

**OneBeacon Insurance  
Pension Plan  
Summary Plan Description**

**As of January 1, 2003**

## **Important Change to the OneBeacon Insurance Pension Plan**

Benefits under the OneBeacon Insurance Pension Plan were frozen as of December 31, 2002. Although you will no longer continue to earn benefits under the Plan after this date, you will not lose any benefits that you have earned through December 31, 2002.

Although your accrued benefit is no longer increasing, you will continue to earn service for vesting and retirement eligibility purposes based on your continued employment with OneBeacon. If you are not currently vested in the Pension Plan, your Years of Vesting Service will continue to count toward meeting vesting requirements. Your Years of Retirement Service will also continue to count toward early retirement eligibility.

If you are vested in your pension benefit and you leave OneBeacon, your benefit will be paid to you as a lump sum or under one of the annuity options. You cannot receive a payment from the Pension Plan until you leave the Company.

On December 31, 2001 the Silvey Companies Retirement Plan (the "Silvey Plan") was merged into the Plan. This Summary Plan Description describes the Plan's features applicable to former members of the Silvey Plan.

On December 31, 2002 the Folksamerica Holding Company, Inc. Employees' Retirement Plan (the "Folksamerica Plan") was merged into the Plan. A separate Summary Plan Description describes the Plan features applicable to the former members of the Folksamerica Plan.

A financially secure retirement is an important goal for all of us – and it's one you can achieve if you start planning for it today. For this reason, in addition to your frozen benefit under the Pension Plan, OneBeacon offers a retirement program with two component plans – the OneBeacon Insurance Company Employee Stock Ownership Plan and the OneBeacon 401(k) Savings Plan. In addition, the Company contributes to Social Security on your behalf. Together with personal savings, these plans are designed to provide you and your family with financial protection for your retirement.

This Summary Plan Description is intended to give you a basic understanding of how the Pension Plan works. You'll learn more about the Plan's features, when your benefit is paid, and how the Plan operates.

This Summary Plan Description (SPD) describes the benefits and options available to you under the OneBeacon Insurance Pension Plan (also referred to in this SPD as the "Pension Plan" or the "Plan"). The provisions described in this SPD apply to participants who are actively employed by the Company on January 1, 2003. The rights and benefits, if any, of an employee who terminated employment prior to January 1, 2003 shall be determined in accordance with the provisions of the Plan as in effect on the date employment terminated.

This Summary Plan Description summarizes the provisions of the OneBeacon Insurance Pension Plan. Provisions of the Plan are governed by the terms of the Plan Document. In case of any discrepancy between this summary and the Plan document, the Plan Document will govern.

# OneBeacon Insurance Pension Plan

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## OneBeacon Insurance Pension Plan Highlights

The benefit you have accumulated under the OneBeacon Insurance Pension Plan will help you build financial security for your future. Here are some highlights of the Plan:

<b>Plan Feature</b>	<b>Description</b>
<b>Automatic participation</b>	<p>If you were hired on or after January 1, 1999 and before January 1, 2002, you automatically became a member of the Plan on your date of hire. If you were a member of the Employees' Retirement Plan of General Accident Insurance Company of America (the "GA Retirement Plan") or the Commercial Union Insurance Company Pension Plan (the "CU Pension Plan") on December 31, 1998, you automatically became a member of this Plan on January 1, 1999.</p> <p>If you were a member of the Silvey Companies Retirement Plan (the "Silvey Plan") and not already participating in this Plan on December 31, 2001, you automatically became a member of this Plan on January 1, 2002. Former Silvey retirees receiving pension benefits and terminated vested participants who had not yet commenced Silvey benefits also became members of this Plan. Those participants currently receiving benefits are now receiving their same benefits from this Plan. Former Silvey Plan participants who begin receiving benefits at some future date will also receive their benefit from this Plan.</p>
<b>No cost to you</b>	<p>The Company pays the full cost of the Plan.</p>
<b>Normal Retirement</b>	<p>At age 65 or, if later, the earlier of the fifth anniversary of the date you become a member or the date you complete five Years of Vesting Service.</p> <p>At age 65 if you were a member of the GA Retirement Plan or the Silvey Plan.</p>
<b>Early Retirement</b>	<p>Anytime after age 55 and 10 Years of Retirement Service.</p>
<b>Non-forfeitable (vested) right to a benefit</b>	<p>After you complete 5 Years of Vesting Service, even if you leave the Company before retirement. Although the Pension Plan was frozen on December 31, 2002, you will continue to earn Years of Vesting Service to meet vesting requirements.</p> <p>If you are entitled to a Special Termination Benefit, you are fully vested in your pension benefit regardless of your Years of Vesting Service.</p>

**Credit toward retirement income if you become totally disabled**

If you qualify for benefits under the Company's Long Term Disability Plan and Social Security Disability benefits, you will earn pension credit while disabled through December 31, 2002.

**Income for your spouse if you die before retirement**

Anytime after you are vested and payable as early as the **first day of the month after your death.**

**Income for your spouse or beneficiary if you die after retirement**

Following your death **after** retirement, provided you elect one of the Plan's survivor income payment methods before you retire.

**Questions**

Call your local Human Resources Representative.

## **Plan Eligibility and Cost**

### **When You Become a Member**

If you were hired on or before December 31, 2001, you automatically become a Plan member on your hire date if you are an eligible employee. Employees hired after December 31, 2001 cannot become a member of the Plan.

### **Prior Plan Participation**

If you were a member of the Employees' Retirement Plan of General Accident Insurance Company of America (the "GA Retirement Plan") or the Commercial Union Insurance Company Pension Plan (the "CU Pension Plan") on December 31, 1998, you automatically became a member of this Plan on January 1, 1999.

If you were a member of the Silvey Companies Retirement Plan (the "Silvey Plan") and not already participating in this Plan on December 31, 2001, you automatically became a member of this Plan on January 1, 2002.

### **Prior Plan**

The Prior Plans are the Commercial Union Insurance Company Pension Plan (the "CU Pension Plan") and the Employees' Retirement Plan of General Accident Insurance Company of America (the "GA Retirement Plan").

### **Employees Not Eligible**

You are not eligible to participate in the Plan if:

- You were hired on or after January 1, 2002, or
- You were hired on or before December 31, 2001 and are classified as an independent contractor or leased employee.

### **Plan Cost**

The Company pays the full cost of the Pension Plan. The amount of the Company's contribution is actuarially determined based on valuations completed by an enrolled actuary.

No employee contributions are required or permitted. Employee contributions which had been contributed under the Silvey Plan will continue to earn interest - although no additional employee contributions may be made.

## Your Service under the Pension Plan

Your service is generally measured from the date you begin to work for the Company to the date you cease working for the Company. Three types of service are used:

- **Years of Credited Service.** Credited Service is used to determine the amount of your pension benefit.
- **Years of Vesting Service.** Years of Vesting Service are used to determine when you are vested.
- **Years of Retirement Service.** Years of Retirement Service are used to determine when you are eligible to receive an Early Retirement benefit under the Plan.

All service after 1998 is credited based on your Periods of Service. (Different rules may apply for service before 1999, as described below.) A Period of Service is a period of employment with the Company that begins on your first day of work or your rehire date. Your Period of Service ends on the date you quit, retire, are discharged or die, or on the first anniversary of your absence from service for any other reason. (However, you will receive credit for service while you are serving in the Military, provided you return to work with the Company within the time prescribed by law. In addition, see the section regarding service credit during a period of disability.) All of your Periods of Service will be aggregated.

### Years of Credited Service

Credited Service is counted in years and months and is used to determine the amount of your pension benefit. Any fractional month remaining after your Periods of Service are aggregated is treated as a whole month. Your Credited Service under the Plan cannot exceed 40 years.

You earn one Year of Credited Service for each 12-month Period of Service you complete *after 1998*. However, since the Pension Plan was frozen on December 31, 2002, you cannot earn Credited Service after this date.

### Special Credited Service Rules

Credited Service through December 31, 1998 will be the service you had earned as of that date for benefit accrual purposes under the Prior Plans. (If you participated in both Prior Plans, you will receive credit for your service under both, but you will not receive double credit for any period of service.) Information about the Prior Plans is included in the Appendix.

- CU Pension Plan—see Appendix A
- GA Retirement Plan—see Appendix B
- If you had service with any of the following companies acquired by General Accident Insurance Company, special provisions apply to your GA Retirement Plan benefit:
  - Armco Insurance Group (Appendix B-2)
  - Camden Fire Insurance Association (Appendix B-3)
  - Alfred Paull & Son, Inc. (Appendix B-4)
  - Royal Indemnity Company (Appendix B-5)
  - Silvey Companies (Appendix B-6)

- A.L. Williams (Appendix B-7)
- USLICO Corporation (Appendix B-8)

If you were employed by White Mountains Insurance Group, Ltd. (“White Mountains”) immediately before becoming a Member of this Plan, you will not earn Credited Service for your employment prior to becoming a Member of this Plan.

## **Years of Vesting Service**

Years of Vesting Service are counted in whole years and are used to determine when you have a right to a benefit from the Plan (called “vesting”). Any fractional year remaining after your Periods of Service are aggregated will be disregarded.

You earn one Year of Vesting Service for each 12-month Period of Service you complete *after 1998*. Although the Pension Plan was frozen on December 31, 2002, you will continue to earn Years of Vesting Service to meet vesting requirements.

If you were employed by White Mountains immediately before becoming a Member of this Plan, your Years of Vesting Service will be determined as if your first day of employment at White Mountains was your first day of employment with the Company.

## **Special Vesting Service Rules**

Service you earned before January 1, 1999 under the Prior Plans will be counted toward your Years of Vesting Service under this Plan. See the Appendix for an explanation of how service was credited under the Prior Plans for vesting purposes.

You should note that you did not have to be a member of a Prior Plan in order to earn service credit for vesting purposes. Also, your service with the Company on and after June 2, 1998 was counted for vesting purposes under both Prior Plans. However, you will not receive double credit for any period of service.

## **Special Rule for 1999**

If you were an active member of the GA Retirement Plan on December 31, 1998, you earned one Year of Service for 1999 if you completed at least one Hour of Service in each of six calendar months during 1999. An “Hour of Service” is an hour for which you are paid for working for the Company, and also includes certain non-duty hours for which you are paid, such as vacation. “Hour of Service” is a technical term which is more fully defined in the Plan.

## **Years of Retirement Service**

Retirement Service is counted from your employment date, including service before January 1, 1999. You earn one Year of Retirement Service for each 12-month Period of Service. Years of Retirement Service are counted in years and whole months and are used to determine when you are eligible for Early Retirement. Any fractional month remaining after your Periods of Service are aggregated is disregarded.

Although the Pension Plan was frozen on December 31, 2002, you will continue to earn Years of Retirement Service to meet early retirement eligibility.

If you were employed by White Mountains immediately before becoming a Member of this Plan, your Years of Retirement Service will be determined as if your first day of employment at White Mountains was your first day of employment with the Company.

## **Special Retirement Service Rules**

If you participated in the CU Pension Plan, your Years of Retirement Service before January 1, 1999 are equal to your years of “Creditable Service” counted for benefit accrual purposes under the CU Pension Plan as in effect on December 31, 1998. See Appendix A for an explanation of how service was credited under the CU Pension Plan.

## **Break in Service**

A “break in service” is any period in which you are no longer employed by OneBeacon Insurance Group or an affiliated company. Here is how a break in service is determined under the Plan:

- A break in service normally begins on the date you retire, resign, are discharged or die, or on the first anniversary of an absence from service for any other reason. If you return to work within 12 months of the first day of your absence, the break in service will be treated as a Period of Service for vesting and Early Retirement eligibility purposes (but not for determining Credited Service used in calculating your benefit).
- Military service does not cause a break in service provided you return to work with the Company within the time prescribed by law.
- If your absence is related to the birth or adoption of your child, or childcare immediately following such birth or adoption, your break in service for vesting and Early Retirement eligibility purposes will not begin until two years after the first day of your absence. The period between the first anniversary of absence and the second anniversary of absence will not be counted as a Period of Service or a break in service for these purposes.
- If you are on leave under the Family and Medical Leave Act of 1993 (FMLA), you will not incur a break in service for vesting and Early Retirement eligibility purposes until your FMLA leave ends.

Breaks in service that began before January 1, 1999 will be measured under the provisions of the Prior Plan as then in effect and will continue to count as breaks in service under this Plan.

## **Effect of a Break in Service Longer Than 12 Months**

If you are vested at the time you leave the Company and you are rehired, your earlier service will be restored upon your rehire.

If you have a break in service longer than 12 months and you are not vested at the time you leave, your earlier service will be restored if you return to work for the Company or an affiliated company before a five-year break in service. If you return after a five-year break, you will be treated as a new employee and you will not receive credit for your earlier service, unless your earlier service was at least equal to the length of your break in service.

## **Prior Service**

Generally, service earned before January 1, 1999 will be credited in accordance with the provisions of the Prior Plan in which you participated. See the Appendix for more information.

- Appendix A: Commercial Union Insurance Company Pension Plan

- Appendix B: Employees' Retirement Plan of General Accident Insurance Company of America
- Appendix B-2: Former Employees of the Armco Insurance Group
- Appendix B-3: Former Employees of Camden Fire Insurance Association
- Appendix B-4: Former Employees of Alfred Paull and Son, Inc.
- Appendix B-5: Former Employees of Royal Indemnity Company
- Appendix B-6: Former Employees of Silvey Companies
- Appendix B-7: Former Employees of A.L. Williams
- Appendix B-8: Former Employees of USLICO (including Hawkeye-Security Insurance Company, Western States Insurance Company and United Security Insurance Company)

## When You Can Receive Your Benefits

Generally, you may begin receiving your benefits after you terminate employment, provided you are vested.

