

White Mountains Funds a New Municipal Bond Insurance Platform, Build America Mutual and HG Re

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HAMILTON, Bermuda, July 23, 2012 /PRNewswire/ -- White Mountains Insurance Group, Ltd. (NYSE: WTM) announced today that it has capitalized HG Global Ltd. ("HG Global") with approximately \$600 million to fund Build America Mutual Assurance Company ("BAM") through surplus notes and to provide reinsurance support for municipal bond insurance risks underwritten by BAM.

BAM, the only mutual bond insurer in the financial guaranty industry, is rated AA/Stable by Standard & Poor's Ratings Service and regulated by the New York Department of Financial Services. BAM is chartered to serve the U.S. municipal bond market exclusively, with a clean balance sheet and first loss protection from a long-term reinsurance agreement with HG Re Ltd. ("HG Re"), a wholly owned subsidiary of HG Global. Led by co-founders Robert P. Cochran, Managing Director and Chairman of the Board, and Sean W. McCarthy, Managing Director and Chief Executive Officer, both veterans of the bond insurance industry, BAM is owned by municipal issuers, who benefit directly from a stable insurer dedicated to serving them.

Ray Barrette, Chairman and CEO of White Mountains, said, "Bob and Sean, our old partners from Financial Security Assurance (FSA), have created a unique organization to serve the municipal finance market. We are very excited to be part of such an innovative solution to the financing needs of local governments. BAM expects to write its first policies in September."

HG Global has provided the initial capitalization of BAM through the purchase of approximately \$500 million of BAM surplus notes. HG Re, a Bermuda-based special purpose insurer, provides 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. HG Re's obligations to BAM are collateralized in NY trusts. HG Re has contributed \$300 million of BAM surplus notes and \$100 million in cash to the collateral trusts as initial reinsurance capital support. The reinsurance treaty between BAM and HG Re is continuous with limited amendment provisions in order to guarantee BAM the long-term support it requires for its obligations.

White Mountains owns 98% of HG Global's preferred equity and 89% of its common equity. Management owns the remaining equity either directly or under a restricted share award agreement. White Mountains expects to syndicate approximately \$110 million of its investment to interested investors in the near future to broaden the support for BAM.

HG Global has filed a patent application covering this unique structure with the U.S. Patent and Trademark Office.

White Mountains Insurance Group, Ltd. is a Bermuda-domiciled financial services holding company traded on the New York Stock Exchange and the Bermuda Stock Exchange under the symbol WTM. Additional financial information and other items of interest are available on the company's website at www.whitemountains.com.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This press release may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this release which address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. The words "will," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict" and similar expressions are also intended to identify forward-looking statements. These forward-looking statements include, among others, statements with respect to White Mountains':

- *change in adjusted book value per share or return on equity;*
- *business strategy;*
- *financial and operating targets or plans;*
- *incurred loss and loss adjustment expenses and the adequacy of its loss and loss adjustment expense reserves and related reinsurance;*
- *projections of revenues, income (or loss), earnings (or loss) per share, dividends, market share or other financial forecasts;*
- *expansion and growth of our business and operations; and*
- *future capital expenditures.*

These statements are based on certain assumptions and analyses made by White Mountains in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- *the risks associated with Item 1A of White Mountains' 2011 Annual Report on Form 10-K and Item 1A in Part II of White Mountains' March 31, 2012 Quarterly Report on Form 10-Q;*
- *claims arising from catastrophic events, such as hurricanes, earthquakes, floods, fires, terrorist attacks or severe winter weather;*
- *the continued availability of capital and financing;*
- *general economic, market or business conditions;*
- *business opportunities (or lack thereof) that may be presented to it and pursued;*

- *competitive forces, including the conduct of other property and casualty insurers and reinsurers;*
- *changes in domestic or foreign laws or regulations, or their interpretation, applicable to White Mountains, its competitors or its customers;*
- *an economic downturn or other economic conditions adversely affecting its financial position;*
- *recorded loss reserves subsequently proving to have been inadequate;*
- *actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch;*
- *other factors, most of which are beyond White Mountains' control.*

Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by White Mountains will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, White Mountains or its business or operations. White Mountains assumes no obligation to publicly update any such forward-looking statements, whether as a result of new information, future events or otherwise.

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SOURCE White Mountains Insurance Group, Ltd.