferred tax asset	122.2	101.2
Investment income accrued	13.3	19.4
Accounts receivable on unsettled investment sales	18.1	5.4
Other assets	260.3	300.0
Assets held for sale	123.2	
Total assets	$ 5,925.3	$ 6,166.7
Liabilities		
Loss and LAE reserves	$ 3,458.9	$ 3,295.5
Unearned premiums	559.4	627.5
Debt	269.7	419.6
Ceded reinsurance payable	24.3	149.3
Accounts payable on unsettled investment purchases	18.6	14.1
Other liabilities	381.8	411.8
Liabilities held for sale	98.2	
Total liabilities	4,810.9	4,917.8
OneBeacon s common shareholders equity and noncontrolling interests		
OneBeacon s common shareholders equity:		
Common shares and paid-in surplus (par value $0.01; authorized, 200,000,000 shares; issued and outstanding, 95,068,457 and 94,416,477 shares)	1,001.7	1,000.5
Retained earnings	97.9	228.2
Accumulated other comprehensive income, after tax:		

Other comprehensive income and loss items		0.6		0.3
Total OneBeacon s common shareholders equity		1,100.2		1,229.0
Total noncontrolling interests		14.2		19.9
Total OneBeacon s common shareholders equity and noncontrolling interests		1,114.4		1,248.9
Total liabilities, OneBeacon s common shareholders equity and noncontrolling interests	$	5,925.3	$	6,166.7

See Notes to Consolidated Financial Statements.

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ONEBEACON INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(Unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	($ in millions, except per share amounts)			
Revenues				
Earned premiums	$ 258.6	$ 293.6	$ 751.2	$ 1,134.7
Net investment income	16.1	21.6	55.8	74.9
Net realized and unrealized investment (losses) gains	(47.4)	51.6	(13.3)	79.6
Net other revenues (expenses)	0.1	12.7	(10.6)	1.9
Total revenues	227.4	379.5	783.1	1,291.1
Expenses				
Loss and LAE	146.6	155.2	414.9	719.3
Policy acquisition expenses	58.6	64.3	161.1	248.3
Other underwriting expenses	38.7	50.5	132.1	176.6
General and administrative expenses	2.5	2.1	7.4	9.4
Interest expense on debt	4.1	6.4	16.4	23.4
Total expenses	250.5	278.5	731.9	1,177.0
Pre-tax (loss) income from continuing operations	(23.1)	101.0	51.2	114.1
Income tax benefit (expense)	11.1	(9.6)	(3.0)	(11.7)
Net (loss) income from continuing operations	(12.0)	91.4	48.2	102.4
Loss from discontinued operations, net of tax	(2.5)	(3.8)	(4.4)	(5.4)
Loss from sale of discontinued operations, net of tax	(18.2)		(18.2)	
Net (loss) income including noncontrolling interests	(32.7)	87.6	25.6	97.0
Less: Net income attributable to noncontrolling interests	(0.2)	(0.8)	(1.1)	(1.6)
Net (loss) income attributable to OneBeacon s common shareholders	(32.9)	86.8	24.5	95.4
Change in other comprehensive income and loss items	0.2	(0.3)	0.3	(0.1)
Comprehensive (loss) income attributable to OneBeacon s common shareholders	$ (32.7)	$ 86.5	$ 24.8	$ 95.3
(Loss) earnings per share attributable to OneBeacon s common shareholders basic and diluted				
Net (loss) income from continuing operations per share	$ (0.13)	$ 0.97	$ 0.51	$ 1.08
Loss from discontinued operations, net of tax, per share	(0.03)	(0.04)	(0.05)	(0.06)
Loss from sale of discontinued operations, net of tax, per share	(0.19)		(0.19)	
Net (loss) income attributable to OneBeacon s common shareholders per share	(0.35)	0.92	0.26	1.01

Dividends declared and paid per OneBeacon s common share	$	0.21	$	2.71	$	1.63	$	3.13

See Notes to Consolidated Financial Statements.

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ONEBEACON INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS EQUITY

(Unaudited)

	OneBeacon s Common Shareholders Equity				
	Common shareholders equity	**Common shares and paid-in surplus**	**Retained earnings ($ in millions)**	**Accum. other comprehensive income, after tax**	**Noncontrolling interests, after tax**
Balances at January 1, 2011	$ 1,229.0	$ 1,000.5	$ 228.2	$ 0.3	$ 19.9
Net income	24.5		24.5		1.1
Amortization of restricted share and option awards	0.9	0.9			
Issuance of common shares	0.3	0.3			0.3
Repurchases and retirements of common shares					(1.3)
Dividends	(154.8)		(154.8)		(0.9)
Contributions					0.1
Distributions					(5.0)
Other comprehensive income, after tax	0.3			0.3	
Balances at September 30, 2011	$ 1,100.2	$ 1,001.7	$ 97.9	$ 0.6	$ 14.2

	OneBeacon s Common Shareholders Equity				
	Common shareholders equity	**Common shares and paid-in surplus**	**Retained earnings ($ in millions)**	**Accum. other comprehensive loss, after tax**	**Noncontrolling interests, after tax**
Balances at January 1, 2010	$ 1,429.0	$ 1,009.7	$ 425.5	$ (6.2)	$ 19.1
Net income	95.4		95.4		1.6
Amortization of option awards	0.7	0.7			
Issuance of common shares	0.4	0.4			0.3
Repurchases and retirements of common shares	(10.5)	(10.5)			
Dividends	(295.8)		(295.8)		(0.7)
Contributions					0.5
Distributions					(1.0)
Other comprehensive loss, after tax	(0.1)			(0.1)	
Balances at September 30, 2010	$ 1,219.1	$ 1,000.3	$ 225.1	$ (6.3)	$ 19.8

See Notes to Consolidated Financial Statements.

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ONEBEACON INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended September 30, 2011	2010
	($ in millions)	
Cash flows from operations:		
Net income including noncontrolling interests	$ 25.6	$ 97.0
Charges (credits) to reconcile net income to cash flows (used for) provided from operations:		
Net loss from discontinued operations	4.4	5.4
Net loss from sale of discontinued operations	18.2	
Net realized and unrealized investment losses (gains)	13.3	(79.6)
Net realized gain on Personal Lines Transaction		(8.5)
Net other realized losses	11.7	10.8
Deferred income tax (benefit) expense	(12.9)	53.4
Other operating items:		
Net change in loss and LAE reserves	231.6	(282.3)
Net change in unearned premiums	(31.2)	(57.4)
Net change in ceded reinsurance payable	(125.0)	167.2
Net change in ceded unearned premiums	102.4	(135.1)
Net change in premiums receivable	18.3	38.4
Net change in reinsurance recoverable on paid and unpaid losses	(315.1)	308.9
Net change in other assets and liabilities	(32.7)	(109.0)
Net cash (used for) provided from operations continuing operations	(91.4)	9.2
Net cash provided from operations discontinued operations	0.8	0.5
Net cash (used for) provided from operations	(90.6)	9.7
Cash flows from investing activities:		
Net maturities, purchases and sales of short-term investments	114.3	(444.6)
Maturities of fixed maturity investments	389.8	939.1
Sales of fixed maturity investments	1,113.2	794.6
Sales of common equity securities	89.7	42.7
Sales of convertible bonds	34.4	117.5
Distributions and redemptions of other investments	34.9	11.4
Purchases of fixed maturity investments	(1,210.1)	(1,007.1)
Purchases of common equity securities	(74.3)	(97.7)
Purchases of convertible bonds	(28.8)	(31.6)
Contributions for other investments	(9.8)	(45.8)
Proceeds from the Personal Lines Transaction		166.6
Net change in unsettled investment purchases and sales	(8.2)	56.8
Net acquisitions of property and equipment	(3.2)	(4.2)
Net cash provided from investing activities continuing operations	441.9	497.7
Net cash provided from investing activities discontinued operations		
Net cash provided from investing activities	441.9	497.7
Cash flows from financing activities:		
Repayment of debt		(14.0)
Repurchases of debt	(161.6)	(197.3)
Cash dividends paid to common shareholders	(154.8)	(295.8)
Repurchases and retirements of Class A common shares		(10.5)
Net cash used for financing activities continuing operations	(316.4)	(517.6)