### Normal Retirement

Beginning January 1, 1999, Normal Retirement Age under the Plan is age 65 or, if later, the earlier of the date you complete five Years of Vesting Service or the fifth anniversary of the date you begin participating in the Plan. If you were a GA Retirement Plan participant before January 1, 1999 or a Silvey Plan participant before January 1, 2002, your Normal Retirement Age is 65.

If you retire at your Normal Retirement Age, your benefit payments will begin on your Normal Retirement Date, which is the first of the month on or following your Normal Retirement Age.

### Early Retirement

If you have reached age 55 and have completed at least 10 Years of Retirement Service, you may retire and elect to receive your benefits as of the first day of any month, but not later than your Normal Retirement Date. If you receive your benefit before your Normal Retirement Date, your benefit may be reduced to take into account the early commencement of payments. If you participated in the CU Pension Plan, the GA Retirement Plan, or the Silvey Plan, special rules apply.

- CU Pension Plan—see Appendix A
- GA Retirement Plan—see Appendix B
- Silvey Plan—see Appendix D

### Deferred Retirement

If you continue to work for the Company past your Normal Retirement Date, you will begin to receive your benefit as of the first day of the month on or following your retirement date. Your benefit will be based on your pay through December 31, 2002, your Credited Service as of December 31, 2002 and your vesting and retirement service at your retirement date (but no more than 40 Years of Credited Service will be taken into account).

### Disability Retirement

If you must stop working for the Company because you are disabled, you will continue to earn pension benefits during your period of disability until you begin benefit payments, reach your Normal Retirement Date, or December 31, 2002—whichever occurs first. You will be considered disabled if you are eligible to receive benefits from the Company's Long Term Disability Plan *and* Social Security disability benefits (unless you are ineligible for Social Security benefits because of your age). For more information, see "If You Become Disabled."

### Termination Before Retirement

If you have completed at least five Years of Vesting Service and you terminate employment before you are eligible to retire, you will be entitled to receive your vested benefit as of your Normal Retirement Date. You may instead choose to receive a reduced benefit as of the first day of any month on or after the date you terminate employment but before your Normal Retirement Date. However, certain benefit options will not be available if you have fewer than 10 Years of Retirement Service or if you begin receiving your benefit before age 55. (See Page 19 for more details.)

## Important Terms

This section defines terms that have a special meaning under the Plan. Other definitions appear in the appropriate sections.

### Accrued Benefit

Accrued benefit refers to the amount of benefit payable at your Normal Retirement Date and determined at any date while you are actively employed, or as of the date you retire, die, or otherwise leave the Company. Your Accrued Benefit will not reflect your Pay, Credited Service, or changes in the Social Security law after December 31, 2002.

### Adjusted CU Benefit

If you were a member of the CU Pension Plan before January 1, 1999, your Adjusted CU Pension is the portion of your pension benefit which is based on your service under the CU Pension Plan before January 1, 1999. Your Adjusted CU Benefit will be determined under the CU Pension Plan formula as of December 31, 1998. If you were an active member of the CU Pension Plan on December 31, 1998, this benefit will be adjusted for any compensation increases you receive between December 31, 1998 and December 31, 2002, or your retirement date, if earlier (see Appendix A for a more detailed discussion).

For service after December 31, 1998 through December 31, 2002, you will accrue benefits under the current OneBeacon Insurance Pension Plan formula.

### Adjusted GA Benefit

If you were a member of the GA Retirement Plan before January 1, 1999, your Adjusted GA Pension is the portion of your pension benefit which is based on your service under the GA Retirement Plan before January 1, 1999. Your Adjusted GA Benefit will be determined under the GA Retirement Plan formula as of December 31, 1998. If you were an active member of the GA Retirement Plan on December 31, 1998, this benefit will be adjusted for any compensation increases you receive between December 31, 1998 and December 31, 2002, or your retirement date, if earlier (see Appendix B for a more detailed discussion).

For service after December 31, 1998 through December 31, 2002, you will accrue benefits under the current OneBeacon Insurance Pension Plan formula.

#### Adjusted Benefit Example

If your Final Average Pay under the terms of the OneBeacon Insurance Pension Plan at December 31, 2002 equals \$25,000 and your Final Average Pay at December 31, 1998 under the terms of the Prior Plan equaled \$20,000, your benefit from the Prior Plan would be increased by 25% ( $\$25,000 \div \$20,000 = 1.25$ ).

### Social Security Covered Compensation

Covered Compensation is a 35-year average of the maximum amount of earnings subject to Social Security taxes (the "taxable wage base"). The average is based on the 35-year period that ends on the last day of the calendar year in which you reach Social Security Retirement Age. (If you have not yet reached your Social Security Retirement Age at the time your Accrued Benefit is determined, your Social Security Covered Compensation is determined by assuming that there will be no future changes in the taxable wage base.) The taxable wage base is set by the government and is subject to increases each year. However, as the Plan was frozen as of

December 31, 2002, increases in the taxable wage base after that date will not be reflected in your Social Security Covered Compensation.

## Social Security Retirement Age

Your Social Security retirement age depends on your year of birth in the following chart:

Year of Birth	Social Security Retirement Age
1937 or earlier	65
1938 - 1954	66
1955 or later	67

## Monthly Pay

Under the Plan, you are credited with “Monthly Pay” for each full calendar month of employment as an eligible employee prior to January 1, 2003 (see Page 3) (a “Credited Month”). Your Monthly Pay for each Credited Month within a calendar year is equal to the total pay credited to you for the year divided by the number of Credited Months in that year. For example, if you worked six full months during a calendar year and the total pay credited to you was \$12,000, your Monthly Pay for each Credited Month would be \$2,000.

Monthly Pay for periods prior to January 1, 1999 will be based on the Prior Plan definition, except that if you participated in the CU Pension Plan, pensionable bonuses under the definition will be counted when earned.

“Pay” includes your rate of base pay, your overtime pay, your single-sum merit bonuses, and the bonuses you receive under OneBeacon Insurance Group’s Management Incentive Plan (bonus is included in the year earned, not when paid). Bonuses you receive under the A.W.G. Dewar Bonus Plan and the A.W.G. Dewar Incentive Plan are also included. Pay also includes compensation you defer under the OneBeacon Insurance Savings Plan and any other pre-tax contributions you may make to any OneBeacon Insurance plan (Health Care Plan contributions or Flexible Spending Account contributions). Pay *does not include* gain sharing, bonuses paid under a deferred compensation plan, other bonuses, moving expenses, or imputed income from life insurance. Pay also *does not include* any payments under the OneBeacon Discounted Stock Option Plan. If you are absent from service due to disability and are receiving short-term disability benefits (including workers’ compensation) your pay will be deemed to continue for up to one year, at the rate in effect when your disability began. If you are eligible to receive long-term disability benefits and Social Security disability benefits (unless you are ineligible for Social Security benefits because of your age), your pay will be deemed to continue, at the rate in effect when your disability began, until your benefit payments begin (or until your Normal Retirement Date, if earlier).

Your total Monthly Pay for a calendar year is limited by the maximum amount of annual earnings allowed by law (\$200,000).

As the Plan has been frozen, Monthly Pay earned after December 31, 2002 is not recognized for Pension Plan purposes.

## **Final Average Pay**

Final Average Pay is the average of your Monthly Pay for your 60 highest consecutive out of the 120 most recent Credited Months prior to December 31, 2002 (or for all of your Credited Months prior to December 31, 2002, if less than 60). However, your Final Average Pay will not be less than your average Monthly Pay for each calendar year in any five-calendar-year period within the 10 calendar years immediately preceding the date as of which your Final Average Pay is determined.

## **Prior Silvey Benefit**

Your Prior Silvey Benefit equals your accrued benefit as of September 30, 1997 under the Silvey Plan.

## **Vesting**

Vesting refers to ownership of your pension benefit. Although the Pension Plan was frozen on December 31, 2002, you will continue to earn Years of Vesting Service to meet vesting requirements. You become 100% vested after you have completed five Years of Vesting Service. You also become 100% vested, regardless of your Years of Vesting Service, once you reach Normal Retirement Age as long as you are working for the Company. If your employment ends before you are vested, you are not entitled to a benefit.

If you became an employee of the Liberty Group on January 1, 2002 as a result of the sale of the Company's property and casualty insurance business to Liberty Mutual, or if your employment was terminated on December 31, 2001 as a result of this sale, you automatically became vested as of January 1, 2002.

## Calculating Your Benefit

Your benefit from the Plan will depend on:

- how long you have worked for the Company;
- your Final Average Pay (as defined on Page 11);
- your Social Security Covered Compensation (as defined on Page 9);
- your age when payments begin; and
- whether you are married when payments begin.

The form of payment you select when you retire also affects the monthly income you receive.

### Basic Formula

The basic formula used to calculate a Normal Retirement benefit provides a monthly income to you.

If you were a Plan member before January 1, 1999, the formula is made up of a “Prior Service Benefit” for your service before January 1, 1999 and a benefit for your service after December 31, 1998 through December 31, 2002. The Prior Service Benefit equals your Adjusted CU Benefit or your Adjusted GA Benefit (see Page 9). (If you participated in both Prior Plans, your Prior Service Benefit will equal the sum of your Adjusted CU Benefit and your Adjusted GA Benefit.) The benefit formula is shown on the next page.

If you were a member of the Silvey Companies Retirement Plan on December 31, 2001, your Normal Retirement benefit is made up of your Prior Silvey Benefit for your service before October 1, 1997 and a benefit under this Plan’s formula for your service after September 30, 1997 through December 31, 2002.

If you became an employee of the Liberty Group on January 1, 2002 as a result of the sale of a portion of the Company’s property and casualty insurance business to Liberty Mutual, see Appendix C which describes how your benefit is determined after December 31, 2001.

### Prior Plan Offset

If you were a participant in the former Pension Plan of the Commercial Union Insurance Companies which was terminated on March 20, 1985, the amount of the annual annuity purchased for you when that plan was terminated will be subtracted from your Prior Service Benefit or Grandfathered benefit, whichever applies.

If you were a participant in the former Stone, Stafford & Stone Profit Sharing Plan, the amount of your account balance expressed as a single life annuity will be subtracted from your Prior Service Benefit or Grandfathered benefit.

## Prior Service Benefit

### Adjusted CU or GA Benefit

Accrued benefit as of December 31, 1998

*times*

Final Average Pay at December 31, 2002 ÷ Final Average Pay as of December 31, 1998 (if you were an active member of the Prior Plan on December 31, 1998)

### Adjusted Benefit Example

If your Final Average Pay at December 31, 2002 equals \$25,000 and your Final Average Pay at December 31, 1998 equaled \$20,000, your benefit from the Prior Plan earned through December 31, 1998 would be increased by 25% ( $\$25,000 \div \$20,000 = 1.25$ ) if you were an active member of the

**Prior Plan on**

December 31, 1998

**Plus**

### OneBeacon Insurance Benefit for Service After December 31, 1998

1.30% X Final Average Pay

*times*

**Credited Service after December 31, 1998 through December 31, 2002**

**(maximum 40 years—including Credited Service before January 1, 1999)**

*plus*

0.45% X Final Average Pay in excess of Social Security Covered Compensation

*times*

Credited Service after December 31, 1998 through December 31, 2002

(maximum 40 years - including Credited Service **before** January 1, 1999)

The provisions for Prior Service Benefits can be found in:

- Appendix A: Former Members in the Commercial Union Insurance Company Pension Plan
- Appendix B: Former Members in the Employees' Retirement Plan of General Accident Insurance Company of America

Certain service and/or benefit formula provisions for employees who worked for a company acquired by General Accident and who became participants in the GA Retirement Plan may also be found in the Appendix:

- Appendix B-2: Former Employees of the Armco Insurance Group
- Appendix B-3: Former Employees of Camden Fire Insurance Association
- Appendix B-4: Former Employees of Alfred Paull and Son, Inc.
- Appendix B-5: Former Employees of Royal Indemnity Company
- Appendix B-6: Former Employees of Silvey Companies
- Appendix B-7: Former Employees of A.L. Williams
- Appendix B-8: Former Employees of USLICO (including Hawkeye-Security Insurance Company, Western States Insurance Company and United Security Insurance Company)

## Prior Plan Participants

The following special provisions apply to your pension benefit if:

- you were a member of the CU Pension Plan or the GA Retirement Plan; and
- you were an active employee on December 31, 1998.

## Grandfathered Benefit

*If your age (in years and completed months) plus your Years of Retirement Service equaled 60 or more as of December 31, 1998, you will be eligible for a special Grandfathered benefit. Your benefit under the Plan will be the greater of the following two amounts:*

- the benefit you earn under the OneBeacon Insurance Pension Plan basic formula outlined on Page 12 (including the Adjusted CU or GA benefit for service through December 31, 1998); or
- the benefit you would have earned under the CU Pension Plan or GA Retirement Plan formula (whichever is applicable) had that plan formula remained in effect, using your total Credited Service earned before and after January 1, 1999 through December 31, 2002.

If you participated in both Prior Plans and are entitled to this special Grandfathered benefit, the Grandfathered formula applies only to the Prior Plan in which you were an active member on December 31, 1998. Your benefit amount under the other Prior Plan, determined as of December 31, 1998, will be added to the amount determined under the Grandfathered formula.

