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

FORM 10-Q

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

For the period ended March 31, 2019

OR

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

For the transition period from to
Commission file number 1-8993

WHITE MOUNTAINS INSURANCE GROUP LTD.

(Exact name of Registrant as specified in its charter)

Bermuda	**94-2708455**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
80 South Main Street,	**03755-2053**
Hanover, New Hampshire	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code: **(603) 640-2200**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value $1.00 per share	WTM	New York Stock Exchange Bermuda Stock Exchange

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☒ No o

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

Large accelerated filer ☒ Accelerated filer o Non-accelerated filer o
Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of May 2, 2019, 3,181,199 common shares with a par value of $1.00 per share were outstanding (which includes 41,495 restricted common shares that were not vested at such date).

WHITE MOUNTAINS INSURANCE GROUP, LTD.

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Part I. FINANCIAL INFORMATION.

Item 1. Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

Millions, except share and per share amounts	**March 31, 2019**	**December 31, 2018**
Assets	**Unaudited**	
Financial Guarantee (HG Global/BAM)		
Fixed maturity investments, at fair value	**$ 737.6**	$ 701.4
Short-term investments, at fair value	**31.8**	66.9
Total investments	**769.4**	768.3
Cash	**10.4**	12.5
Insurance premiums receivable	**6.5**	6.4
Deferred acquisition costs	**19.6**	19.0
Accrued investment income	**5.4**	4.9
Accounts receivable on unsettled investment sales	**6.1**	—
Other assets	**17.1**	5.1
Total Financial Guarantee assets	**834.5**	816.2
Specialty Insurance Distribution (NSM)		
Short-term investments, at fair value	**—**	1.7
Cash (restricted $60.8 and $50.0)	**84.5**	66.2
Premium and commission receivable	**51.9**	44.0
Goodwill and other intangible assets	**488.7**	486.2
Other assets	**36.0**	28.9
Total Specialty Insurance Distribution assets	**661.1**	627.0
Marketing Technology (MediaAlpha)		
Cash	**—**	5.7
Accounts receivable from publishers and advertisers	**—**	37.0
Goodwill and other intangible assets	**—**	43.4
Other assets	**—**	2.3
Total Marketing Technology assets	**—**	88.4
Other Operations		
Fixed maturity investments, at fair value	**394.4**	376.1
Short-term investments, at fair value	**238.0**	145.6
Common equity securities, at fair value	**905.0**	925.6
Other long-term investments	**497.6**	325.6
Total investments	**2,035.0**	1,772.9
Cash	**37.3**	25.9
Accrued investment income	**5.9**	5.5
Accounts receivable on unsettled investment sales	**2.1**	—
Goodwill and other intangible assets	**21.5**	7.9
Other assets	**29.0**	15.5
Assets held for sale	**3.3**	3.3
Total Other Operations assets	**2,134.1**	1,831.0
Total assets	**$ 3,629.7**	$ 3,362.6

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS (CONTINUED)

Millions, except share and per share amounts	March 31, 2019	December 31, 2018
Liabilities	**Unaudited**	
Financial Guarantee (HG Global/BAM)		
Unearned insurance premiums	**$ 179.6**	$ 176.0
Accrued incentive compensation	**10.1**	20.4
Accounts payable on unsettled investment purchases	**1.6**	2.2
Other liabilities	**28.1**	13.9
Total Financial Guarantee liabilities	**219.4**	212.5
Specialty Insurance Distribution (NSM)		
Debt	**184.5**	178.5
Premiums payable	**93.4**	77.2
Contingent consideration earnout liabilities	**27.5**	20.2
Other liabilities	**46.1**	38.9
Total Specialty Insurance Distribution liabilities	**351.5**	314.8
Marketing Technology (MediaAlpha)		
Debt	**—**	14.2
Amounts due to publishers and advertisers	**—**	27.0
Other liabilities	**—**	5.7
Total Marketing Technology liabilities	**—**	46.9
Other Operations		
Debt	**10.9**	—
Accrued incentive compensation	**26.1**	38.9
Accounts payable on unsettled investment purchases	**4.0**	5.0
Other liabilities	**39.5**	26.3
Total Other Operations liabilities	**80.5**	70.2
Total liabilities	**651.4**	644.4
Equity		
White Mountains's common shareholders' equity		
White Mountains's common shares at $1 par value per share—authorized 50,000,000 shares; issued and outstanding 3,181,199 and 3,173,115 shares	**3.2**	3.2
Paid-in surplus	**582.6**	580.8
Retained earnings	**2,542.3**	2,264.9
Accumulated other comprehensive loss, after-tax:		
Net unrealized foreign currency translation losses and interest rate swap	**(6.1)**	(5.8)
Total White Mountains's common shareholders' equity	**3,122.0**	2,843.1
Non-controlling interests	**(143.7)**	(124.9)
Total equity	**2,978.3**	2,718.2
Total liabilities and equity	**$ 3,629.7**	$ 3,362.6