Net cash used for financing activities discontinued operations				
Net cash used for financing activities		(316.4)		(517.6)
Net increase (decrease) in cash during period		34.9		(10.2)
Cash reclassified to assets held for sale		(5.5)		
Net increase (decrease) after reclassification of cash to assets held for sale		29.4		(10.2)
Cash balance at beginning of period		33.6		44.8
Cash balance at end of period	$	63.0	$	34.6
Supplemental cash flows information:				
Interest paid	$	12.5	$	18.1
Net tax (refunds from) payments to state and national governments		(3.8)		6.5

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Nature of Operations and Summary of Significant Accounting Policies

Basis of presentation

These interim consolidated financial statements include the accounts of OneBeacon Insurance Group, Ltd. (the Company or the Registrant) and its subsidiaries (collectively, OneBeacon) and have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company is an exempted Bermuda limited liability company. The OneBeacon operating companies are U.S.-based property and casualty insurance writers, most of which operate in a multi-company pool. OneBeacon offers a wide range of specialty insurance products and services through independent agencies, regional and national brokers, wholesalers and managing general agencies.

OneBeacon was acquired by White Mountains Insurance Group, Ltd. (White Mountains) from Aviva plc (Aviva) in 2001 (the OneBeacon Acquisition). White Mountains is a holding company whose businesses provide property and casualty insurance, reinsurance and certain other products. As of September 30, 2011, White Mountains owned 75.5% of the Company s common shares. Within this report, the term OneBeacon is used to refer to one or more entities within the consolidated organization, as the context requires. The Company s headquarters are located at 14 Wesley Street, 5th Floor, Hamilton HM 11, Bermuda. The Company s U.S. corporate headquarters are located at 601 Carlson Parkway, Minnetonka, Minnesota 55305 and its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

OneBeacon s reportable segments are Specialty Insurance Operations, Other Insurance Operations and Investing, Financing and Corporate Operations. The Specialty Insurance Operations segment is comprised of twelve underwriting units that are aggregated into three major underwriting units for financial reporting: Managing General Agency (MGA) Business, Specialty Industries and Specialty Products. OneBeacon s Other Insurance Operations segment, as further described below, now includes the results of the non-specialty commercial lines business and the traditional personal lines business, other run-off business and certain purchase accounting adjustments relating to the OneBeacon Acquisition. Investing, Financing and Corporate Operations includes the investing and financing activities for OneBeacon on a consolidated basis, and certain other activities conducted through the top holding company, OneBeacon Insurance Group, Ltd., and the intermediate subsidiaries which include OneBeacon U.S. Enterprises Holdings, Inc. and OneBeacon U.S. Holdings, Inc. (OBH), both U.S.-domiciled companies, as well as various intermediate holding companies domiciled in the United States, Gibraltar, Luxembourg and Bermuda.

On August 30, 2011, OneBeacon entered into a definitive agreement (the AutoOne Purchase Agreement) to sell its AutoOne Insurance (AutoOne) business to Interboro Holdings, Inc. (Interboro). See Note 2 and Note 15. Formed in 2001, the AutoOne division offers products and services to assigned risk markets primarily in New York and New Jersey. AutoOne had been included within the Other Insurance Operations segment, however, as a result of entering into the AutoOne Purchase Agreement, AutoOne has been presented as discontinued operations in the statements of operations with the prior periods reclassified to conform to the current presentation. The AutoOne disposal group excludes investing and financing activities from amounts classified as discontinued operations. OneBeacon s investing and financing operations are conducted on an overall consolidated level and accordingly, there are no separately identifiable investing or financing cash flows associated with AutoOne. Pursuant to the terms of the AutoOne Purchase Agreement, at closing the AOIC and AOSIC legal entities will hold an agreed upon level of invested assets and capital. The assets and liabilities associated with the AutoOne business as of September 30, 2011 have been presented in the balance sheet as held for sale sheet assuming the investing and financing steps required to effect the sale were completed as of the current balance sheet date. The prior year balance sheet has not been reclassified to conform to the current period s presentation because the assets and liabilities associated with AutoOne in the prior year would not provide a meaningful comparison to the assets and liabilities presented as held for sale at September 30, 2011.

Historically, OneBeacon has offered a range of specialty, commercial and personal products and services, however, in the wake of recent transactions OneBeacon is now focused exclusively on specialty business. On December 3, 2009, OneBeacon sold the renewal rights to its non-specialty commercial lines business and on July 1, 2010, OneBeacon completed the sale of its traditional personal lines business (Note 2). To better align OneBeacon s operating and reporting structure with its business profile as a result of the transactions, OneBeacon revised its segment structure into Specialty Insurance Operations, Other Insurance Operations and Investing, Financing and Corporate Operations, as described above. As part of the resegmentation, agency results for business written on OneBeacon paper for which OneBeacon has an ownership interest have been reclassified within the underwriting results. See Note 7.

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All significant intercompany transactions have been eliminated in consolidation. These interim financial statements include all adjustments, consisting of a normal recurring nature, considered necessary by management to fairly state the financial position, results of operations and cash flows of OneBeacon. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company s 2010 Annual Report on Form 10-K. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Refer to the Company s 2010 Annual Report on Form 10-K for a complete discussion regarding OneBeacon s significant accounting policies. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation.

Recently Issued Accounting Pronouncements

Policy Acquisition Costs

On October 13, 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*, codified within Accounting Standards Codification (ASC) 944. The new standard changes the types of policy acquisition costs that are eligible for deferral. Specifically, the new guidance limits deferrable costs to those that are incremental direct costs of contract acquisition and certain costs related to acquisition activities performed by the insurer, such as underwriting, policy issuance and processing, medical and inspection costs and sales force contract selling. ASU 2010-26 defines incremental direct costs as those costs that result directly from and were essential to the contract acquisition and would not have been incurred absent the acquisition. Accordingly, under the new guidance, deferrable acquisition costs are limited to costs related to successful contract acquisitions. Acquisition costs that are not eligible for deferral are to be charged to expense in the period incurred.