## Minimum Benefit

Effective July 1, 2000, your monthly Normal Retirement benefit cannot be less than \$50 multiplied by your Credited Service up to five years.

## Example of Normal Retirement Benefit

Here is how a Normal Retirement benefit would be calculated based on the following information:

- Retirement on January 1, 2019, at age 65
- 24 years of Credited Service (including 4 years after December 31, 1998)
- Final Average Pay as of December 31, 1998 of \$67,000
- Final Average Pay at December 31, 2002 of \$75,000
- Accrued Benefit as of December 31, 1998 of \$17,200 (before adjustment for compensation increases)
- 2002 Social Security Covered Compensation of \$71,760
- Grandfathered Benefit determined as of December 31, 2002 of \$22,554 (eligible since the sum of the employee's age and service as of 12/31/1998 (44 + 20 = 64) equals 60 or more)

Your benefit would be determined as follows:

<b>Prior Service Benefit (Adjusted CU Benefit or Adjusted GA Benefit)</b>	$\$17,200 \times (\$75,000 \div \$67,000) = \$19,254$
	<i>Plus</i>
<b>Benefit for service on or after January 1, 1999</b>	$1.30\% \times \$75,000 \times 4 = \$3,900$
	<i>Plus</i>
	$0.45\% \times (\$75,000 - \$71,760) \times 4 = \$58$
	<b>The greater of the above sum (\$23,212) or the Grandfathered Benefit (\$22,554) =</b>
	<b>Normal Retirement Benefit payable at Age 65 = \$23,212</b>

Your Normal Retirement benefit payable at age 65 would be \$23,212 a year or \$1,934 a month based on the standard annuity payment form. This amount will change if your benefit is paid under a different method. (See "Choosing a Form of Payment," on Page 24.)

## Early Retirement Benefits

You are eligible for an Early Retirement benefit if you terminate at or after age 55 and have 10 Years of Retirement Service (see Page 8) when you terminate. Your Early Retirement benefit is calculated the same way as a Normal Retirement benefit, using Final Average Pay through December 31, 2002, your Years of Credited Service through December 31, 2002, and Social Security Covered Compensation as of December 31, 2002 (or your actual termination date, if earlier).

If you elect to receive your Early Retirement benefit before age 65, your benefit may be reduced because it will be paid over a longer period of time.

### Unreduced Benefits

If you are eligible for Early Retirement, unreduced benefits are payable beginning at age 60. (If you were a member of the GA Plan, your Adjusted GA Benefit or your GA Grandfathered Benefit will be reduced as described below.)

### Reduced Benefits

If you are eligible for Early Retirement, you may begin receiving benefits immediately upon termination of employment, or you may defer payments until a later date, but not later than your Normal Retirement Date. If you begin receiving your benefit before age 60, your benefit will be reduced by 5% for each year that your benefit begins before age 60. (If you were a member of the GA Plan, different rules apply to your Adjusted GA Benefit or your GA Grandfathered Benefit, as described below.)

If Benefits Start at Age	Your Benefit is Reduced by:
59	5%
58	10%
57	15%
56	20%
55	25%

The reduction factors will be prorated for partial years. To avoid the application of the reduction factor for early benefit commencement, you may delay the start of your benefit payments until age 60. This will allow you to receive your full unreduced payment (other than with respect to your Adjusted GA Benefit or GA Grandfathered Benefit, if any).

### If You Were a Member of the CU Pension Plan

If you were a member of the CU Pension Plan, the portion of your benefit which is based on your service after 1998, and your Adjusted CU Benefit, are payable in accordance with the reduction provisions as described above. If you are entitled to a CU Grandfathered Benefit, special reduction rules apply. See Appendix A for more information.

### If You Were a Member of the GA Retirement Plan

If you were a member of the GA Retirement Plan, the portion of your benefit which is based on your service after December 31, 1998 is reduced as described above. The portion of your benefit which is based on your service before January 1, 1999 (*i.e.*, your Adjusted GA Benefit or GA Grandfathered Benefit) will be reduced according to the early retirement provisions of the GA Retirement Plan, as follows:

- If you have *less than 20* Years of Credited Service, the portion of your benefit based on service before 1999 will be reduced if payments begin before your Normal Retirement Date.
- If you have *20 or more* Years of Credited Service, the portion of your benefit based on service before 1999 will be reduced if payments begin before age 62.

The reduction factors are the same as those which applied under the GA Retirement Plan. A full description of how early retirement benefits were reduced under the GA Retirement Plan is contained in Appendix B.

### **Example of Early Retirement Benefit**

Here is how an early retirement benefit would be calculated based on the following information:

- Early Retirement on January 1, 2009 at age 55
- Accrued Benefit payable at age 65 of \$23,212 a year

Your early retirement benefit, payable at age 65, would be calculated as shown on Page 15 to be \$23,212 a year or \$1,934 a month based on the standard annuity payment form. This amount will change if your benefit is paid under a different method. If you chose to start receiving your benefit at age 55 (10 years early), your benefit would be reduced by 25% (see early payment reduction table above), as follows:

<p><b>OneBeacon Insurance Pension Plan Benefit</b>  <b>Times 25% Reduction</b>  <math>\\$23,212 \times 25\% = \\$5,803</math>  <b>Benefit Minus Reduction</b>  <math>\\$23,212 - \\$5,803</math>  <b>Early Retirement Benefit payable at Age 55 = \$17,409</b></p>
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Your early retirement benefit, payable at age 55, would be \$17,409 a year or \$1,451 a month based on the standard annuity payment form. This amount will change if your benefit is paid under a different method.

If you were a member of the CU Pension Plan, you could choose to receive an unreduced benefit of \$23,212 a year beginning at age 60 since you had completed at least 10 Years of Retirement Service. If you were a member of the GA Pension Plan, you would be eligible for unreduced benefits at age 62 if you had completed 20 Years of Retirement Service. If you were hired after December 31, 1998, you would be eligible for an unreduced benefit at age 60 if you had completed 10 Years of Retirement Service. See Appendix A or B, whichever applies, for information on the Early Retirement provisions that apply to Prior Plan members.

## **Deferred Retirement**

If you continue to work past your Normal Retirement Date, your OneBeacon Insurance Pension Plan benefit will be determined using the basic benefit formula, based on your Final Average Pay through December 31, 2002, your years of Credited Service through December 31, 2002, and Social Security Covered Compensation as of December 31, 2002. Your benefit payments will begin as of the first day of the month on or after the date you actually retire.

If you retire after age 70 ½, your benefit may be actuarially increased to the extent required by law to reflect the fact that payments will be made over a shorter period of time.

## **If You Become Disabled or Leave the Company Before Retirement**

### **If You Become Disabled**

If you became disabled prior to January 1, 2003, you will continue to earn service under the Plan through December 31, 2002 as long as you are eligible to receive benefits from the Company's Long Term Disability Plan *and* Social Security disability benefits (unless you are ineligible for Social Security benefits because of your age).

Your monthly pension benefit will equal the benefit you would have received if you had continued working to your Normal Retirement Date or the date you recover from your disability (or the date benefits actually begin, if earlier). Remember, Credited Service is not earned after December 31, 2002. The same rate of compensation you were earning at the time of disability will be assumed to continue during your period of disability, until December 31, 2002. Benefits become payable at your Normal Retirement Date unless you choose to receive earlier payment under the general Plan rules regarding Early Retirement or payment of vested benefits before retirement.

If you become disabled after December 31, 2002, you will continue to earn Vesting Service and Retirement Service as long as you are eligible to receive benefits from the Company's Long Term Disability Plan *and* Social Security disability benefits (unless you are ineligible for Social Security benefits because of your age).

### **If You Leave the Company Before Retirement**

You will be entitled to a benefit from the Plan if you stop working for any reason after you become vested. "Vested" means you are entitled to the benefit you have earned as of the date you leave. You become vested after you complete five Years of Vesting Service. You will also become vested if you have reached your Normal Retirement Age while working for the Company, even if you have not completed five Years of Vesting Service. Although the Pension Plan was frozen on December 31, 2002, you will continue to earn Years of Vesting Service to meet vesting requirements.

Your vested benefit is determined using the basic formula based on:

- your years of Credited Service through December 31, 2002;
- your Final Average Pay as of December 31, 2002; and
- your Social Security Covered Compensation as of December 31, 2002.

Your benefit will begin at your Normal Retirement Date. However, if you terminate employment with at least 10 Years of Retirement Service, you may begin pension benefits as of the first day of any month after you reach age 55. If you begin benefits before your Normal Retirement Date, the portion of your benefit which is based on service after December 31, 1998 will be reduced actuarially.

If you were a member of a Prior Plan, see Appendix A or B, as applicable, for the early commencement reductions that apply to the portion of your benefit which is based on service before 1999.

If you became an employee of the Liberty Group on January 1, 2002 as a result of the sale of a portion of the Company's property and casualty insurance business to Liberty Mutual, or if your employment was terminated on December 31, 2002 as a result of this sale, you automatically became vested on January 1, 2002 regardless of your Years of Vesting Service. If you became a Liberty Group employee, see Appendix C for a description of how your vested benefit is determined.

You also automatically become vested if you are eligible for a Special Termination Benefit. You will be notified at the time of your termination of employment if you are eligible for a Special Termination Benefit. Other information about the Special Termination Benefit can be found on Page 23.

### **Receiving Payment Before Early Retirement Date**

You may request payment of the actuarial equivalent of the present value of your age 65 benefit in a lump sum at any time after your termination and before you have reached your Early or Normal Retirement Date. If you are married, your spouse must consent in writing to your election of a lump sum. As an alternative, you may elect a:

- single life annuity if you are single; or
- 50% joint and survivor annuity if you are married.

The single life annuity or 50% joint and survivor annuity will be actuarially reduced for early commencement.

If you were a participant in the Silvey Plan on December 31, 2001 and you have not yet withdrawn your employee contributions, you may elect (with your spouse's notarized written consent if you are married) to receive either the full value of your employee contributions with interest or your employee contributions without interest in a lump sum, even if you choose to defer the commencement of the remainder of your benefit.

Please note, although the Plan is frozen, you are not eligible to begin receiving benefits while you are actively employed, even if you are vested.

### **If You Are Rehired After Benefits Begin**

If you begin receiving your pension benefit and later return to work with the Company, you become a Plan member again. Your benefit will be suspended if you complete 83 or more hours of service during any calendar month. If your benefit has been suspended and you subsequently work less than 83 hours of service in a calendar month, your benefit payments will resume.

When your benefit payments resume, your benefit will be adjusted to reflect the amounts you previously received, as well as your service and compensation during the period of re-employment prior to December 31, 2002, and Social Security Covered Compensation at the time you again retire but not later than December 31, 2002.

If you continue to work after your Normal Retirement Date, you are considered to have a suspended benefit.

The Benefits Committee will notify each employee whose benefit is suspended, including employees who have not retired and are still working after their Normal Retirement Dates. This notice, required by law, will provide more details about suspended benefits.

# **Enhanced Benefits for Certain Employees who were Involuntarily Terminated**

## **Merger-Related Terminations**

If you were a member of the CU Pension Plan or the GA Retirement Plan before January 1, 1999 and were involuntarily terminated between August 1, 1998 and June 30, 2001 as a result of the acquisition of General Accident plc by CGU plc, and provided you had reached age 50 and completed at least 10 years of Retirement Service at the time of your termination, your benefit will be determined as if you are five years older than your actual age (but not greater than age 65). This age 'enhancement' is applied to increase your early retirement benefit by decreasing the reduction applied for early commencement. In addition, it potentially increases your lump sum amount and is applied in determining whether you are eligible for a Grandfathered Benefit (see Page 14).

In order for your involuntary termination to be considered merger-related, you must have been terminated on or before December 31, 1999, or you must have been notified before June 30, 2001 that your service was being terminated on or before June 30, 2001 as a direct result of the acquisition.

## **Sale-Related Terminations**

If you were a member of this Plan or any plan which was merged into this Plan before January 1, 2001 and were terminated within 24 months of the date that CGU was sold to White Mountains for one of the reasons listed below, and provided you had reached age 50 and completed at least 10 years of Retirement Service at the time of your termination, your benefit will be determined as if you are five years older than your actual age (but not greater than age 65). This age 'enhancement' is applied to increase your early retirement benefit by decreasing the reduction applied for early commencement. In addition, it potentially increases your lump sum amount and is applied in determining whether you are eligible for a Grandfathered Benefit (see Page 14).

In order for your termination to be considered sale-related, you must either have (1) been involuntarily terminated, (2) been required to be based at an office which was more than 50 miles further from your residence than the office at which you were based prior to the sale, or (3) had your base salary in effect on the day before the sale reduced.

## Additional Benefits

### Special Termination Benefit

Certain participants' are eligible to receive an addition to their benefit amount which has been individually calculated. These additional benefits ('Special Termination Benefit' or 'STB') are listed in the plan document and were communicated to you at the time of your termination of employment if they apply.

The Special Termination Benefit amount is expressed as a monthly single life annuity payable as of your Normal Retirement Date.

You may choose to receive your STB benefit immediately in a single lump sum payment or you may choose to defer receipt of your STB benefit with your regular plan benefit and receive a combined plan benefit at one time and in one form of payment. Just as with your regular pension benefit, your spouse must provide notarized, written consent if you choose to receive your STB benefit in any form of payment other than a 50% or 100% joint and survivor annuity.