See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
Millions	**2019**	**2018**
Revenues:		
Financial Guarantee (HG Global/BAM)		
Earned insurance premiums	**$ 4.2**	$ 3.0
Net investment income	**5.3**	3.7
Net realized and unrealized investment gains (losses)	**11.8**	(7.9)
Other revenues	**.6**	.2
Total Financial Guarantee revenues	**21.9**	(1.0)
Specialty Insurance Distribution (NSM)		
Commission revenues	**43.3**	—
Other revenues	**6.0**	—
Total Specialty Insurance Distribution revenues	**49.3**	—
Marketing Technology (MediaAlpha)		
Advertising and commission revenues	**48.8**	70.1
Other revenues	**—**	1.6
Total Marketing Technology revenues	**48.8**	71.7
Other Operations		
Net investment income	**10.7**	16.0
Net realized and unrealized investment gains (losses)	**119.1**	(45.8)
Realized and unrealized gains from the MediaAlpha Transaction	**182.2**	—
Advertising and commission revenues	**1.3**	.9
Other revenues	**.3**	.3
Total Other Operations revenues	**313.6**	(28.6)
Total revenues	**433.6**	42.1
Expenses:		
Financial Guarantee (HG Global/BAM)		
Insurance acquisition expenses	**1.3**	1.4
General and administrative expenses	**14.4**	11.9
Total Financial Guarantee expenses	**15.7**	13.3
Specialty Insurance Distribution (NSM)		
General and administrative expenses	**25.1**	—
Broker commission expense	**15.7**	—
Change in fair value of contingent consideration earnout liabilities	**1.3**	—
Amortization of other intangible assets	**5.0**	—
Interest expense	**3.7**	—
Total Specialty Insurance Distribution expenses	**50.8**	—
Marketing Technology (MediaAlpha)		
Cost of sales	**40.6**	57.4
General and administrative expenses	**12.5**	11.2
Amortization of other intangible assets	**1.6**	2.9
Interest expense	**.2**	.4
Total Marketing Technology expenses	**54.9**	71.9
Other Operations		
Cost of sales	**1.1**	.7
General and administrative expenses	**29.4**	22.0
Interest expense	**—**	.2
Total Other Operations expenses	**30.5**	22.9
Total expenses	**151.9**	108.1
Pre-tax income (loss) from continuing operations	**281.7**	(66.0)
Income tax expense	**(10.2)**	(.7)
Net income (loss) from continuing operations	**271.5**	(66.7)
Net gain from sale of discontinued operations, net of tax	**.7**	.1
Net income (loss)	**272.2**	(66.6)
Net loss attributable to non-controlling interests	**12.2**	18.6
Net income (loss) attributable to White Mountains's common shareholders	**$ 284.4**	$ (48.0)

See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended March 31,	
Millions	**2019**	**2018**
Net income (loss) attributable to White Mountains's common shareholders	**$ 284.4**	$ (48.0)
Other comprehensive loss, net of tax	**(.3)**	—
Comprehensive income	**284.1**	(48.0)
Comprehensive income (loss) attributable to non-controlling interests	**—**	—
Comprehensive income (loss) attributable to White Mountains's common shareholders	**$ 284.1**	$ (48.0)