ASU 2010-26 is effective for interim periods and annual fiscal years beginning after December 15, 2011 and may be applied prospectively or retrospectively. OneBeacon is currently evaluating the effect the adoption of ASU 2010-26 will have on its financial position and results of operations.

Fair Value Measurements and Disclosures

On May 12, 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS* (ASC 820). ASU 2011-04 clarifies existing guidance with respect to the concepts of highest and best use and valuation premise and measuring instruments classified within a reporting entity s shareholders equity. ASU 2011-04 also clarifies disclosure requirements, requiring disclosure of quantitative information about unobservable inputs used in Level 3 fair value measurements. ASU 2011-04 also amends existing guidance. In circumstances where a reporting entity manages a portfolio of financial assets and liabilities based on the net market and counterparty credit risk exposures, ASU 2011-04 permits determination of the fair value of those instruments to be based on the net risk exposure. In addition, ASU 2011-04 permits the application of premiums or discounts to be applied in a fair value measurement to the extent that market participants would consider them in valuing the financial instruments. ASU 2011-04 also expands the required disclosures for Level 3 measurements, requiring that reporting entities provide a narrative description of the sensitivity of Level 3 fair value measurements to changes in unobservable inputs and the interrelationships between those inputs, if any. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. OneBeacon is currently evaluating the effect the adoption of ASU 2011-04 will have on its financial position and results of operations.

Comprehensive Income

On June 16, 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* (ASC 220). ASU 2011-05 requires presentation of the components of net income, the total of other comprehensive income and total comprehensive income to be presented on a single statement. The option of presenting other comprehensive income in the statement of changes in equity has been eliminated by ASU 2011-05. ASU 2011-05 is effective for fiscal years and interim periods within those fiscal years ending after December 15, 2011. OneBeacon already presents comprehensive income in accordance with the requirements of ASU 2011-05, so there will be no effect upon adoption.

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Goodwill Impairment

On September 15, 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment* (ASC 350). ASU 2011-08 amends the guidance that requires an entity to test goodwill for impairment on at least an annual basis using a two-step quantitative test. The new guidance permits an entity to first assess facts and circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the entity determines on the basis of this assessment that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performance of the two-step quantitative test is not required. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. OneBeacon expects that adoption of ASU 2011-08 will have no material effect on its financial position, results of operations or cash flows.

NOTE 2. Acquisitions and Dispositions

On August 30, 2011, OneBeacon entered into the AutoOne Purchase Agreement to sell the AutoOne business to Interboro (the AutoOne Transaction). Pursuant to the terms of the AutoOne Purchase Agreement, at closing OneBeacon will transfer to Interboro all of the issued and outstanding shares of common stock of AutoOne Insurance Company (AOIC) and AutoOne Select Insurance Company (AOSIC), through which substantially all of the AutoOne business is written on a direct basis. At closing, OneBeacon will also transfer the assets, liabilities (including loss reserves and unearned premiums) and equity capital of the business as well as substantially all of the AutoOne infrastructure including staff, systems and office space. The AutoOne Transaction also includes the execution of a reinsurance agreement with certain subsidiaries of the Company pursuant to which OneBeacon will cede, on a 100% quota share basis, AutoOne business not directly written by AOIC and AOSIC. The AutoOne Transaction is expected to close in the fourth quarter of 2011, subject to regulatory approvals. As a result of entering into the AutoOne Purchase Agreement, AutoOne is now reported as discontinued operations. See Note 15 for further information regarding discontinued operations. During the third quarter of 2011, OneBeacon recorded an after tax net charge of approximately $18.2 million reflecting the estimated loss on sale of the AutoOne business.

On July 1, 2010, OneBeacon completed the sale of its traditional personal lines business (the Personal Lines Transaction) to Tower Group, Inc. (Tower). The Personal Lines Transaction included two insurance companies, York Insurance Company of Maine (York) and Massachusetts Homeland Insurance Company (MHIC), through which the majority of the traditional personal lines business was written on a direct basis, two attorneys-in-fact managing the reciprocal insurance exchanges (reciprocals) that wrote the traditional personal lines business in New York and New Jersey, the surplus notes issued by the New York and New Jersey reciprocals and the remaining renewal rights to certain other traditional personal lines insurance policies. In addition, the Personal Lines Transaction included the execution of reinsurance agreements with certain subsidiaries of the Company pursuant to which OneBeacon cedes, on a 100% quota share basis, traditional personal lines business not directly written by York and MHIC and assumes, on a 100% quota share basis, non-traditional personal lines business written directly by York. For the nine months ended September 30, 2010, OneBeacon recorded a total after tax net gain on the sale of $24.6 million that is comprised of $8.5 million included in net other revenues and $16.1 million included in the tax provision. Included in OneBeacon s second quarter 2010 financial statements was $5.6 million of the tax benefit related to the difference between the tax basis of the companies sold as part of the Personal Lines Transaction and the net asset value of those entities under GAAP. OneBeacon s third quarter 2010 financial statements reflect the remaining $19.0 million of after tax net gain on the sale. During the second quarter of 2011, OneBeacon and Tower reached agreement on post-closing adjustments resulting in no material change to the $24.6 million after tax net gain on sale that OneBeacon had recorded during 2010.

As part of the Personal Lines Transaction, OneBeacon and Tower also entered into a Transition Services Agreement (TSA), pursuant to which OneBeacon is providing certain services to Tower during the three-year term of the TSA. Tower reimburses OneBeacon for all expenses incurred to provide these services. Reimbursement for these services is netted against the expense incurred. The Personal Lines Transaction did not meet the criteria for discontinued operations accounting because of significant continuing cash flows between OneBeacon and the business sold relating to TSA services and reinsurance activities.

Except as described above with respect to the sale of AutoOne, during the first nine months of 2011, there were no acquisitions or dispositions. Except as described above with respect to the Personal Lines Transaction, during the first nine months of 2010, there were no acquisitions or dispositions.

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NOTE 3. Reserves for Unpaid Loss and LAE

The following table summarizes the loss and LAE reserve activities of OneBeacon s insurance subsidiaries for the three and nine months ended September 30, 2011 and 2010:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	($ in millions)			
Gross beginning balance	$ 3,131.5	$ 3,609.2	$ 3,295.5	$ 3,934.8
Less beginning reinsurance recoverable on unpaid losses	(1,825.9)	(2,100.7)	(1,893.2)	(2,192.9)
Net loss and LAE reserves	1,305.6	1,508.5	1,402.3	1,741.9
Loss and LAE incurred relating to:				
Current year losses	156.4	173.0	439.9	761.4
Prior year losses	(9.8)	(17.8)	(25.0)	(42.1)
Total incurred loss and LAE from continuing operations	146.6	155.2	414.9	719.3
Loss and LAE paid relating to:				
Current year losses	(65.3)	(92.7)	(144.5)	(287.8)
Prior year losses	(108.5)	(121.4)	(384.7)	(478.6)
Total loss and LAE payments from continuing operations	(173.8)	(214.1)	(529.2)	(766.4)
Total incurred loss and LAE from discontinued operations	16.0	24.7	44.1	56.2
Total loss and LAE payments from discontinued operations	(16.6)	(23.4)	(54.3)	(69.1)
Net loss and LAE reserves	1,277.8	1,450.9	1,277.8	1,681.9
Net loss and LAE reserves reclassified (to) from held for sale (1)(2)	(58.0)	231.0	(58.0)	
Net loss and LAE reserves sold as part of the Personal Lines Transaction (2)		(231.0)		(231.0)
Net ending balance	1,219.8	1,450.9	1,219.8	1,450.9
Plus ending reinsurance recoverable on unpaid losses	2,239.1	1,939.3	2,239.1	1,939.3
Gross ending balance	$ 3,458.9	$ 3,390.2	$ 3,458.9	$ 3,390.2

(1) In the third quarter of 2011, $58.0 million of net loss and LAE reserves related to the AutoOne Transaction were reclassified to held for sale.