The STB amount shown in the Plan Document will be reduced if payments commence early. The reduction applied to the Special Termination Benefit for early commencement is the same reduction that applies to your benefit if you terminate and begin receiving your benefit before you are eligible for Early Retirement. The portion of the STB benefit remaining after reduction for early commencement is shown below for sample commencement ages.

Age at Which Payments Commence	Portion of Special Termination Benefit Payable at Early Commencement Date
30	8.8%
40	14.5%
50	28.6%
60	63.1%

In addition to the reduction for early payment, your STB benefit is reduced if you elect to receive it in a form of payment other than a life annuity (including a reduction for 25% joint and survivor annuity).

### Additional Minimum Benefit

Certain participants' benefits are subject to an additional minimum benefit amount which is equal to the sum of (1) the benefit they would have been eligible to receive if the maximum compensation limit did not increase to \$200,000, plus (2) an additional amount which has been individually calculated. These additional amounts are listed in the Plan Document. If your benefit is affected by this additional minimum benefit, you will be informed when your benefit is calculated.

The increase does not apply to Hawkeye Security retirees or their beneficiaries who received an increase effective January 1, 2001, nor does the increase apply to the supplement, if any, being received by retirees covered under the General Accident Health Care Program.

## Choosing a Form of Payment

If you are retirement eligible, you should apply for your pension benefits at least three months prior to the date on which you wish your benefits to commence to ensure timely commencement of benefits. You will be provided the necessary election forms which describe the different payment options available to you.

When choosing a form of payment, you should consider your family's living costs and any other sources of income besides your benefit. You will be advised of the monthly amount that you would receive under each of the options. You can choose which is the best payment method for you.

### When You Make Your Election

You must make a payment election no more than 90 days before your payments start. When you apply, you will be asked to provide personal data, such as proof of age or marriage. Payments may be delayed until this information is received. To ensure timely commencement of benefits, you should apply at least three months prior to the date on which your benefits are to begin.

Your spouse's consent must be witnessed by a notary public. (However, your spouse's consent is not needed if you choose a 100% or 50% joint and survivor annuity with your spouse as your joint annuitant.) After you sign up for a method of payment, you may change to another method at any time during the 90-day period. That way you can take into consideration any changes in family circumstances. However, you cannot change the method of payment after your benefit is scheduled to begin.

### Forms of Payment

If you are starting your benefit on or after your Early Retirement Date, you can choose from among the following options:

- normal form of payment;
- optional forms of payment:
  - 25%, 50%, 66 2/3%, or 100% joint and survivor annuity;
  - life annuity with 10 years certain;
  - lump-sum single payment.

If you do not make an election by the time you are required to receive your benefit (under the terms of the Plan or by law), you will receive the normal form of payment.

See page 20 for information on available forms of payment if you choose to receive payments before your Early or Normal Retirement Date.

### Normal Form of Payment

The Plan's normal form of payment is described below and depends on whether you are single or married when you begin receiving your benefit. However, you may choose any of the optional payment methods. All of the annuity options are equivalent in value, except as otherwise noted following.

## **If You Are Single**

If you are single when you begin receiving your benefit and have made no other election, you will receive your benefit as a life annuity. This means you receive a monthly income until your death, at which time payments will stop.

## **If You Are Married**

If you are married when you begin receiving your benefit and have made no other election, you will receive your benefit as a 50% joint and survivor annuity. This means you will receive a monthly income during your lifetime. If you die before your spouse, 50% of your benefit will continue to your spouse for the rest of his or her life. If your spouse dies before you but after you begin receiving your benefit, all payments will stop when you die.

Generally, your monthly benefit will be reduced from the amount determined under the Plan's benefit formula because payments are expected to be made over your *and* your spouse's lifetimes. However, the Company subsidizes a portion of your joint and survivor benefit. Your pension benefit will not be reduced to provide 25% of your benefit to your spouse after your death. (This means that if you choose a joint and 25% survivor annuity, as described below, with your spouse as your beneficiary, you will receive the monthly amount determined under the Plan's benefit formula, with no reduction. The joint and 50% survivor annuity will be a reduced amount which is equal in value to the unreduced joint and 25% survivor annuity.) Note that the Company subsidy does not apply to the portion of your benefit which is a Special Termination Benefit.

The Company subsidizes the entire 50% survivor benefit with respect to an Adjusted GA Benefit or GA Grandfathered Benefit. This means that if you have an Adjusted GA Benefit, or GA Grandfathered Benefit, no reduction will be made with respect to these GA benefits if you receive your benefit in the form of a 50% joint and survivor annuity with your spouse as beneficiary.

## **Optional Forms of Payment**

Whether you are single or married, you may choose a form of payment other than the normal forms of payment just described. If you are married, your spouse must consent to your choice (unless you choose the 50% or 100% joint and survivor annuity with your spouse as beneficiary). The optional methods of payment available are described below.

### **Joint and Survivor Annuity**

Under the joint and survivor annuity, you will receive a monthly income during your lifetime. If you die before your beneficiary, a designated percentage (25%, 50%, 66 2/3%, or 100%) of your benefit will continue to your beneficiary for the rest of his or her life. If your beneficiary dies before you but after you begin receiving your benefit, all payments will stop when you die.

If you are single, you will receive smaller monthly payments than under the normal form of annuity because payments continue after your death to your beneficiary (if your beneficiary survives you). If you are married, the amount of the joint and survivor annuity may be smaller or larger than under the normal form. (As noted above, if you are married, no reduction will be made if you receive a 25% joint and survivor annuity with your spouse as your beneficiary, or, in the case of an Adjusted GA Benefit or GA Grandfathered Benefit, a 50% joint and survivor annuity with your spouse as your beneficiary.) In any event, the amount of the survivor annuity depends primarily on the difference in age between you and your beneficiary and the percentage that you choose to have paid to your beneficiary after your death. If you are married and wish to name a beneficiary other than your spouse, your spouse must give written consent to this election as well.

## **Life Annuity with 10 Years Certain**

This form of annuity provides a lifetime monthly income to you with 120 payments guaranteed. In the event of your death before all of the guaranteed payments are made, monthly payments will continue to your beneficiary until a total of 120 guaranteed payments have been made to you and your beneficiary. (If your beneficiary dies after you but before all 120 payments have been made, the present value of the remaining payments will be paid in a single sum to his or her estate.)

You may name anyone as your beneficiary, and you may change your beneficiary at any time while the 120 guaranteed payments are being made. If you are married, your spouse must give written consent to your election of this benefit form and your choice of any non-spouse beneficiary.

## **Lump-Sum Single Payment**

Under the lump-sum single payment form, you receive the entire present value of your OneBeacon Insurance Pension Plan benefits in a single cash payment. Generally, your age-65 benefit, without any spousal subsidy, is converted to a single-sum amount. The conversion is based on IRS-prescribed interest (30-year Treasury rates) and mortality assumptions. No additional benefits will be paid from the Plan after you receive a lump sum.

A mandatory 20% federal income tax will generally be withheld from the single-sum payment unless you roll the distribution over to an Individual Retirement Account or Annuity (IRA) or another qualified retirement plan. You will receive more information about rolling over your benefit and the mandatory withholding rules before you receive your payment.

## **Naming a Beneficiary**

You may generally name anyone you choose as your beneficiary. However, if you are married and want to name a beneficiary other than your spouse, your spouse must consent to your election.

Your spouse's written consent to your named beneficiary and the form of payment must be witnessed by a notary public. In addition, you may be restricted (by law) in your choice of beneficiary for the 66 2/3% and 100% joint and survivor annuity option unless your beneficiary is your spouse.

If you do not name a beneficiary, or if no beneficiary survives you, your beneficiary will be your spouse or, if you are not married, your estate.

## **Small Benefits**

If the actuarial present value of your benefit (based on your age 65 benefit without any spousal subsidy) is \$1,000 or less (\$5,000 or less before March 28, 2005) when you leave the Company, the Plan administrator will pay the value of your benefit in a single-sum cash payment. This payment is automatic and does not require your or your spouse's consent. You will not be entitled to any other benefit from the Plan.

Generally, if the amount you receive is more than \$200, a mandatory 20% federal income tax will be withheld from the payment unless you roll the distribution over to an Individual Retirement Account (excluding Roth IRAs, which are used for deposits that have previously been subject to income tax) or another qualified retirement plan. You will receive more information about rolling over your benefit and the mandatory withholding rules before you receive your payment.

## **Survivor Benefits**

### **Survivor Benefits Before Your Benefit Payments Begin**

If you die after you become vested but before you begin receiving your benefit, and you have been married at least 30 days before your death, the Plan pays a lifetime income to your surviving spouse. This survivor benefit is available regardless of whether you are still working for the Company.

#### **When Survivor Benefits Are Paid**

Your spouse's survivor payments may begin on your Normal Retirement Date. Your spouse may elect to receive reduced payments beginning on the first day of any month following your death. If your spouse dies before beginning to receive survivor payments, no survivor benefit will be paid from the Plan.

#### **Amount of Survivor Benefit**

Your surviving spouse will receive a life annuity equal to one-half of the benefit which you could have begun receiving in the form of a 50% joint and survivor benefit (or a 100% joint and survivor annuity, if you had elected that form of benefit with your spouse as beneficiary but died before you began receiving payments) if you had terminated employment on the day before your death (or on your actual date of termination, if earlier) and had begun receiving benefits on the date that the survivor benefit payments begin.

#### **Optional Payment Method**

If your surviving spouse is entitled to an annuity benefit as a result of your death, he or she may elect to receive a single-sum cash payment that is equivalent to the value of the annuity. This benefit will be paid as soon as practical after the date annuity payments would have begun.

#### **Small Benefits**

If the actuarial present value of the survivor benefit is \$1,000 or less (\$5,000 or less before March 28, 2005), the Plan administrator will pay the value of the survivor benefit to your spouse in a single-sum cash payment. This payment is automatic and does not require your spouse's consent. No other survivor benefit will be paid from the Plan.

### **Survivor Benefits After Your Benefit Payments Begin**

If you die after your benefit starts, survivor benefits will be paid only if you elected a form of payment that provided benefits to someone else after your death (see "Choosing a Form of Payment," on Page 24).

Note: If you apply for benefits, and choose a method of payment, but die before the date as of which your benefit payments are to begin, your retirement election may be canceled. Survivor benefits will be paid ONLY if you had been married for at least 30 days at the time of your death. If you are unmarried, or if you and your spouse are married less than 30 days, no benefits will be paid to your estate or to anyone else.

## **Social Security Benefits**

Any Social Security benefits you receive from the government are in addition to the benefits paid from this Plan. Your FICA taxes, plus matching employer FICA taxes, provide these benefits. In addition to retirement income, Social Security provides benefits:

- if you become disabled;
- when you die; and
- through Medicare (when you are eligible) for hospital, surgical and other medical expenses.

Remember, Social Security benefits are not paid automatically. You must apply for them. Contact your local Social Security office for details.

## Loss of Benefits and Service

You may lose part or all of your pension benefits in these situations:

- You may lose service when you have a break in service if you are not vested when you terminate employment (see “Your Service Under the Pension Plan”).
- If you receive a lump-sum payment of your benefit under the Plan, and later return to work for the Company, your Plan benefit will be offset to reflect the amount you received (the age-65 annuity value upon subsequent retirement is reduced by the age-65 annuity value that you previously received). This prevents you from receiving double benefits based on the same period of service if you are rehired.
- If you begin receiving benefit payments, and later return to employment with the Company, your benefit payments will stop while you are working if you earn 83 or more hours of service per month.
- If the Plan is terminated without enough assets to provide all pension and death benefits, your benefit may be affected (however, there is government insurance that protects all or part your benefit; see “Plan Insurance”).
- A special court order called a Qualified Domestic Relations Order (QDRO) may provide that all or part of your benefit must be paid to someone else – see the section called “Non-Assignment of Benefits.”

If your claim for benefits is denied in whole or in part, you have the right to appeal. See the “Plan Information and Your Rights” section of this Summary Plan Description for more detail.

Finally, although the Pension Plan was frozen on December 31, 2002, you will not lose any of the benefits that you earned on or before that day.

## **Maximum Retirement Benefits**

### **Compensation Limits Under the Plan**

The Internal Revenue Code (IRC) limits the amount of compensation that may be used to calculate your benefit under the Plan. This amount is \$200,000.

### **Maximum Payment**

Federal law limits the maximum annual income payable under this Plan at normal retirement to the lesser of \$160,000 (for 2003) or 100% of the average pay for your highest three years of consecutive service (reduced limits apply for early retirement). This limit may change each year. If you are also a member in another OneBeacon Insurance defined benefit pension plan, this maximum applies to your aggregate benefit under the plans. If you are affected by this limit, you will be notified when you terminate employment.

# General Plan Provisions

## Plan Insurance

Your pension benefits under this Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people will receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) normal and early retirement benefits; (2) disability benefits if you become disabled before the Plan terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover:

- benefits greater than the maximum guaranteed amount set by law for the year in which the plan terminates;
- some or all of benefit increases and new benefits based on plan provisions that have been in place for fewer than 5 years at the time the plan terminates;
- benefits that are not vested because you have not worked long enough for the company;
- benefits for which you have not met all of the requirements at the time the plan terminates;
- certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the plan's normal retirement age; and
- non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your Plan administrator or contact:

PBGC Technical Assistance Division  
1200 K Street N.W., Suite 930  
Washington, D.C. 20005-4026  
202-326-4000

TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at <http://www.pbgc.gov>.