See Notes to Consolidated Financial Statements.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
EARNINGS PER SHARE (Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Basic earnings (loss) per share		
Continuing operations	**$ 89.42**	$ (12.85)
Discontinued operations	**.22**	.03
Total consolidated operations	**$ 89.64**	$ (12.82)
Diluted earnings (loss) per share		
Continuing operations	**$ 89.42**	$ (12.85)
Discontinued operations	**.22**	.03
Total consolidated operations	**$ 89.64**	$ (12.82)
Dividends declared and paid per White Mountains's common share	**$ 1.00**	$ 1.00

See Notes to Consolidated Financial Statements.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

Millions	White Mountains's Common Shareholders' Equity: Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2019	**$ 584.0**	**$ 2,264.9**	**$ (5.8)**	**$ 2,843.1**	**$ (124.9)**	**$ 2,718.2**
Net income (loss)	**—**	**284.4**	**—**	**284.4**	**(12.2)**	**272.2**
Net change in foreign currency translation and other	**—**	**—**	**(.3)**	**(.3)**	**—**	**(.3)**
Total comprehensive income (loss)	**—**	**284.4**	**(.3)**	**284.1**	**(12.2)**	**271.9**
Dividends declared on common shares	**—**	**(3.2)**	**—**	**(3.2)**	**—**	**(3.2)**
Dividends to non-controlling interests	**—**	**—**	**—**	**—**	**(.5)**	**(.5)**
Repurchases and retirements of common shares	**(1.0)**	**(3.8)**	**—**	**(4.8)**	**—**	**(4.8)**
Capital contributions from BAM members, net of tax	**—**	**—**	**—**	**—**	**6.8**	**6.8**
Net contributions from non-controlling interests	**—**	**—**	**—**	**—**	**.7**	**.7**
Amortization of restricted share awards	**2.5**	**—**	**—**	**2.5**	**—**	**2.5**
Recognition of equity-based units of subsidiary	**.3**	**—**	**—**	**.3**	**—**	**.3**
Effect of deconsolidation of MediaAlpha	**—**	**—**	**—**	**—**	**(13.8)**	**(13.8)**
Acquisition of non-controlling interests	**—**	**—**	**—**	**—**	**.2**	**.2**
Balance at March 31, 2019	**$ 585.8**	**$ 2,542.3**	**$ (6.1)**	**$ 3,122.0**	**$ (143.7)**	**$ 2,978.3**

Millions	White Mountains's Common Shareholders' Equity: Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2018	$ 670.6	$ 2,823.2	$ (1.3)	$ 3,492.5	$ (131.7)	$ 3,360.8
Net loss	—	(48.0)	—	(48.0)	(18.6)	(66.6)
Net change in foreign currency translation and other	—	—	—	—	—	—
Total comprehensive loss	—	(48.0)	—	(48.0)	(18.6)	(66.6)
Dividends declared on common shares	—	(3.8)	—	(3.8)	—	(3.8)
Dividends to non-controlling interests	—	—	—	—	(.3)	(.3)
Repurchases and retirements of common shares	(1.9)	(6.4)	—	(8.3)	—	(8.3)
Capital contributions from BAM members, net of tax	—	—	—	—	4.2	4.2
Amortization of restricted share awards	3.4	—	—	3.4	—	3.4
Recognition of equity-based units of subsidiary	4.1	—	—	4.1	2.3	6.4
Dilution from equity-based units of subsidiary	(.9)	—	—	(.9)	.9	—
Balance at March 31, 2018	$ 675.3	$ 2,765.0	$ (1.3)	$ 3,439.0	$ (143.2)	$ 3,295.8