(2) In the second quarter of 2010, $231.0 million of net loss and LAE reserves related to the Personal Lines Transaction were reclassified to held for sale. The Personal Lines Transaction closed in July 2010.

During the three months ended September 30, 2011, OneBeacon experienced $9.8 million of favorable loss and LAE reserve development on prior accident year loss reserves, with $6.0 million in Specialty Insurance Operations and $3.8 million in Other Insurance Operations. The favorable loss reserve development was primarily due to lower than expected severity on non-catastrophe losses related to professional liability lines, multiple peril liability lines and other general liability lines. During the three months ended September 30, 2010, OneBeacon experienced $17.8 million of favorable loss and LAE reserve development on prior accident year loss reserves, with $7.4 million in Specialty Insurance Operations and $10.4 million in Other Insurance Operations. The favorable loss reserve development was primarily due to lower than expected severity on non-catastrophe losses related to professional liability lines, multiple peril liability lines and other general liability lines. During the three months ended September 30, 2010, AutoOne experienced $6.0 million in adverse loss reserve development which is included in discontinued operations.

During the nine months ended September 30, 2011, OneBeacon experienced $25.0 million of favorable loss and LAE reserve development on prior accident year loss reserves, with $14.3 million in Specialty Insurance Operations and $10.7 million in Other Insurance Operations. The favorable loss reserve development was primarily due to lower than expected severity on non-catastrophe losses related to professional liability lines, multiple peril liability lines and other general liability lines. During the nine months ended September 30, 2010, OneBeacon experienced $42.1 million of favorable loss and LAE reserve development on prior accident year loss reserves, with $18.3 million in Specialty Insurance Operations, $23.8 million in Other Insurance Operations. The favorable loss reserve development was primarily due to lower than expected severity on non-catastrophe losses related to professional liability lines, multiple peril liability lines and other general liability lines. The favorable development also included a one-time $6.5 million release of commercial and personal auto reserves associated with participation in an involuntary auto pool. During the nine months ended September 30, 2010, AutoOne experienced $6.0 million in adverse loss reserve development which is included in discontinued operations.

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In connection with purchase accounting for the OneBeacon Acquisition, OneBeacon was required to adjust to fair value the loss and LAE reserves and the related reinsurance recoverables on the balance sheets. The net reduction to loss and LAE reserves was accreted through an income statement charge ratably with and over the period the claims were settled. As of both September 30, 2011 and December 31, 2010, the outstanding pre-tax unaccreted adjustment was $0.

NOTE 4. Reinsurance

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

Effective May 1, 2011, OneBeacon renewed its property catastrophe reinsurance program through April 30, 2012. The program provides coverage for OneBeacon s property business as well as certain acts of terrorism. Under the program, the first $50.0 million of losses resulting from any single catastrophe are retained and the next $175.0 million of losses resulting from the catastrophe are reinsured in three layers, although OneBeacon retains a co-participation (26% of losses in excess of $50.0 million up to $100.0 million and 10% of losses in excess of $100.0 million up to $175.0 million). Any loss above $225.0 million would be retained in full. In the event of a catastrophe, OneBeacon s property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.

OneBeacon had entered into a 30% quota share agreement with a group of reinsurers that ran from January 1, 2009 through December 31, 2009, and had renewed the agreement effective January 1, 2010. Through June 30, 2010, OneBeacon ceded $25.6 million of written premiums from its Northeast homeowners business written through OneBeacon Insurance Company (OBIC) and its subsidiary companies, along with Adirondack Insurance Exchange (Adirondack Insurance) and New Jersey Skylands Insurance Agency (NJSIA) in New York and New Jersey, respectively. Effective July 1, 2010, the closing date of the Personal Lines Transaction, the agreement was amended to remove OneBeacon as a signatory.

At September 30, 2011, OneBeacon had $13.7 million of reinsurance recoverables on paid losses and $2,405.7 million (gross of $166.6 million in purchase accounting adjustments, as described in Note 3) that will become recoverable if claims are paid in accordance with current reserve estimates. Reinsurance contracts do not relieve OneBeacon of its obligations. Therefore, collectibility of balances due from its reinsurers is critical to OneBeacon s financial strength. OneBeacon is selective in regard to its reinsurers, principally placing reinsurance with those reinsurers with strong financial condition, industry ratings and underwriting ability. Management monitors the financial condition and ratings of its reinsurers on an ongoing basis. As a result, uncollectible amounts have historically not been significant.

The following table provides a listing of OneBeacon s top reinsurers for its insurance operations, excluding industry pools and associations and affiliates of OneBeacon, based upon recoverable amounts, the percentage of total reinsurance recoverables and the reinsurers A.M. Best Company, Inc. (A.M. Best) ratings.

($ in millions)	**Balance at September 30, 2011**	**% of total**	**A.M. Best Rating (1)**
	$ 1,565.2	65%	A++

National Indemnity Company and General Reinsurance Corporation (2)			
Hanover Insurance Company	110.1	5%	A
Tokio Marine and Nichido Fire (3)	55.8	2%	A++
Tower Insurance Company	53.7	2%	A-
Munich Reinsurance America	31.5	1%	A+

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

(2) Includes $198.3 million of Third Party Recoverables (as defined below), which NICO (as defined below) would pay under the terms of the NICO Cover (as defined below) if they are unable to collect from third party reinsurers.

(3) Includes $29.3 million of reinsurance recoverables from various reinsurers that are guaranteed by Tokio Marine and Nichido Fire under the terms of a 100% quota share reinsurance agreement between Houston General Insurance Company and Tokio Marine and Nichido Fire.

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In connection with the OneBeacon Acquisition, Aviva caused OneBeacon to purchase two reinsurance contracts from subsidiaries of Berkshire Hathaway Inc.: a reinsurance contract with National Indemnity Company (NICO) for up to $2.5 billion in old asbestos and environmental (A&E) claims and certain other exposures (the NICO Cover) and an adverse loss reserve development cover from General Reinsurance Corporation (GRC) for up to $570.0 million, comprised of $400.0 million of adverse loss reserve development occurring in years 2000 and prior (the GRC Cover) in addition to $170.0 million of reserves ceded as of the date of the OneBeacon Acquisition. The NICO Cover and GRC Cover, which were contingent on and occurred contemporaneously with the OneBeacon Acquisition, were put in place in lieu of a seller guarantee of loss and LAE reserves and are therefore accounted for under GAAP as a seller guarantee.