## Non-assignment of Benefits

Your interest in this Plan may not be assigned, sold, transferred, garnished or pledged as collateral. A creditor may not attach your interest in the Plan as a means of collecting a debt owed by you. However, your benefits may be attached to satisfy a federal tax levy, or may be offset against amounts which you owe the Plan if you commit a criminal act or a breach of fiduciary duty involving the Plan. Also, state courts can rule that benefits be paid to someone other than you or your named beneficiary, according to a Qualified Domestic Relations Order (QDRO). The QDRO must relate to child support, alimony payment or marital property rights.

The Plan Administrator will comply with QDROs received by the Plan. You may receive a copy of the Plan's QDRO procedures from the Plan Administrator without charge. If more than one person is designated as your spouse as a result of a QDRO, the Plan will pay no more than it would have paid if there were only one spouse

## Notification of Address

After you leave employment, notify the Plan Administrator of any address change so you can be kept informed of relevant Plan information.

You must notify the Plan Administrator of the address to which your benefit checks should be mailed. If any checks are returned because you moved, your future benefit checks will not be mailed until you provide the Plan Administrator with your current address.

## Top-heavy Plan

Federal law provides that if the Plan is shown to favor certain key employees, the Plan may be declared top-heavy and become subject to special rules. The Plan is not currently top-heavy. If the Plan is found to be top-heavy, the vesting schedule will switch from the one described earlier to the following schedule for all top-heavy years:

<b>Years of Vesting Service</b>	<b>Vested Percentage</b>
Less than 2	0%
2	20%
3	40%
4	60%
5 or more	100%

The Plan also provides for certain minimum retirement benefits for plan years during which the Plan is top heavy. If the Plan should become top heavy, you will receive complete information regarding minimum benefits.

## Future of the Plan

The Plan sponsor reserves the right to freeze, terminate, or amend the Plan or eliminate benefits under the Plan at any time for any reason.

For example, the Plan may be changed because of Federal regulations or ended due to business reasons. You will be notified of any changes that are made and told how the changes affect your benefits, if at all. However, a change or amendment may not decrease the benefit you have already earned up to the date of the change, except as may be required or approved by the IRS.

Should the Plan terminate, you will become 100% vested in the benefit you had earned up to the date the Plan ends, to the extent then funded, and all assets will be restricted exclusively for distribution to participants, retirees, and beneficiaries in accordance with Plan provisions.

The Plan's assets upon termination will be used to pay benefits in the following order:

- benefits being paid or entitled to be paid if the employee had retired three years before the Plan ended;
- benefits vested before the Plan ended which are guaranteed by the Pension Benefit Guaranty Corporation (PBGC) as explained under the section called "Plan Insurance" on Page 31;
- all other benefits that were vested before the Plan ended; and
- all other benefits.

In the event any assets remain after all Plan benefits have been distributed, such excess assets will be returned to the Company, as permitted by law.

This section summarizes the provisions of the OneBeacon Insurance Pension Plan. Provisions of the Plan are governed by the terms of the Plan document. In case of any discrepancy between this section and the Plan document, the Plan document will govern.

OneBeacon Insurance Group reserves the right to change, modify, freeze or terminate the Plan or benefits, at any time for any reason.

Eligibility for, or participation in, the Plan is not a guarantee of employment.

For more information about how the OneBeacon Insurance Pension Plan is administered, see the "Plan Information and Your Rights" section of this Summary Plan Description.

The Pension Plan is subject to the legal requirements of the Employee Retirement Income Security Act (ERISA) of 1974. As a participant in this Plan, you have certain rights that are protected by ERISA. These rights are explained in more detail in the "Plan Operation and Your Rights" section of this Summary Plan Description.

## Appendix A: Former Members of the Commercial Union Insurance Company Pension Plan

If you were a member of the Commercial Union Insurance Company Pension Plan (the “CU Pension Plan”) on or before December 31, 1998, special provisions apply, including:

- **Prior Service Benefit**—You will be entitled to your accrued benefit, calculated under the CU Pension Plan formula as of December 31, 1998 as if you had terminated employment on that date (or on your actual date of termination, if earlier). If you were an active member of the CU Pension Plan on December 31, 1998, this Prior Service Benefit will be adjusted for increases in Final Average Pay after that date and prior to January 1, 2003. This amount is called your “Adjusted CU Benefit.”
- **Grandfathered Provisions**—If you were an active member of the CU Pension Plan on December 31, 1998, and your age (in years and completed months) plus your Years of Retirement Service equaled 60 or more as of December 31, 1998, special minimum benefits (called “CU Grandfathered Benefit”) apply as described on Page 14.

### Important Terms Social Security Benefit

The Social Security Benefit used in calculating your Adjusted CU Benefit and your CU Grandfathered Benefit is your estimated Primary Social Security Benefit. For purposes of determining your Adjusted CU Benefit, your Social Security Benefit is determined as follows:

*If you had not reached age 55 or earned at least 15 Years of Retirement Service as of December 31, 1998 (or the date you terminated employment, if earlier), your Social Security Benefit is the estimated Primary Social Security Benefit payable at age 65, assuming your compensation continues at the same rate until you reach age 65.*

- If you had reached age 55 and completed at least 15 Years of Retirement Service as of December 31, 1998 (or the date you terminated employment, if earlier), your Social Security Benefit is the estimated Primary Social Security Benefit payable at age 62 (or the date you terminate, if later), assuming you receive no additional compensation after your termination.
- For purposes of determining your CU Grandfathered Benefit (if any), your Social Security Benefit is determined in the same way as described above, except:
  - changes in the Social Security law after 2002 (or the year in which you terminated, if earlier) will not be reflected, and
  - if you do not reach age 55 and complete at least 15 Years of Retirement Service before you terminate employment, your Primary Social Security Benefit will be determined assuming your 2002 compensation continues at the same rate until you reach age 65, or
  - if you reach age 55 and complete at least 15 Years of Retirement Service before you terminate employment, your Primary Social Security Benefit will be determined assuming your 2002 compensation continues at the same rate until

you reach at least age 55 and complete 15 Years of Retirement Service, and assuming you receive no additional compensation thereafter.

While your Social Security benefit is taken into account in the formula, it has no effect on the actual benefit you will receive from Social Security. Any increase in your Social Security benefit after you retire will not decrease your Adjusted CU Benefit; instead it will simply increase your overall income.

### **Obtaining Actual Social Security Earnings**

You may request your actual earnings history from the Social Security Administration and have those earnings used to recalculate your Social Security Benefit. This may result in either an increase or a decrease in your benefit. The Social Security Administration mails each worker age 25 and older a Social Security Statement. You will receive your mailing about three months before your birthday. Alternatively, you may file a request for a Social Security Statement by completing a Social Security Statement request form (SSA-7004) and submitting it to the address on the form, or you may file an online form from the Social Security Administration Internet website at [www.ssa.gov](http://www.ssa.gov). In either case, your Social Security Statement will be mailed to you.

**If you do not provide a record of your actual earnings history, the Plan administrator will estimate your Social Security Benefit based on rules described in the Plan.**

### **Final Average Pay**

**Before January 1, 1999**—Final Average Pay as of any date before January 1, 1999, is the annual average of your pay during the consecutive 5-year period of your employment with CU *prior to January 1, 1999* that produces the highest average. If you had less than 5 years of employment before January 1, 1999, the average will be taken over the entire period.

Pay for this purpose is your regular base pay including contractual bonuses (other than bonuses based on underwriting profits) and amounts you received under CU's Management Incentive Plan. Pay also includes compensation you deferred under the CU Savings Plan and any other pre-tax contributions you made to any CU plan (health care contributions or spending accounts). Pay *does not include* discretionary bonuses, commissions on insurance written by you, overtime pay, or imputed income from life insurance.

Pay is limited by the maximum amount of annual earnings allowed by law. This maximum may have changed each year as determined by the Internal Revenue Service (IRS).

**After December 31, 1998**—Final Average Pay as of any date after December 31, 1998, is the average of your pay used for the OneBeacon Insurance Pension Plan (see Page 11). However, for purposes of calculating your Grandfathered Benefit, Final Average Pay will be no less than your Final Average Pay computed by using bonus when paid for each year in the averaging period. Remember, your Final Average Pay is frozen as of December 31, 2002.

### **Credited Service**

Under your prior CU Pension Plan, Credited Service was called "Creditable Service," and is equal to the number of years and months before January 1, 1999 you worked for the Company beginning with your date of employment or re-employment. In the case of fractional months, 30 days will be considered one month.

## CU Pension Plan Formula

Your Prior Service Benefit (Adjusted CU Benefit) under the OneBeacon Insurance Pension Plan and your CU Grandfathered Benefit are calculated using the prior CU Pension Plan formula. The formula produces a benefit amount payable to you as a life annuity if you are single, or as a joint and 25% survivor annuity with your spouse if you are married.

### Your Prior Service Benefit

Your Prior Service Benefit is equal to your "Adjusted CU Benefit." Your Adjusted CU Benefit is the portion of your pension benefit based on your service before January 1, 1999. This accrued benefit will be determined under your CU Pension Plan formula as of December 31, 1998. If you were an active member of the CU Pension Plan on December 31, 1998, your Adjusted CU Benefit will be adjusted for any increases in Final Average Pay between December 31, 1998 and December 31, 2002 (or your termination of employment, if earlier).

If you were at least age 55 and had at least 15 Years of Retirement Service on December 31, 1998, your Adjusted CU Benefit is calculated under the following formula:

<p style="text-align: center;"><b>Basic Retirement Amount</b> 1 2/3% X Final Average Pay <b>as of December 31, 1998</b> <i>times</i> Years of Credited Service before <i>January 1, 1999</i> up to 40 years <i>Minus</i> <b>Basic Social Security Offset</b> 1 2/3% X Social Security Benefit as of <b>December 31, 1998</b> <i>times</i> Years of Credited Service <i>before January 1, 1999</i> up to 30 years <i>Times</i> <i>(if you were an active member of the CU Pension Plan on December 31, 1998)</i> <b>Adjustment Factor</b> Final Average Pay at <b>December 31, 2002</b> <i>divided by</i> Final Average Pay at December 31, 1998</p>
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If you were less than age 55 or had less than 15 years of Retirement Service on December 31, 1998, your Adjusted CU Benefit is calculated under the following formula:

<p style="text-align: center;"><b>Basic Retirement Amount</b> 1 2/3% X Final Average Pay as of December 31, 1998 <i>times</i> <b>Projected</b> Years of Credited Service <i>at Normal Retirement Date (up to 40)</i> <i>times</i> Years of Credited Service <i>before 1/1/99</i> divided by <b>Projected</b> Years of Credited Service at Normal Retirement Date  <i>Minus</i> <b>Basic Social Security Offset</b> 1 2/3% X Accrued Social Security Benefit <i>times</i> <b>Projected</b> Years of Credited Service <i>at Normal Retirement Date (up to 30)</i> <i>times</i> Years of Credited Service <i>before 1/1/99</i> divided by <b>Projected</b> Years of Credited Service at Normal Retirement Date  <i>Times</i> <i>(if you were an active member of the CU Pension Plan on December 31, 1998)</i> <b>Adjustment Factor</b> Final Average Pay at <b>December 31, 2002</b> divided by Final Average Pay at December 31, 1998</p>
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For example, if your Final Average Pay at December 31, 2002 was \$65,000 and your Final Average Pay at December 31, 1998 was \$55,000, then your Adjusted CU Benefit would be multiplied by  $(\$65,000 \div \$55,000)$ , assuming you were an active member of the CU Pension Plan on December 31, 1998.

### **Prior Plan Offset**

If you were a participant in the former Pension Plan of the Commercial Union Insurance Companies which was terminated on March 20, 1985, the amount of the annual annuity purchased for you when that plan was terminated will be subtracted from your Prior Service Benefit or Grandfathered benefit.

If you were a participant in the former Stone, Stafford & Stone Profit Sharing Plan, the amount of your account balance expressed as a single life annuity will be subtracted from your Prior Service Benefit or Grandfathered benefit.

### **Social Security Adjustment**

If you begin early retirement benefits before age 62, your Adjusted CU Benefit will be increased by the amount of your Basic Social Security Offset (based on service up to January 1, 1999 and multiplied by the ratio of Final Average Pay at December 31, 2002 to Final Average Pay at December 31, 1998) until you reach age 62.

### **Special Provisions**

#### **OneBeacon Insurance Pension Plan Minimum Benefit**

Your benefit from the OneBeacon Insurance Pension Plan (your Prior Service Benefit *plus* your benefit for service on or after January 1, 1999) will never be less than the benefit you would have

earned as of January 1, 1999 under the CU Pension Plan provisions, calculated as though that plan had continued through January 1, 1999.

### **CU Grandfathered Benefit**

If you were an active member of the CU Pension Plan on December 31, 1998, and your age plus your Years of Retirement Service equaled 60 or more as of December 31, 1998, you will be eligible for a special grandfather provision that enables you to receive the greater of these two benefits:

- the benefit you earn under the OneBeacon Insurance Pension Plan (including your Adjusted CU Benefit—the benefit you had earned under the CU Pension Plan as of December 31, 1998, adjusted for increases in Final Average Pay between December 31, 1998 and December 31, 2002 (or your retirement date, if earlier); or
- the benefit you would have earned under your prior CU Pension Plan formula, using your total Credited Service before and after January 1, 1999, through December 31, 2002, and the formula based on your age and Years of Retirement Service as of December 31, 2002.

If you begin Early Retirement benefits before age 62, your CU Grandfathered Benefit will be increased by the amount of your Basic Social Security Offset until you reach age 62.