See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
Millions	**2019**	**2018**
Cash flows from operations:		
Net income (loss)	**$ 272.2**	$ (66.6)
Adjustments to reconcile net income to net cash used for operations:		
Net realized and unrealized investment (gains) losses	**(245.6)**	53.7
Realized gain from the MediaAlpha Transaction	**(66.2)**	—
Deferred income expense (benefit)	**7.5**	(.8)
Net gain from sale of discontinued operations, net of tax	**(.7)**	(.1)
Amortization of restricted share and option awards	**2.8**	3.2
Amortization and depreciation	**8.3**	4.8
Other operating items:		
Net change in unearned insurance premiums	**3.6**	3.4
Net change in deferred acquisition costs	**(.6)**	(1.1)
Net change in restricted cash	**10.8**	—
Net change in other assets and liabilities, net	**(33.2)**	(41.3)
Net cash used for operations - continuing operations	**(41.1)**	(44.8)
Net cash provided from operations - discontinued operations	**—**	.1
Net cash (used for) provided from operations	**(41.1)**	(44.7)
Cash flows from investing activities:		
Net change in short-term investments	**(55.3)**	(587.5)
Sales of fixed maturity and convertible investments	**93.0**	1,266.5
Maturities, calls and paydowns of fixed maturity and convertible investments	**25.6**	40.6
Sales of common equity securities	**136.5**	14.4
Distributions and redemptions of other long-term investments and settlements of forward contracts	**1.9**	(6.9)
Net settlement of investment cash flows and contributions with discontinued operations	**—**	.1
Purchases of other long-term investments	**(60.6)**	(46.0)
Purchases of common equity securities	**(4.6)**	(109.4)
Purchases of fixed maturity and convertible investments	**(152.3)**	(537.1)
Purchases of consolidated subsidiaries, net of cash acquired of $0.4	**(9.6)**	—
Other investing activities, net	**(17.4)**	42.8
Net cash provided from investing activities - continuing operations	**(42.8)**	77.5
Net cash used for investing activities - discontinued operations	**—**	(.1)
Net cash provided from investing activities	**(42.8)**	77.4
Cash flows from financing activities:		
Draw down of debt and revolving line of credit	**106.5**	—
Repayment of debt and revolving line of credit	**(14.8)**	(2.3)
Cash dividends paid to the Company's common shareholders	**(3.2)**	(3.8)
Distribution to non-controlling interest shareholders	**(27.6)**	—
Repurchase of shares from non-controlling interest shareholders	**(21.1)**	—
Proceeds from issuance of shares to non-controlling interest shareholders	**62.7**	—
Capital contributions to non-controlling interest shareholders	**.7**	—
Capital contributions from BAM members	**7.9**	4.9
Fidus Re premium payment	**(.7)**	—
Restricted share statutory withholding tax payments	**(4.9)**	(8.4)
Net cash used for financing activities - continuing operations	**105.5**	(9.6)
Net cash used for financing activities - discontinued operations	**—**	—
Net cash used for financing activities	**105.5**	(9.6)
Effect of exchange rate changes on cash	**.3**	—
Net change in cash during the period - continuing operations, including the effect of exchange rate changes	**21.9**	23.1
Cash balances at beginning of period (includes restricted cash balances of $50.0 and $0.0)	**110.3**	97.1
Cash balances at end of period (includes restricted cash balances of $60.8 and $0.0)	**$ 132.2**	$ 120.2
Supplemental cash flows information:		
Interest paid	**$ (3.7)**	$ (.3)
Net income tax refunds	**$ —**	$ .2

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its insurance subsidiaries and other affiliates. The Company’s headquarters is located at 26 Reid Street, Hamilton, Bermuda HM 11, its principal executive office is located at 80 South Main Street, Hanover, New Hampshire 03755-2053 and its registered office is located at Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and include the accounts of White Mountains Insurance Group, Ltd. (the “Company” or the “Registrant”), its subsidiaries (collectively with the Company, “White Mountains”) and other entities required to be consolidated under GAAP.