In September 2011, OneBeacon completed a study of its legacy A&E exposures. The previous study was based on experience through 2007. Reasonable estimates of potential adverse scenarios continue to be within the $2.5 billion reinsurance cover issued by NICO. Based on the results of the study, OneBeacon increased the point estimate of incurred losses ceded to NICO from $2.2 billion to $2.3 billion, an increase of $121.9 million, net of underlying reinsurance. Due to the NICO Cover, there was no impact to income or equity from the change in the estimate. See Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations specifically *Asbestos and Environmental Exposures* in the Other Insurance Operations segment discussion for a detailed discussion of the results of this study.

Under the terms of the NICO Cover, NICO receives the economic benefit of reinsurance recoverables from certain of OneBeacon s third party reinsurers (Third Party Reinsurers) in existence at the time the NICO Cover was executed (Third Party Recoverables). As a result, the Third Party Recoverables serve to protect the $2.5 billion limit of NICO coverage for the benefit of OneBeacon. OneBeacon estimates that on an incurred basis it has used approximately $2.3 billion of the coverage provided by NICO at September 30, 2011. Since entering into the NICO Cover, approximately 8% of the $2.3 billion of utilized coverage relates to uncollectible Third Party Recoverables and settlements on Third Party Recoverables through September 30, 2011. Net losses paid totaled approximately $1.4 billion as of September 30, 2011. To the extent that actual experience differs from OneBeacon s estimate of ultimate A&E losses and Third Party Recoverables, future losses could exceed the $198.3 million of protection remaining under the NICO Cover at September 30, 2011.

Pursuant to the GRC Cover, OneBeacon is not entitled to recover losses to the full contract limit if such losses are reimbursed by GRC more quickly than anticipated at the time the contract was signed. OneBeacon intends to seek reimbursement from GRC only for claims which result in payment patterns similar to those supporting its recoverables recorded pursuant to the GRC Cover. The economic cost of not submitting certain other eligible claims to GRC is primarily the investment spread between the rate credited by GRC and the rate achieved by OneBeacon on its own investments. This cost, if any, is expected to be nominal. During the three and nine months ended September 30, 2011, $13.6 million and $60.7 million, respectively, was collected under the GRC Cover. During the three and nine months ended September 30, 2010, $61.3 million was collected under the GRC Cover.

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NOTE 5. Investment Securities

OneBeacon s invested assets are comprised of securities and other investments held for general investment purposes. Refer to the Company s 2010 Annual Report on Form 10-K for a complete discussion.

In accordance with ASC 825, OneBeacon classifies its portfolio of fixed maturity investments and common equity securities, including convertible bonds, held for general investment purposes as trading securities. Trading securities are reported at fair value as of the balance sheet date as determined by quoted market prices when available. Realized and unrealized investment gains and losses on trading securities are reported in net realized and unrealized investment gains and losses in revenues on a pre-tax basis.

Short-term investments consist of money market funds, certificates of deposit and other securities which, at the time of purchase, mature or become available for use within one year. Short-term investments are carried at amortized cost, which approximated fair value as of September 30, 2011 and December 31, 2010.

Other investments primarily include hedge funds and private equity funds. OneBeacon measures its investments in hedge funds and private equity funds at fair value with changes therein reported in net realized and unrealized investment gains and losses in revenues on a pre-tax basis. Other investments also includes an investment in a community reinvestment vehicle which is accounted for at fair value and a tax advantaged federal affordable housing development fund which OneBeacon accounts for under the equity method.

OneBeacon s net investment income is comprised primarily of interest income associated with OneBeacon s fixed maturity investments, dividend income from its equity investments and interest income from its short-term investments. Net investment income for the three and nine months ended September 30, 2011 and 2010 consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	($ in millions)			
Investment income:				
Fixed maturity investments	$ 15.4	$ 21.3	$ 54.8	$ 73.3
Short-term investments		0.2	0.1	0.7
Common equity securities	1.5	1.1	3.9	3.0
Convertible bonds	0.8	1.2	2.6	4.2
Other investments	0.1	(0.1)	(0.3)	0.5
Gross investment income	17.8	23.7	61.1	81.7
Less investment expenses	(1.7)	(2.1)	(5.3)	(6.8)
Net investment income, pre-tax	$ 16.1	$ 21.6	$ 55.8	$ 74.9

The composition of net realized investment gains (losses), a component of net realized and unrealized investment gains (losses), consisted of the following:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	($ in millions)			
Fixed maturity investments	$ 6.7	$ 16.1	$ 25.3	$ 46.1
Short-term investments				
Common equity securities	14.5	(0.3)	18.7	1.3
Convertible bonds	0.3	3.9	4.8	14.4
Other investments (1)	0.8	2.6	8.4	(0.3)
Net realized investment gains (losses), pre-tax	$ 22.3	$ 22.3	$ 57.2	$ 61.5

(1) The nine months ended September 30, 2010 includes $1.3 million of realized losses related to the impairment of a receivable related to an outstanding hedge fund redemption.

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The net changes in fair value for the three and nine months ended September 30, 2011 are as follows:

	Three months ended September 30, 2011 (1)			Nine months ended September 30, 2011 (1)		
	Changes in net unrealized gains and losses	Changes in net foreign currency translation gains and losses	Total net changes in fair value reflected in revenues	Changes in net unrealized gains and losses	Changes in net foreign currency translation gains and losses	Total net changes in fair value reflected in revenues
	($ in millions)					
Fixed maturity investments	$ (14.7)	$ (0.3)	$ (15.0)	$ (15.1)	$ (0.2)	$ (15.3)
Short-term investments		(0.1)	(0.1)			
Common equity securities	(47.0)		(47.0)	(44.1)	(0.1)	(44.2)
Convertible bonds	(7.1)		(7.1)	(13.4)		(13.4)
Other investments	(0.5)		(0.5)	2.4		2.4
Total	$ (69.3)	$ (0.4)	$ (69.7)	$ (70.2)	$ (0.3)	$ (70.5)

(1) Includes changes in net deferred gains and losses on sales of investments between OneBeacon and entities under White Mountains common control of $(0.1) million and $(1.5) million, pre-tax, for the three and nine months ended September 30, 2011, respectively.

The net changes in fair value for the three and nine months ended September 30, 2010 are as follows:

	Three months ended September 30, 2010 (1)			Nine months ended September 30, 2010 (1)		
	Changes in net unrealized gains and losses	Changes in net foreign currency translation gains and losses	Total net changes in fair value reflected in revenues	Changes in net unrealized gains and losses	Changes in net foreign currency translation gains and losses	Total net changes in fair value reflected in revenues
	($ in millions)					
Fixed maturity investments	$ 5.2	$ (1.8)	$ 3.4	$ 4.3	$ (1.9)	$ 2.4
Short-term investments		0.1	0.1		(0.8)	(0.8)
Common equity securities	23.4		23.4	18.8		18.8
Convertible bonds	2.2		2.2	(6.2)		(6.2)
Other investments	0.2		0.2	3.9		3.9
Total	$ 31.0	$ (1.7)	$ 29.3	$ 20.8	$ (2.7)	$ 18.1

(1) Includes changes in net deferred gains and losses on sales of investments between OneBeacon and entities under White Mountains common control of $(0.2) million and $(1.4) million, pre-tax, for the three and nine months ended September 30, 2010, respectively.