### **Early Retirement**

If you receive an Early Retirement benefit under the Plan, your benefit will be reduced by reducing your Basic Retirement Amount (but not your Basic Social Security Offset) by 5% for each year that your benefit begins before age 60 (prorated for partial years).

### **If You Leave the Company Before Retirement**

If you leave the Company before you are eligible for Early Retirement but after you are vested (5 Years of Vesting Service), your benefit will be actuarially reduced to reflect payment before your Normal Retirement Date.

## **Appendix B: Former Members of the Employees' Retirement Plan of General Accident Insurance Company of America**

If you were a member of the Employees' Retirement Plan of General Accident Insurance Company of America (the "GA Retirement Plan") on or before December 31, 1998, special provisions apply, including:

- **Prior Service Benefit**—You will be entitled to your accrued benefit, calculated under the GA Retirement Plan formula as of December 31, 1998, as if you had terminated employment on that date (or on your actual date of termination, if earlier). If you were an active member of the GA Retirement Plan on December 31, 1998, this Prior Service Benefit will be adjusted for increases in Final Average Pay after that date and prior to January 1, 2003. This amount is also called your "Adjusted GA Benefit."
- **Grandfathered Provisions**—If you were an active member of the GA Retirement Plan on December 31, 1998, and your age (in years and completed months) plus your Years of Retirement Service equaled 60 or more as of December 31, 1998, special minimum benefits (called "GA Grandfathered Benefit") apply.
- If you were an employee of one of the following companies acquired by General Accident, special provisions apply:
  - Armco Insurance Group (Appendix B-2)
  - Camden Fire Association (Appendix B-3)
  - Alfred Paull & Son, Inc. (Appendix B-4)
  - Royal Indemnity Company (Appendix B-5)
  - Silvey Companies (Appendix B-6)
  - A.L. Williams (Appendix B-7)
  - USLICO Insurance Company including Hawkeye-Security Insurance Company and Western States Insurance Company (Appendix B-8)

## Important Terms

### Primary Social Security Benefit

For purposes of determining your Adjusted GA Benefit, your Primary Social Security Benefit is determined as follows:

- If you had not reached age 55 or earned at least 10 Years of Credited Service as of December 31, 1998 (or the date you terminated employment, if earlier), your Primary Social Security Benefit is the estimated Primary Social Security Benefit payable at age 65, assuming your compensation continues at the same rate until you reach age 65.
- If you had reached age 55 and completed at least 10 years of Credited Service as of December 31, 1998 (or the date you terminated employment, if earlier), your Primary Social Security Benefit is the estimated Primary Social Security Benefit payable at age 65, assuming you receive no additional compensation after your termination.
- If you had reached age 55 and completed at least 20 Years of Credited Service as of December 31, 1998 (or the date you terminated employment, if earlier), your Primary Social Security Benefit is the estimated Primary Social Security Benefit payable at age 62 (or the date you terminate, if later), assuming you receive no additional compensation after your termination.

If you have reached age 55 and have at least 20 years of Credited Service on your *actual termination date*, your Primary Social Security Benefit may be adjusted.

For purposes of determining your GA Grandfathered Benefit (if any), your Primary Social Security Benefit is determined in the same way as described above, except:

- changes in the Social Security law after 2002 (or the year in which you terminate, if earlier) will not be reflected, and
- if you do not reach age 55 and earn at least 10 Years of Credited Service before you terminate, your Primary Social Security Benefit will be determined assuming your 2002 compensation continues at the same rate until you reach age 65, or
- if you reach age 55 and complete at least 10 Years of Credited Service before you terminate employment, your Primary Social Security Benefit will be determined assuming your 2002 compensation continues at the same rate until you reach at least age 55 with 10 Years of Credited Service, and assuming you receive no additional compensation thereafter.

Depending on your Credited Service, up to 50% of your anticipated Primary Social Security Benefit is subtracted in the Adjusted GA Benefit formula. While your Primary Social Security Benefit is taken into account in the formula, it has no effect on the actual benefit you will receive from Social Security. Any increase in your Social Security benefit after you retire will not decrease your Adjusted GA Benefit; instead it will simply increase your overall income.

### Obtaining Your Actual Earnings History

You may request your actual earnings history from the Social Security Administration and have those earnings used to recalculate your Primary Social Security Benefit. This may result in either an increase or a decrease in your benefit. The Social Security Administration mails each worker age 25 and older a Social Security Statement. You will receive your mailing about three

months before your birthday. Alternatively, you may file a request for a Social Security Statement by completing a Social Security Statement request form (SSA-7004) and submitting it to the address on the form, or you may file an online form from the Social Security Administration Internet website at [www.ssa.gov](http://www.ssa.gov). In either case, your Social Security Statement will be mailed to you.

**If you do not provide a record of your actual earnings history, the Plan administrator will estimate your Social Security Benefit based on rules described in the Plan.**

### **Final Average Pay**

**Before January 1, 1999**—Final Average Pay as of any date before January 1, 1999, is the annual average of your monthly pay during the consecutive 60-month period of your last 120 months of employment with GA prior to January 1, 1999 that produces the highest average. If you had less than 60 months of employment before January 1, 1999, the average will be taken over the entire period.

“Monthly pay” for this purpose is your total pay for a calendar year, divided by the number of calendar months in that year for which you received pay. “Pay” for this purpose is your regular base pay including overtime, commissions, and other cash compensation. Pay also includes compensation you deferred under the GA Savings Plan and any other pre-tax contributions you made to any GA plan (health care contributions or spending accounts). Pay *does not include* moving expenses, payment for accrued vacation, imputed income from life insurance or reimbursements for relocation, travel and entertainment expenses, or other deferred compensation (unless such compensation was deferred to a date or dates not later than the last day of the year in which it would otherwise have been received).

Pay is limited by the maximum amount of annual earnings allowed by law. This maximum may have changed each year as determined by the Internal Revenue Service (IRS).

**After December 31, 1998**—Final Average Pay as of any date after December 31, 1998, is the average of your pay used for the OneBeacon Insurance Pension Plan (see Page 11).

### **Credited Service**

Under the GA Retirement Plan, you received one month of Credited Service for each month before January 1, 1999 during which you participated in the GA Retirement Plan and completed one hour of service, beginning on the date you became eligible to participate in the plan (age 21 with one year of eligibility service). However, if you did not participate in the GA Retirement Plan until age 25 because the plan (as in effect before 1985) did not permit participation before age 25, your Credited Service is calculated as if the age for participation before 1985 had been age 21.

### **GA Retirement Plan Formula**

Your Prior Service Benefit (“Adjusted GA Benefit”) under the OneBeacon Insurance Pension Plan and your GA Grandfathered Benefit are calculated using the formula under the prior GA Retirement Plan. The formula produces a benefit amount payable to you as a life annuity if you are single, or as a joint and 50% survivor annuity with your spouse if you are married.

### **Your Prior Service Benefit**

Your Prior Service Benefit is equal to your Adjusted GA Benefit. Your Adjusted GA Benefit is the portion of your pension benefit you earned before January 1, 1999. This accrued benefit will be determined under the GA Retirement Plan formula as of December 31, 1998. If you were an

active member of the GA Retirement Plan on December 31, 1998, your Adjusted GA Benefit will be adjusted for any increases in your Final Average Pay between December 31, 1998 and December 31, 2002 (or your termination date, if earlier).

Your Adjusted GA Benefit is calculated under the following formula:

<p><b>Basic Retirement Amount</b></p> <p>2% X Final Average Pay <b>as of December 31, 1998</b> <i>times</i></p> <p>Years of Credited Service <i>before January 1, 1999</i>, up to 25 years <i>plus</i></p> <p>.65% X Final Average Pay <b>as of December 31, 1998</b> <i>times</i></p> <p>Years of Credited Service <i>before January 1, 1999</i>, in excess of 25 years <i>Minus</i></p> <p><b>Primary Social Security Offset</b></p> <p>1.4% X Primary Social Security <b>as of December 31, 1998</b> <i>times</i></p> <p>Years of Credited Service <i>before January 1, 1999</i>, up to 25 years <i>plus</i></p> <p>1% X Primary Social Security <b>as of December 31, 1998</b> <i>times</i></p> <p>Years of Credited Service <i>before January 1, 1999</i>, in excess of 25 years (up to 40 years) <i>Times</i></p> <p><i>(if you were an active member of the GA Retirement Plan on December 31, 1998)</i></p> <p><b>Adjustment Factor</b></p> <p>Final Average Pay at December 31, 2002 <i>divided by</i></p> <p>Final Average Pay at December 31, 1998</p>
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For example, if your Final Average Pay at December 31, 2002 was \$65,000 and your Final Average Pay at December 31, 1998 was \$55,000, then your Adjusted GA Benefit would be multiplied by  $(\$65,000 \div \$55,000)$ , assuming you were an active member of the GA Retirement Plan on December 31, 1998.

## Special Provisions

### OneBeacon Insurance Pension Plan Minimum Benefit

Your benefit from the OneBeacon Insurance Pension Plan (your Prior Service Benefit *plus* your benefit for service on or after January 1, 1999) will never be less than the benefit you would have earned as of January 31, 1999 under the GA Retirement Plan provisions, calculated as though that Plan had continued through January 31, 1999.

### GA Grandfathered Benefit

If you were an active member of the GA Retirement Plan on December 31, 1998, and your age plus your Years of Retirement Service equaled 60 or more as of December 31, 1998, you will be eligible for a special grandfather provision that enables you to receive the greater of these two benefits:

- the benefit you earn under the OneBeacon Insurance Pension Plan (including your Adjusted GA Benefit—the benefit you had earned under the GA Retirement Plan as of December 31, 1998, adjusted for increases in your Final Average Pay between December 31, 1998 and December 31, 2002 (or your retirement date, if earlier)); or

- the benefit you would have earned under your prior GA Retirement Plan formula, using your total Credited Service before and after January 1, 1999, through December 31, 2002.

## Early Retirement

If you receive an Early Retirement benefit under the Plan, your Adjusted GA Benefit and your GA Grandfathered Benefit will be reduced in accordance with the reduction factors in effect under the GA Retirement Plan on December 31, 1998, as follows:

### If You Have More Than 20 Years of Credited Service

If you have 20 or more Years of Credited Service when you retire, your Adjusted GA Benefit will be reduced if you begin payments before age 62, as follows:

<b>If Your Benefits Start at Age</b>	<b>Your Benefit Will Be Reduced By*</b>
61	5%
60	10%
59	14%
58	18%
57	22%
56	26%
55	30%

*\*The reduction factors will be prorated for partial years.*

Note that no Early Retirement reductions apply after you attain age 62 if you have more than 20 Years of Credited Service when you retire.

### If You Have Less Than 20 Years of Credited Service

If you have less than 20 Years of Credited Service, your Adjusted GA Benefit will be reduced if payments begin before age 65, as follows:

<b>If Your Benefits Start at Age</b>	<b>Your Benefit Will Be Reduced By*</b>
64	5%
63	10%
62	15%
61	20%
60	25%
59	29%
58	33%
57	37%
56	41%
55	45%

*\*The reduction factors will be prorated for partial years.*

## If You Leave the Company Before Retirement

If you leave the Company before you are eligible for Early Retirement but after you are vested, your Adjusted GA Benefit and your GA Grandfathered Benefit will be actuarially reduced to reflect payment before your Normal Retirement Date. If you leave the Company after you have at least 10 Years of Retirement Service, you may begin to receive benefits at age 55 based on the

reduction factors as shown in the above table in the case of Early Retirement with less than 20 Years of Credited Service.

## **Appendix B-2: Former Employees of Armco Insurance Group Eligibility to Participate in the OneBeacon Insurance Pension Plan**

If you were a participant in the Armco Insurance Group Retirement Plan (“Armco Plan”) as of August 15, 1986, and you were an active employee of the Oregon Automobile Insurance Company (“OAIC”) on that date, you became a participant in the GA Retirement Plan on August 15, 1986. You automatically became a member in the OneBeacon Insurance Pension Plan on January 1, 1999 if you were an active employee on that date.

### **Full Vesting in Armco Benefit**

Your benefit under this Plan will never be less than the benefit you earned under the Armco Plan before August 15, 1986 (your “Armco Benefit”). You are always 100% vested in your Armco Benefit, even if you have not completed five Years of Vesting Service.

### **Vesting Service, Retirement Service, and Credited Service**

All of your service credited under the Armco Plan will be used in determining your benefit under the GA Retirement Plan and the benefits described in this Appendix.

Similarly, all vesting service earned under the Armco Plan counts as vesting service under the GA Retirement Plan.

All service with OAIC before August 15, 1986 counts toward your Years of Retirement Service.

### **Grandfathered Benefit**

If you have an Armco Benefit and you are entitled to a GA Grandfathered Benefit (see Page 14), your GA Grandfathered Benefit at or after your Normal Retirement Date will not be less than the benefit under the formula shown below (your “Armco Grandfathered Benefit”):

#### **Armco Grandfathered Benefit Formula**

50% X Average Annual Compensation <i>minus</i> 50% X Primary Social Security Benefit <i>Times</i> Years of Credited Service at Normal Retirement Date divided by 25 (maximum = 1) <i>Plus</i> .5% X Average Annual Compensation <i>times</i> Years of Credited Service over 25
--

Your Armco Grandfathered Benefit is determined in the form of a life annuity.

If you are married, the benefit from the OneBeacon Insurance Pension Plan is converted from that Plan’s standard method of payment to an actuarially equivalent life annuity when comparing the Armco Grandfathered Benefit to the benefit payable under the OneBeacon Insurance Pension Plan.