The components of OneBeacon s ending net unrealized investment gains and losses, excluding the impact of net unrealized foreign currency translation gains and losses, on its trading investment portfolio as of September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011	December 31, 2010
	($ in millions)	
Investment securities:		
Gross unrealized investment gains	$ 110.1	$ 162.8
Gross unrealized investment losses	(36.0)	(20.0)
Net unrealized gains from investment securities	74.1	142.8
Income taxes	(25.9)	(50.0)
Total net unrealized investment gains, after tax	$ 48.2	$ 92.8

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The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency losses and carrying values of OneBeacon s fixed maturity investments as of September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011 (1)				
($ in millions)	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency losses	Carrying value
U.S. Government and agency obligations	$ 221.9	$ 2.1	$ (0.1)	$	$ 223.9
Debt securities issued by corporations	756.2	36.3	(2.8)		789.7
Municipal obligations	1.8				1.8
Asset-backed securities	1,014.6	14.4	(1.4)		1,027.6
Foreign government obligations	7.7	0.6		(0.2)	8.1
Preferred stocks	78.3	3.3	(10.5)		71.1
Total fixed maturity investments	$ 2,080.5	$ 56.7	$ (14.8)	$ (0.2)	$ 2,122.2

(1) Carrying value includes $102.9 million of fixed maturity investments reclassified to assets held for sale in the consolidated balance sheet as part of the AutoOne Transaction.

	December 31, 2010				
($ in millions)	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
U.S. Government and agency obligations	$ 241.7	$ 9.0	$	$	$ 250.7
Debt securities issued by corporations	908.5	46.5	(6.4)		948.6
Municipal obligations	2.1				2.1
Asset-backed securities	1,117.2	9.1	(8.9)		1,117.4
Foreign government obligations	12.7	0.6			13.3
Preferred stocks	77.5	5.9			83.4
Total fixed maturity investments	$ 2,359.7	$ 71.1	$ (15.3)	$	$ 2,415.5

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and carrying values of OneBeacon s common equity securities, convertible bonds and other investments as of September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011				
($ in millions)	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
Common equity securities	$ 240.6	$ 16.9	$ (13.0)	$	$ 244.5
Convertible bonds	82.4	3.2	(4.7)		80.9
Other investments	127.3	33.3	(3.5)		157.1

	December 31, 2010				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value

	($ in millions)				
Common equity securities	$ 237.2	$ 48.4	$ (0.4)	$ 0.1	$ 285.3
Convertible bonds	82.2	11.6			93.8
Other investments	144.0	31.7	(4.3)		171.4

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Fair value measurements

OneBeacon records its investments in accordance with ASC 820 which provides a revised definition of fair value, establishes a framework for measuring fair value and expands financial statement disclosure requirements for fair value information. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price). ASC 820 establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity s internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs). The fair value hierarchy prioritizes fair value measurements into three levels based on the nature of the inputs. Quoted prices in active markets for identical assets or liabilities have the highest priority (Level 1), followed by observable inputs other than quoted prices, including quoted prices for similar but not identical assets or liabilities (Level 2) and unobservable inputs, including the reporting entity s estimates of the assumptions that market participants would use, having the lowest priority (Level 3).

As of both September 30, 2011 and December 31, 2010, approximately 91% of the investment portfolio recorded at fair value was priced based upon observable inputs.

OneBeacon uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, OneBeacon uses the quoted market prices provided by the outside pricing services to determine fair value. The outside pricing services OneBeacon uses have indicated that they will only provide prices where observable inputs are available. In circumstances where quoted market prices are unavailable, OneBeacon utilizes fair value estimates based upon reference to other observable inputs other than quoted prices, including matrix pricing, benchmark interest rates, market comparables, broker quotes and other relevant observable inputs. In circumstances where observable inputs are adjusted to reflect management s best estimate of fair value, such fair value measurements are considered a lower level measurement in the fair value hierarchy.

Other investments, which are primarily comprised of hedge funds and private equity funds for which the fair value option has been elected, are carried at fair value based upon OneBeacon s proportionate interest in the underlying fund s net asset value, which is deemed to approximate fair value. The fair value of OneBeacon s investments in hedge funds and private equity funds has been estimated using net asset value because it reflects the fair value of the funds underlying investments in accordance with ASC 820. OneBeacon employs a number of procedures to assess the reasonableness of the fair value measurements, including obtaining and reviewing each fund s audited financial statements and discussing each fund s pricing with the fund s manager. However, since the fund managers do not provide sufficient information to independently evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable. Accordingly, the fair values of OneBeacon s investment in hedge funds and private equity funds have been classified as Level 3 under the fair value hierarchy.

In circumstances where the underlying investments are publicly traded, such as the investments made by hedge funds, the fair value of the underlying investments is determined using current market prices. In circumstances where the underlying investments are not publicly traded, such as the investments made by private equity funds, the private equity fund managers have considered the need for a liquidity discount on each of the underlying investments when determining the fund s net asset value in accordance with ASC 820. In circumstances where OneBeacon s portion of a fund s net asset value is deemed to differ from fair value due to illiquidity or other factors associated with OneBeacon s investment in the fund, including counterparty credit risk, the net asset value is adjusted accordingly. At September 30, 2011 and December 31, 2010, OneBeacon did not record a liquidity adjustment to the net asset value related to its investments in hedge funds or private equity funds.

As of both September 30, 2011 and December 31, 2010, other investments reported at fair value represented approximately 5% of the investment portfolio recorded at fair value. Other investments accounted for at fair value as of September 30, 2011 and December 31, 2010 were comprised of $51.2 million and $63.4 million, respectively, in hedge funds, $70.1 million and $72.7 million, respectively, in private equity funds and $14.1 million for both periods of an investment in a community reinvestment vehicle. At September 30, 2011 and December 31, 2010, OneBeacon held investments in 9 and 10 hedge funds, respectively, and 14 and 15 private equity funds, respectively. The largest investment in a single fund was $16.0 million and $24.6 million, respectively, at September 30, 2011 and December 31, 2010.

As of September 30, 2011 and December 31, 2010, other investments also included $21.7 million and $21.2 million, respectively, of an investment in a tax advantaged federal affordable housing development fund which is accounted for using the equity method.

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The fair value measurements at September 30, 2011 and December 31, 2010 and their related inputs are as follows:

		Fair value at September 30, 2011 (2)		Level 1 Inputs		Level 2 Inputs		Level 3 Inputs
				($ in millions)				
Fixed maturity investments:								
U.S. Government and agency obligations	$	223.9	$	223.9	$		$	
Debt securities issued by corporations:								
Consumer		289.8				289.8		
Industrial		174.1				174.1		
Financial		75.4				75.4		
Communications		65.7				65.7		
Energy		49.7				49.7		
Basic materials		63.7				63.7		
Utilities		56.6				56.6		
Technology		14.7				14.7		
Debt securities issued by corporations		789.7				789.7		
Municipal obligations		1.8				1.8		
Asset-backed securities		1,027.6				967.6		60.0
Foreign government obligations		8.1		7.3		0.8		
Preferred stocks		71.1				11.6		59.5
Fixed maturity investments		2,122.2		231.2		1,771.5		119.5
Short-term investments		185.8		185.8				
Common equity securities:								
Financials		63.6		62.8				0.8
Basic Materials		53.0		53.0				
Consumer		65.7		65.7				
Energy		28.0		28.0				
Utilities		19.1		19.1				
Other		15.1		15.0		0.1		
Common equity securities		244.5		243.6		0.1		0.8
Convertible bonds		80.9				80.9		
Other investments(1)		135.4						135.4
Total(1)	$	2,768.8	$	660.6	$	1,852.5	$	255.7

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	Fair value at December 31, 2010	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
	($ in millions)			
Fixed maturity investments:				
U.S. Government and agency obligations	$ 250.7	$ 250.7	$	$
Debt securities issued by corporations:				
Consumer	330.4		330.4	
Industrial	227.9		227.9	
Financial	90.5		90.5	
Communications	84.7		84.7	
Energy	60.7		60.7	
Basic materials	78.9		78.9	
Utilities	61.0		61.0	
Technology	14.5		14.5	
Debt securities issued by corporations	948.6		948.6	
Municipal obligations	2.1		2.1	
Asset-backed securities	1,117.4		1,089.7	27.7
Foreign government obligations	13.3	12.6	0.7	
Preferred stocks	83.4		12.0	71.4
Fixed maturity investments	2,415.5	263.3	2,053.1	99.1
Short-term investments	300.0	300.0		
Common equity securities:				
Financials	104.1	66.7		37.4
Basic Materials	57.0	57.0		
Consumer	50.0	49.9	0.1	
Energy	36.0	33.7		2.3
Utilities	22.4	22.4		
Other	15.8	15.7	0.1	
Common equity securities	285.3	245.4	0.2	39.7
Convertible bonds	93.8		93.8	
Other investments(1)	150.2			150.2
Total(1)	$ 3,244.8	$ 808.7	$ 2,147.1	$ 289.0

(1) Excludes the carrying value of $21.7 million and $21.2 million, respectively, associated with a tax advantaged federal affordable housing development fund accounted for using the equity method as of September 30, 2011 and December 31, 2010.

(2) Carrying value includes $102.9 million of fixed maturity investments reclassified to assets held for sale in the September 30, 2011 consolidated balance sheet as part of the AutoOne Transaction.

At September 30, 2011 and December 31, 2010, OneBeacon held one private preferred stock that represented approximately 84% and 86%, respectively, of its preferred stock portfolio. OneBeacon used quoted market prices for similar securities that were adjusted to reflect management s best estimate of fair value; this security is classified as a Level 3 measurement.

In addition to the investment portfolio described above, OneBeacon had $35.2 million and $41.3 million, respectively, of liabilities recorded at fair value and included in other liabilities as of September 30, 2011 and December 31, 2010. These liabilities relate to securities that have been sold short by a limited partnership that OneBeacon invests in and is required to consolidate in accordance with GAAP. As of September 30, 2011 and December 31, 2010, all of the liabilities included in the $35.2 million and $41.3 million, respectively, have been classified as Level 1 measurements.

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The following table summarizes the ratings of OneBeacon s corporate debt securities as of September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
	($ in millions)	
AA	$ 71.6	$ 88.6
A	300.5	387.7
BBB	413.7	463.1
BB		8.8
Other	3.9	0.4
Debt securities issued by corporations	$ 789.7	$ 948.6

Rollforwards of Fair Value Measurements by Level

The changes in Level 1 fair value measurements for the three and nine months ended September 30, 2011 are as follows:

	Fixed maturity investments	Common equity securities	Convertible bonds	Other investments	Total(1)
			($ in millions)		
Balance at January 1, 2011	$ 263.3	$ 245.4	$	$	$ 508.7
Amortization/accretion	0.8				0.8
Total net realized and unrealized gains (losses)	1.9	12.5			14.4
Purchases	130.7	35.2			165.9
Sales	(133.9)	(25.6)			(159.5)
Transfers in					
Transfers out					
Balance at March 31, 2011	$ 262.8	$ 267.5	$	$	$ 530.3
Amortization/accretion	0.6				0.6
Total net realized and unrealized gains (losses)	0.5	(4.7)			(4.2)
Purchases	39.5	12.7			52.2
Sales	(73.7)	(13.4)			(87.1)
Transfers in					
Transfers out					
Balance at June 30, 2011	$ 229.7	$ 262.1	$	$	$ 491.8
Amortization/accretion					
Total net realized and unrealized gains (losses)	(0.5)	(31.7)			(32.2)
Purchases	15.8	32.2			48.0
Sales	(13.8)	(19.0)			(32.8)
Transfers in					
Transfers out					
Balance at September 30, 2011	$ 231.2	$ 243.6	$	$	$ 474.8

(1) Excludes short-term investments which are deemed to have a Level 1 designation.

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The changes in Level 2 fair value measurements for the three and nine months ended September 30, 2011 are as follows:

	Fixed maturity investments	Common equity securities	Convertible bonds ($ in millions)	Other investments	Total
Balance at January 1, 2011	$ 2,053.1	$ 0.2	$ 93.8	$	$ 2,147.1
Amortization/accretion	(5.1)		0.3		(4.8)
Total net realized and unrealized gains (losses)	0.7		1.1		1.8
Purchases	576.2		17.4		593.6
Sales	(565.5)		(21.7)		(587.2)
Transfers in	27.7		1.4		29.1
Transfers out	(1.4)				(1.4)
Balance at March 31, 2011	$ 2,085.7	$ 0.2	$ 92.3	$	$ 2,178.2
Amortization/accretion	(4.0)		0.3		(3.7)
Total net realized and unrealized gains (losses)	16.9	(0.1)	(2.9)		13.9
Purchases	356.1		6.3		362.4
Sales	(548.2)		(16.2)		(564.4)
Transfers in					
Transfers out					
Balance at June 30, 2011	$ 1,906.5	$ 0.1	$ 79.8	$	$ 1,986.4
Amortization/accretion	(3.9)		0.3		(3.6)
Total net realized and unrealized gains (losses)	3.1		(6.8)		(3.7)
Purchases	211.7		12.5		224.2
Sales	(367.9)		(4.9)		(372.8)
Transfers in	22.0				22.0
Transfers out					
Balance at September 30, 2011	$ 1,771.5	$ 0.1	$ 80.9	$	$ 1,852.5

The changes in Level 3 fair value measurements for the three and nine months ended September 30, 2011 are as follows:

	Fixed maturity investments	Common equity securities	Convertible bonds ($ in millions)	Other investments(1)	Total(1)
Balance at January 1, 2011	$ 99.1	$ 39.7	$	$ 150.2	$ 289.0
Amortization/accretion					
Total net realized and unrealized gains (losses)	1.8	(1.3)		6.4	6.9
Purchases	0.3	3.9		1.8	6.0
Sales		(0.1)		(17.0)	(17.1)
Transfers in					
Transfers out	(27.7)				(27.7)
Balance at March 31, 2011	$ 73.5	$ 42.2	$	$ 141.4	$ 257.1
Amortization/accretion					
Total net realized and unrealized gains (losses)	(3.4)	0.3		4.2	1.1
Purchases	22.2			0.8	23.0

Sales				(9.8)	(9.8)
Transfers in					
Transfers out					
Balance at June 30, 2011	$ 92.3	$ 42.5	$	$ 136.6	$ 271.4
Amortization/accretion					
Total net realized and unrealized gains (losses)	(11.0)	(2.5)		0.3	(13.2)
Purchases	60.2			1.2	61.4
Sales		(39.2)		(2.7)	(41.9)
Transfers in					
Transfers out	(22.0)				(22.0)
Balance at September 30, 2011	$ 119.5	$ 0.8	$	$ 135.4	$ 255.7

(1) Excludes the carrying value of $21.7 million associated with a tax advantaged federal affordable housing development fund accounted for using the equity method.