### **Primary Social Security Benefit**

Your Primary Social Security Benefit for purposes of the above formula is the estimated Primary Social Security Benefit payable at age 65, assuming your compensation continues at the same rate until you reach age 65.

### **Average Annual Compensation**

Average Annual Compensation, solely for purposes of the Armco Plan benefit described in this section, is one-fifth of your compensation in the 60 highest paid consecutive months preceding your retirement or other separation from service. Compensation from OAIC is counted for this purpose.

### **Early Retirement Benefit**

If you terminate employment after you have five Years of Retirement Service and have attained age 55, you may elect to receive your Armco Benefit or your Armco Grandfathered Benefit (if applicable) as an Early Retirement Benefit.

Your Armco Benefit or Armco Grandfathered Benefit at Early Retirement is determined as follows:

- If you begin receiving benefits *after* attaining age 62, your Armco Benefit or Armco Grandfathered Benefit will be payable without any actuarial reduction.
- If you begin receiving benefits *before* age 62, your Armco Benefit or Armco Grandfathered Benefit will be reduced by 6% for each of the first five years and 3% for each of the next five years by which benefits begin before age 65.

If you have completed ten Years of Retirement Service, your Armco Benefit at Early Retirement is compared to your OneBeacon Insurance Pension Plan benefit and you receive the greater of the two. If you have not completed ten Years of Retirement Service, only your Armco Benefit is payable as an Early Retirement benefit; the remainder of your OneBeacon Insurance Pension Plan benefit (if any) is payable under the general provisions of the OneBeacon Insurance Pension Plan (see "If You Leave the Company Before Retirement" on Page 19).

### **Optional Method of Payment**

If you are married when your benefits begin, you may elect to have your Armco Benefit payable as a life annuity, with your spouse's notarized consent.

## **Appendix B-3: Former Employees of Camden Fire Insurance Association**

### **Credited Service**

If you were covered under the Equitable Life Assurance Society of the United States Group Annuity Contract No. 242 (“Camden Plan”) as of October 31, 1973, and you were actively employed by Camden Fire Insurance Association on November 1, 1973, you became a participant in the GA Retirement Plan on November 1, 1973.

### **Vesting Service and Credited Service**

All of your service credited under the Camden Plan will be used in determining your benefit under the GA Retirement Plan and the benefits described in this Appendix.

Similarly, all vesting service earned under the Camden Plan counts as vesting service under the GA Retirement Plan.

All service from your last date of hire with the Camden Fire Insurance Association (“Camden”) counts toward your Years of Retirement Service.

### **Grandfathered Benefit**

If you were employed by Camden on November 1, 1973, and you retire on or after your Normal Retirement Date and you are entitled to a GA Grandfathered Benefit, your GA Grandfathered Benefit will not be less than the benefit calculated under the Camden Plan, assuming the terms of that contract had remained in effect until your separation from service, taking into account any increases in your earnings which occur before the date as of which your GA Grandfathered Benefit is determined.

### **Benefits Payable Under the Equitable Contract**

All money that was contributed to the Camden Plan is held by the Equitable Life Assurance Society of the United States, Pension Operation Administrative Services Group, 200 Plaza Drive, Secaucus, NJ 07094, under Group Annuity Contract No. AC-242. That contract was placed on a paid-up annuity basis. No additional contributions are being made to that contract.

Benefits payable under the Equitable contract are included in your total retirement benefit for which you are eligible. Benefits payable under the contract will be paid either directly to you if you are eligible, or at your option, to the Retirement Plan Trust. If you elect direct payment, your total Plan benefit will be offset by the Equitable annuity amount, and you will receive your retirement benefit in two checks. If your benefit is paid to the Retirement Plan Trust, you will receive your entire pension benefit in one check.

## **Appendix B-4: Former Employees of Alfred Paull & Son, Inc.**

### **Credited Service**

If you were a participant in the Alfred Paull & Son, Inc. Pension Plan (“A. Paull Plan”), and you became a participant in the GA Retirement Plan on January 1, 1981, your Credited Service began to accrue under the GA Retirement Plan on January 1, 1981.

### **Retirement Benefit**

Your Prior Service Benefit will be the sum of your benefit calculated under the GA Retirement Plan formula (counting only years of Credited Service after 1980) plus the benefit you had accrued as of December 31, 1980 under the A. Paull Plan (your “A. Paull Benefit”).

If you are entitled to a GA Grandfathered Benefit, your GA Grandfathered Benefit (determined based on Credited Service after 1980) will be increased by your A. Paull Benefit.

### **Early Retirement**

If you were a member of the A. Paull Plan on December 31, 1980, and you have at least 20 Years of Vesting Service, the Early Retirement reduction factors will be applied as if you had 20 Years of Retirement Service (even if you do not actually have 20 Years of Retirement Service).

### **Subsidized Benefit for Single Members**

If you are not married when your benefit payments commence, the Company will subsidize the life annuity with 10 years certain with respect to the portion of your benefit which is attributable to your A. Paull Benefit. This means that no reduction will be made with respect to your A. Paull Benefit if you receive your benefit in the form of a life annuity with 10 years certain. Other annuity options will be equal in value to the subsidized annuity. (The subsidy does not affect the amount of the lump-sum option.)

(If you are married when your benefit payments commence, the Company subsidizes the joint and 50% survivor benefit with respect to your entire Adjusted GA Benefit or GA Grandfathered Benefit, as described in Appendix B.)

## **Appendix B-5: Former Employees of Royal Indemnity Company Eligibility to Participate in the OneBeacon Insurance Pension Plan**

If you were a participant in the Pension Plan of Royal Indemnity Company (“Royal Plan”), and you became an employee of General Accident, you became a participant in the GA Retirement Plan on November 1, 1990 and a member of the OneBeacon Insurance Pension Plan on January 1, 1999, if you were an active employee on that date.

### **Vesting Service and Credited Service**

If you were a participant in the Royal Plan and you became a participant in the GA Retirement Plan on November 1, 1990, all of your service credited under the Royal Plan will be used in determining your benefit under the GA Retirement Plan.

All vesting service earned under the Royal Plan counts as vesting service under the GA Retirement Plan.

All service with Royal Indemnity Company before November 1, 1990 counts toward your Years of Retirement Service.

### **Full Vesting in Royal Benefit**

Your Prior Service Benefit will not be less than the benefit you had accrued under the Royal Plan as of October 31, 1990 (your “Royal Benefit”). You are always 100% vested in your Royal Benefit, even if you have not completed five Years of Vesting Service.

## **Appendix B-6: Former Employees of Silvey Companies Service for Purposes of Determining Your Future Service Benefit**

If you are a former member of the Silvey Companies Retirement Plan (the “Silvey Plan”), you will not receive Credited Service under the GA Retirement Plan or the OneBeacon Insurance Pension Plan before October 1, 1997. (If you were a member of the GA Retirement Plan and were transferred to the Silvey Companies before October 1, 1997, you did not become a member of the Silvey Plan, but continued to earn Credited Service under the GA Retirement Plan.)

All of your service with Silvey (before and after October 1, 1997) will be counted for determining your Years of Vesting Service and Years of Retirement Service.

### **Compensation**

Your pay from Silvey (before and after October 1, 1997) will be counted in determining the amount of your Future Service Benefit.

## **Appendix B-7: Former Employees Of A.L. Williams**

### **Credited Service**

If you are a former employee of A.L. Williams, you may be given credit for some or all of your service with A.L. Williams prior to becoming a participant in the GA Retirement Plan. If you receive credit, your A.L. Williams service will be used to calculate your benefit under both the GA Retirement Plan and the OneBeacon Insurance Pension Plan.

- If your Credited Service with OneBeacon Insurance Group and GA at Normal Retirement is equal to or exceeds 25 years, you will not receive credit for your A.L. Williams service.
- If your Credited Service with OneBeacon Insurance Group and GA at Normal Retirement is less than 25 years, you will be given credit for your A.L. Williams service up to the lesser of the following:
  - 25 years minus Credited Service with OneBeacon Insurance Group and GA at Normal Retirement; or
  - your total Credited Service with A.L. Williams.

Your Credited Service with A.L. Williams is calculated as if your date of hire with A.L. Williams had been your date of hire with GA.

## **Appendix B-8: Former Employees of USLICO**

### **Eligibility**

The provisions described in this Appendix apply to you if:

- you were an employee of Hawkeye-Security (including Hawkeye-Security Insurance Company, Western States Insurance Company and United Security Insurance Company);
- you were a participant in the Retirement Plan for Employees of USLICO Corporation and its Subsidiaries (“USLICO Plan”) on July 30, 1991; and
- your accrued benefit under the USLICO Plan (“USLICO Benefit”) was transferred to the GA Retirement Plan on July 31, 1991.

If eligible, you became a member of the GA Retirement Plan on July 31, 1991 and a member of the OneBeacon Insurance Pension Plan on January 1, 1999, if you were an active employee on those dates.

### **Vesting in USLICO Benefit**

Your benefit under this Plan will never be less than your USLICO Benefit. If you were 100% vested in your USLICO Benefit as of July 30, 1991, you will continue to be fully vested in your USLICO Benefit. If you were not 100% vested in your USLICO Benefit as of July 30, 1991, but were an employee of Hawkeye-Security on December 31, 1990, you will be 100% vested in your USLICO Benefit when you complete three Years of Vesting Service. Otherwise, you will be 100% vested in your USLICO Benefit when you complete five Years of Vesting Service.

### **Credited Service, Vesting Service, and Retirement Service**

If you were a participant in the USLICO Plan and you became a participant in the GA Retirement Plan on July 31, 1991, all of your service credited under the USLICO Plan will be used in determining your benefit under the GA Retirement Plan.

All vesting service earned under the USLICO Plan counts as vesting service under the GA Retirement Plan.

**All service with Hawkeye-Security before July 31, 1991 counts toward your Years of Retirement Service.**

### **Grandfathered Benefit**

If you have a USLICO Benefit, your benefit at or after your Normal Retirement Date will not be less than the benefit calculated under the USLICO Plan formulas, as described below. (Note that only the GA Retirement Plan formula is used in calculating your Adjusted GA Benefit shown in Appendix B.)

### **USLICO Plan Formulas**

Your USLICO Benefit is calculated, and then compared to your OneBeacon Insurance Pension Plan benefit, based on all service credited under the USLICO Plan, GA Retirement Plan, and OneBeacon Insurance Pension Plan through the date as of which your USLICO Benefit is frozen.

*Important:* Your USLICO Benefit is, or will be, frozen on the date specified under “Date on Which Benefit Accrual and Credited Service Cease,” on Page 54. In addition, the formulas

shown below do not take into account the effect of the Hawkeye Regular and Thrift Accounts or of the Western States employee contributions on your benefit (see Pages 56 and 57).

If you were hired before January 1, 1991, your USLICO Benefit is calculated under three separate formulas:

- USLICO “Old formula”
- USLICO “New formula”
- Minimum formula

You receive the greatest benefit of the three.

If you were hired after December 31, 1990, your USLICO Benefit is calculated only under the “new formula.”

As added protection, some benefits may be increased annually to compensate for increases in cost of living (see “Cost of Living Protection, Page 54).

### **Important Terms**

#### ***Average Annual Compensation***

Average Annual Compensation, solely for purposes of the USLICO Plan benefit described in this section, is one-third of your monthly pay in the 36 highest paid consecutive months in the last 120 months preceding your retirement or other separation from service. “Monthly pay” for this purpose has the same meaning as under the GA Retirement Plan (see 41).

#### ***Covered Compensation***

Covered Compensation is explained on Page 9. Your covered compensation amount is frozen in the year your benefit accrual ceases (see “Date on Which Benefit Accrual and Credited Service Cease,” Page 54).

#### ***Primary Social Security Benefit***

If you terminate employment after age 55, your Primary Social Security Benefit used in the USLICO Plan “Old Formula” is the estimated Social Security benefit payable at age 65 (or the date you terminate, if later), assuming you receive no additional compensation after your termination (regardless of your number of Years of Retirement Service).

## USLICO Formulas

USLICO “Old Formula”	USLICO “New Formula”
<p>2 2/3% X Average Annual Compensation <i>times</i> Years of Credited Service (maximum 15 years)</p> <p style="text-align: center;"><b>Plus</b></p> <p>1% X Average Annual Compensation <i>times</i> Years of Credited Service in excess of 15 (maximum additional 20 years)</p> <p style="text-align: center;"><b>Minus</b></p> <p>1 3/7% X Primary Social Security Benefit <i>times</i> Years of Credited Service (maximum 35 years)</p>	<p>1.5% X Average Annual Compensation up to Covered Compensation <i>times</i> Years of Credited Service (maximum 30 years)</p> <p style="text-align: center;"><b>Plus</b></p> <p>2% X Average Annual Compensation in excess of Covered Compensation <i>times</i> Years of Credited Service (maximum 30 years)</p>
<p><b>Minimum Formula</b></p> <p>2 % X Average Annual Compensation <i>times</i> Years of Credited Service (maximum 10 years)</p>	

## Date on Which Benefit Accrual and Credited Service Cease

	“Old Formula”	“New Formula”	Minimum
<b>If You Were Born Before 1942</b>	December 31, 1995	Retirement or other separation from service date, or December 31, 2002 if earlier	December 31, 1995
<b>If You Were Born After 1941</b>	July 30, 1991	July 30, 1991	July 30, 1991

## Cost-of-Living Protection

To compensate for increases in the cost of living, some retirement benefits are increased annually beginning on January 1 following the first anniversary of your benefit commencement. Entitlement to a Cost of Living Adjustment (COLA) will depend upon your date of birth.