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Transfers out of Level 3 fixed maturity investments of $22.0 million and $27.7 million for the three months ended September 30, 2011 and March 31, 2011, respectively, were comprised of securities which had been previously classified as a Level 3 measurement and were recategorized as a Level 2 measurement when quoted market prices for similar securities that were considered reliable and could be validated against an alternative source became available.

The following table summarizes the change in net unrealized gains or losses for assets designated as Level 3 for the three and nine months ended September 30, 2011 and 2010:

	Three months ended September 30, 2011		Three months ended September 30, 2010		Nine months ended September 30, 2011		Nine months ended September 30, 2010	
	($ in millions)							
Fixed maturity investments	$	(11.0)	$	3.4	$	(12.1)	$	0.6
Short-term investments								
Common equity securities				2.0		(0.1)		5.8
Convertible bonds								
Other investments		(0.5)		0.2		2.4		3.9
Total	$	(11.5)	$	5.6	$	(9.8)	$	10.3

Asset-backed Securities

OneBeacon purchases commercial and residential mortgage-backed securities with the goal of maximizing its risk adjusted returns in the context of a diversified portfolio. OneBeacon s non-agency commercial mortgage-backed portfolio (CMBS) is generally short tenor and structurally senior, with more than 20 points of subordination on average for fixed rate CMBS and approximately 70 points of subordination on average for floating rate CMBS as of September 30, 2011. In general, subordination represents the percentage of principal loss on the underlying collateral that would have to occur before the security incurs a loss. These collateral losses, instead, are first absorbed by other securities lower in the capital structure. OneBeacon believes this structural protection mitigates the risk of loss tied to refinancing challenges facing the commercial real estate market. As of September 30, 2011, on average approximately 2% of the underlying loans were reported as non-performing for all CMBS held by OneBeacon. OneBeacon is not an originator of residential mortgage loans and did not hold any residential mortgage-backed securities (RMBS) categorized as sub-prime as of September 30, 2011. OneBeacon s investments in hedge funds and private equity funds contain negligible amounts of sub-prime mortgage-backed securities as of September 30, 2011. OneBeacon considers sub-prime mortgage-backed securities to be those that have underlying loan pools that exhibit weak credit characteristics or are issued from dedicated sub-prime shelves or dedicated second-lien shelf registrations (i.e., OneBeacon considers investments backed primarily by second-liens to be a sub-prime risk regardless of credit scores or other metrics).

There are also mortgage-backed securities that OneBeacon categorizes as non-prime (also called Alt A or A-) that are backed by collateral that has overall credit quality between prime and sub-prime, as determined based on OneBeacon s review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. As of September 30, 2011, OneBeacon did not hold any mortgage-backed securities that were classified as non-prime. OneBeacon s non-agency residential mortgage-backed portfolio is generally of moderate average life, fixed rate and structurally senior. OneBeacon does not own any collateralized debt obligations, including residential mortgage-backed collateralized debt obligations.

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The following table summarizes the carrying value of OneBeacon s asset-backed securities as of September 30, 2011 and December 31, 2010:

	September 30, 2011			December 31, 2010		
	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
			($ in millions)			
Mortgage-backed securities:						
Agency:						
GNMA	$ 670.8	$ 610.8	$ 60.0	$ 684.7	$ 663.4	$ 21.3
FNMA	133.4	133.4		143.0	143.0	
FHLMC	12.7	12.7		19.0	19.0	
Total agency(1)	816.9	756.9	60.0	846.7	825.4	21.3
Non-agency:						
Residential	8.2	8.2		6.4		6.4
Commercial	81.0	81.0		36.3	36.3	
Total Non-agency	89.2	89.2		42.7	36.3	6.4
Total mortgage-backed securities	906.1	846.1	60.0	889.4	861.7	27.7
Other asset-backed securities:						
Credit card receivables	31.4	31.4		97.5	97.5	
Vehicle receivables	90.1	90.1		130.5	130.5	
Total other asset-backed securities	121.5	121.5		228.0	228.0	
Total asset-backed securities	$ 1,027.6	$ 967.6	$ 60.0	$ 1,117.4	$ 1,089.7	$ 27.7

(1) Represents publicly traded mortgage-backed securities which carry the full faith and credit guaranty of the U.S. government (i.e., GNMA) or are guaranteed by a government sponsored entity (i.e., FNMA, FHLMC).

Non-agency Mortgage-backed Securities

The security issuance years of OneBeacon s investments in non-agency RMBS and non-agency CMBS securities as of September 30, 2011 are as follows:

	Fair Value	2003	2005	2007	2009	2010	2011
				($ in millions)			
Non-agency RMBS	$ 8.2	$	$	$	$	$ 8.2	$
Non-agency CMBS	81.0	0.8	10.9	4.3	3.9		61.1
Total	$ 89.2	$ 0.8	$ 10.9	$ 4.3	$ 3.9	$ 8.2	$ 61.1

Non-agency Residential Mortgage-backed Securities

The classification of the underlying collateral quality and the tranche levels of OneBeacon s non-agency RMBS securities are as follows as of September 30, 2011:

	Fair Value	Super Senior(1)	Senior(2)	Subordinate(3)
		($ in millions)		
Prime	$ 8.2	$	$ 8.2	$
Sub-prime				
Total	$ 8.2	$	$ 8.2	$

(1) At issuance, Super Senior were rated AAA by Standard & Poor s Rating Service (Standard & Poor s) or Aaa by Moody s Investors Service, Inc. (Moody s) and were senior to other AAA or Aaa bonds.

(2) At issuance, Senior were rated AAA by Standard & Poor s or Aaa by Moody s and were senior to non-AAA or non-Aaa bonds.

(3) At issuance, Subordinate were not rated AAA by Standard & Poor s or Aaa by Moody s and were junior to other bonds.

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Non-agency Commercial Mortgage-backed Securities

The amount of fixed and floating rate securities and their tranche levels are as follows as of September 30, 2011:

	Fair Value	Super Senior(1)	Senior(2)	Subordinate(3)
		($ in millions)		
Fixed rate CMBS	$ 65.8	$ 10.0	$ 55.8	$
Floating rate CMBS	15.2	15.2		
Total				