*If you were born before 1942*, an annual COLA will apply to your GA Grandfathered Benefit (including your USLICO Benefit), but only to benefits attributable to service through December 31, 1996. The amount of your GA Grandfathered Benefit will be the higher of:

- your GA Grandfathered Benefit as of your date of retirement (without applying any COLAs); or
- your benefit accrued under the GA Retirement Plan through January 1, 1997 (Old and Minimum formula through the date shown on the above chart), with COLAs applied each year after the first anniversary of your benefit commencement.

If you were born after 1941, your GA Grandfathered Benefit will not be less than your USLICO Benefit (as of July 30, 1991), with COLAs applied each year after the first anniversary of your benefit commencement.

### Amount of COLA

The cumulative cost of living adjustment will equal the smaller of:

- the Consumer Price Index (for urban wage earners and clerical workers) for the month of October preceding the January 1 adjustment date divided by the Consumer Price Index for the month of October in the year you begin receiving pension benefits; or
- three percent (3%) compounded annually from the January 1 following the date you begin receiving pension benefits.

### Early Retirement

If you terminate employment with a vested USLICO Benefit and you are at least age 55, you may elect to receive your USLICO Benefit as an Early Retirement Benefit.

Your USLICO benefit at Early Retirement is determined as follows:

- If you begin receiving benefits *after* attaining age 62, your USLICO benefit will be payable without any actuarial reduction.
- If you begin receiving benefits *before* age 62, your USLICO Benefit will be reduced in accordance with the USLICO early retirement reduction factors as follows (interpolated to the nearest month):

Early Retirement Reduction Factors		
USLICO Old Formula	USLICO New Formula	USLICO Minimum
3% for each year you begin receiving benefits before <b>your normal retirement date under the USLICO Plan</b>	7.5% for each of the first two years and 7% for each additional year you begin receiving benefits before <b>age 62</b>	3% for each year you begin receiving benefits before <b>your normal retirement date under the USLICO Plan</b>

If you have completed ten Years of Retirement Service, your USLICO Benefit at Early Retirement is compared to your OneBeacon Insurance Pension Plan benefit and you receive the greater of the two. If you have not completed ten Years of Retirement Service, only your USLICO Benefit is payable as an Early Retirement benefit; the remainder of your OneBeacon Insurance Pension Plan benefit (if any) is payable under the general provisions of the OneBeacon Insurance Pension Plan (see “If You Leave the Company Before Retirement” on Page 19).

If your USLICO benefit is calculated under the “old formula,” the old formula amount will be increased by a Social Security supplement until you reach age 62.

### **Additional Benefit Attributable to Your Hawkeye Regular Account**

Your Hawkeye Regular Account balance (or Hawkeye “profit sharing account balance”) as of January 1, 1979 was transferred to the GA Retirement Plan on July 31, 1991 if:

- you were a member of the Hawkeye-Security Insurance Company Profit-Sharing and Retirement Plan as of January 1, 1979; and
- you became a member of the GA Retirement Plan on July 31, 1991 as a result of the transfer of your accrued benefit from the USLICO Plan to the GA Retirement Plan.

Your annual pension benefit under the USLICO Plan attributable to service through December 31, 1979 can be no less than an amount equal to 10% of your Hawkeye Regular Account as of December 31, 1979 accumulated with 7% interest to age 65. If this amount is greater than the benefit amount calculated under the USLICO Plan formula (using service through December 31, 1979), the excess amount is added to your USLICO Plan benefit.

You may elect to receive your benefit attributable to your Hawkeye Regular Account within 60 days after you terminate employment in a lump sum or an actuarially equivalent life annuity (if you are single) or joint and 50% or 100% survivor annuity with your spouse (if you are married). You must obtain your spouse’s notarized consent if you elect a lump sum.

### **Withdrawals (Payments of Your Account) Affect Your Pension Benefit**

Your Hawkeye Regular Account balance equals your balance as of July 30, 1991, with interest accumulating at 7% per annum to the date you separate from service. If you withdraw your Regular Account—either as a lump sum or annuity payments—when you separate from service, your pension benefit will be affected, as follows:

- Your accrued benefit under the OneBeacon Insurance Pension Plan formula (or the GA Retirement Plan formula if you are Grandfathered) payable at age 65, expressed as a life annuity, will be reduced by the amount withdrawn (expressed as a life annuity).
- Your accrued benefit calculated under the USLICO Plan formula will be reduced by the lesser of:
  - the amount withdrawn, expressed as an actuarially equivalent life annuity; or
  - 10% of your Regular Account balance accumulated with 7% interest annually to age 65, expressed as a life annuity.

### **Additional Benefit Attributable to Your Hawkeye Thrift Account**

Your Hawkeye Thrift Account balance as of July 31, 1991 under the USLICO Plan was also transferred to the GA Retirement Plan. When your benefit payments begin, your remaining Hawkeye Thrift Account, including interest, that has not been withdrawn (as described below) will be used to purchase additional retirement benefits on the basis of actuarial assumptions set forth in the Plan. This benefit is in addition to any other benefit under the Plan.

You may elect to receive all or part of your benefit attributable to your Hawkeye Thrift Account at any time before you terminate employment (but before you begin to receive benefit payments under the Plan) in a lump sum or an actuarially equivalent life annuity (if you are single) or joint and 50% or 100% survivor annuity with your spouse (if you are married). You must obtain your spouse’s notarized consent if you elect a lump.

## **Death Benefits Associated With Hawkeye Regular and Thrift Accounts**

If you have a Hawkeye Regular or Thrift Account, as described above, your spouse or other beneficiary may receive a death benefit. The amount of the death benefit will be equal to the following:

Your Thrift Account balance, less any distributions made from that account or any additional retirement benefit payments to you or a beneficiary purchased with the amount in your Thrift Account; *plus*

Your Regular Account, less any previous distributions made from that account to you, or retirement benefit payments (other than payments of additional retirement benefits purchased with the amount in your Thrift Account) made to you or a beneficiary.

If you are married, you must make an election to have the Hawkeye Regular Account or Thrift Account paid in a lump sum upon your death, and you must designate a beneficiary. Your election may be made at any time after the first day of the year in which you reach age 35 (or after you terminate employment, if earlier). Your spouse must consent in writing to your election of the lump sum and to any nonspouse beneficiary, and your spouse's consent must be notarized.

If you are married and do not elect a lump-sum payment, your surviving spouse will receive the death benefit associated with your Hawkeye Regular or Thrift Account:

- as pre-retirement survivor annuity if you die before your benefit payments begin; or
- in accordance with the form of payment you elect upon retirement if your death occurs after your benefit payments begin.

If you are not married, the death benefit will automatically be paid in a lump sum to your designated beneficiary. If you do not designate a beneficiary, payment will be made to your estate.

## **Additional Benefit Attributable to Your Western States Employee Contributions**

Your Western States employee contributions (if any) were transferred to the GA Retirement Plan, and continue to accumulate interest at the rate of 7%, compounded annually, if:

- you participated in the Western States Insurance Company Retirement Income Plan **as of January 1, 1982;** and
- you became a member of the GA Retirement Plan on July 31, 1991 as a result of the transfer of your accrued benefit from the USLICO Plan to the GA Retirement Plan.

You may elect to receive your benefit attributable to your Western States employee contributions at any time after you terminate employment (but before your benefit payments begin under the Plan) in a lump sum or an actuarially equivalent life annuity (if you are single) or joint and 50% or 100% survivor annuity with your spouse (if you are married). You must obtain your spouse's notarized consent if you elect a lump sum.

## **Death Benefits Associated with Western States Employee Contributions**

If you participated in the Western States Insurance Company Retirement Income Plan, as described above, your spouse or other beneficiary may receive a death benefit. The amount of the death benefit will be equal to the amount of your employee contributions, less any previous

distributions made from your employee contributions or any retirement benefit payments under the Plan to you or a beneficiary.

If you are married, you must make an election to have your Western States employee contributions (with interest) paid in a lump sum upon your death, and you must designate a beneficiary. Your election may be made at any time after the first day of the year in which you reach age 35 (or after you terminate employment, if earlier). Your spouse must consent in writing to your election of the lump sum and to any nonspouse beneficiary, and your spouse's consent must be notarized.

If you are married and do not elect a lump-sum payment, your surviving spouse will receive the death benefit associated with your Western States employee contributions:

- as pre-retirement survivor annuity if you die before your benefit payments begin; or
- in accordance with the form of payment you elect upon retirement if your death occurs after your benefit payments begin.

If you are not married, the death benefit will automatically be paid in a lump sum to your designated beneficiary. If you do not designate a beneficiary, payment will be made to your estate.

## **Appendix C: Transfers to Liberty Mutual**

### **Eligibility**

The provisions described in this Appendix C apply to you if you are a “Transferred Employee”, meaning you were an employee of the Company and a member of the Plan on December 31, 2001, and you became an employee of Liberty Mutual on January 1, 2002 as a result of the sale of a portion of the Company’s property and casualty insurance business to Liberty Mutual.

### **Vesting**

You became 100% vested in your benefit on January 1, 2002.

### **Credited Service and Retirement Service**

You stopped earning Credited Service on December 31, 2001, the day you ceased being employed by the Company. However, although the Pension Plan was frozen on December 31, 2002, while you continue to be employed by Liberty Mutual *and choose to defer receipt of your Plan Benefit*, you will continue to earn Years of Retirement Service.

### **Indexed Benefit**

As your employment with the Company terminated on December 31, 2001 and you became 100% vested on January 1, 2002, you are eligible to begin receiving your benefit as of the first of any month on or after January 1, 2002. However, if you choose to defer commencement of your benefit, it will increase 3.5% per year until December 31, 2002 or until you are no longer employed by Liberty Mutual, if sooner.

Alternatively, if you are age 50 or older with at least ten Years of Retirement Service on December 31, 2001 or if before June 1, 2003, Liberty Mutual terminates your employment after you have met the age 50 and 10 years of service requirement and you have not started your pension benefit, your benefit will be determined as if you are five years older than your actual age (but not greater than age 65). If you qualify for this age enhancement, you are eligible for *either* the 3.5% increase or the five year age increase, but not both. Your benefit will reflect whichever increase is greater.

## **Appendix D: Former Members in the Silvey Companies Retirement Plan**

If you were a participant in the Silvey Companies Retirement Plan (the "Silvey Plan") on December 31, 2001, special provisions apply, including:

- **Prior Silvey Benefit**—you will be entitled to your accrued benefit, calculated under the Silvey Plan formula as of September 30, 1997, or on your actual date of termination if earlier.
- **Additional Forms of Payment**—in addition to the optional forms of payment offered by the Plan, you may elect to receive either your employee contributions with or without interest in a single lump sum payment, and the remainder of your benefit in one of the Plan's optional forms of payment.
- All of your service (before and after October 1, 1997) will be counted for determining your Years of Vesting Service and Years of Retirement Service.

### **Your Prior Silvey Benefit**

Your Prior Silvey Benefit is equal to the benefit you had earned under the Silvey Plan as of September 30, 1997.

### **Your Employee Contributions**

You are no longer required or allowed to make employee contributions to the Plan. However, the balance of your employee contributions plus interest will continue to earn interest until you begin to receive benefits, even after December 31, 2002. The interest rate credited to your employee contributions is 120% of the federal mid-term rate at the beginning of the year. This rate is 4.12% in 2003.

Your pension benefit cannot be less than a benefit equal in value to the value of your employee contributions with interest. And, you are always 100% vested in your employee contributions with interest, regardless of your Years of Vesting Service. If you die before you begin to receive benefits under the plan and no survivor benefits are payable, the value of your employee contributions with interest will be paid to your beneficiary in a single lump sum payment.

### **Withdrawal of Your Employee Contributions**

You may elect (with your spouse's notarized written consent if you are married) to receive either the full value of your employee contributions with interest or your employee contributions without interest in a lump sum at any time after you terminate employment, even if you choose to defer the commencement of the remainder of your benefit. If you make such a withdrawal, when you are ready to begin receiving the remainder of your benefit, the amount payable to you will be equal to your regular formula benefit reduced by the actuarial equivalent value of the withdrawal you received.

Under IRS rules, even if you choose a withdrawal of your employee contributions without interest, a portion of your withdrawal will be taxable.

### **Early Retirement**

The reduction applied to your Prior Silvey Benefit, if you choose to begin receiving benefits before your Normal Retirement Date, is not the same reduction which is applied to the benefit you earned based on your service after September 30, 1997 and before December 31, 2002.

## **Unreduced Benefits**

If you terminate at or after age 62 and after completing 25 Years of Retirement Service, your Prior Service Benefit will not be reduced for early commencement.

## **Reduced Benefits**

If you had not attained age 62 and completed at least 25 Years of Retirement Service, your Prior Service Benefit will be reduced by one-half ( $\frac{1}{2}$ ) percent for each of the first sixty (60) months and by one-fourth ( $\frac{1}{4}$ ) percent for each additional month your benefit begins before your normal retirement date.

## **Forms of Payment**

If you have not already received a withdrawal of your employee contributions with or without interest, when you are ready to commence benefits you may elect to split your benefit and receive either the balance of your employee contributions with or without interest in a single lump sum payment and the remainder of your benefit in an annuity form of payment. If you are married at the time benefits commence, your spouse's notarized, written consent is required regardless of the form of annuity you choose.