Consolidation Principles

Under GAAP, the Company is required to consolidate any entity in which it holds a controlling financial interest. A controlling financial interest is usually in the form of an investment representing the majority of the subsidiary’s voting interests. However, a controlling financial interest may also arise from a financial interest in a variable interest entity (“VIE”) through arrangements that do not involve ownership of voting interests. The Company consolidates a VIE if it determines that it is the primary beneficiary. The primary beneficiary is defined as the entity who holds a variable interest that gives it both the power to direct the VIE’s activities that most significantly impact its economic performance and the obligation to absorb losses of, or the right to receive returns from, the VIE that could potentially be significant to the VIE.

Intercompany transactions have been eliminated in consolidation. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation. These interim financial statements include all adjustments considered necessary by management to fairly state the financial position, results of operations and cash flows of White Mountains. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company’s 2018 Annual Report on Form 10-K.

Business Combinations

White Mountains accounts for purchases of businesses using the acquisition method, which requires the measurement of assets acquired, including goodwill and other intangible assets, and liabilities assumed, including contingent liabilities, at their estimated fair values as of the acquisition date. The acquisition date fair values represent management’s best estimates and are based upon established valuation techniques, reasonable assumptions and, where appropriate, valuations performed by independent third parties. In circumstances where additional information is required in order to determine the acquisition date fair value of balance sheet amounts, provisional amounts may be recorded as of the acquisition date and may be subject to subsequent adjustment throughout the measurement period, which is one year from the acquisition date. Measurement period adjustments are recognized in the period in which they are determined. The results of operations and cash flows of businesses acquired are included in the consolidated financial statements from the date of acquisition.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reportable Segments

White Mountains has determined its reportable segments based on the nature of the underlying businesses, the manner in which the Company’s subsidiaries and affiliates are organized and managed and the organization of the financial information provided to the chief operating decision maker to assess performance and make decisions regarding allocation of resources. White Mountains’s reportable segments are HG Global/BAM, NSM, MediaAlpha (through February 26, 2019) and Other Operations. See **Note 14 — “Segment Information”**.

The HG Global/BAM segment consists of HG Global Ltd. and its wholly-owned subsidiaries (“HG Global”) and the consolidated results of Build America Mutual Assurance Company (“BAM”) (collectively, “HG Global/BAM”). BAM is the first and only mutual municipal bond insurance company in the United States. By insuring the timely payment of principal and interest, BAM provides market access to, and lowers interest expense for, issuers of municipal bonds used to finance essential public purposes such as schools, utilities and transportation facilities. BAM is owned by and operated for the benefit of its members, the municipalities that purchase BAM’s insurance for their debt issuances. HG Global was established to fund the startup of BAM and, through its wholly-owned subsidiary, HG Re Ltd. (“HG Re”), to provide up to 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of $503.0 million of surplus notes issued by BAM (the “BAM Surplus Notes”). As of March 31, 2019, $481.3 million of the surplus notes remain outstanding. As of March 31, 2019 and December 31, 2018, White Mountains owned 96.9% of HG Global’s preferred equity and 88.4% of its common equity. White Mountains does not have an ownership interest in BAM. However, White Mountains is required to consolidate BAM’s results in its financial statements because BAM is a VIE for which White Mountains is the primary beneficiary. BAM’s results are attributed to non-controlling interests.

The NSM segment consists of NSM Insurance HoldCo, LLC and its wholly-owned subsidiaries (collectively, “NSM”). NSM is a full-service managing general underwriting agency (“MGU”) and program administrator for specialty property and casualty insurance. The company places insurance in niche sectors such as specialty transportation, social services and real estate. On behalf of its insurance carrier partners, NSM manages all aspects of the placement process, including product development, marketing, underwriting, policy issuance and claims. NSM earns commissions based on the volume and profitability of the insurance that it places. NSM does not take insurance risk. As of March 31, 2019 and December 31, 2018, White Mountains owned 95.3% and 95.5% of the basic units outstanding of NSM (84.8% and 85.0% on a fully diluted, fully converted basis). The NSM segment also includes White Mountains Catskill Holdings, Inc., the immediate holding company of NSM. See **Note 2 — “Significant Transactions**”.

The MediaAlpha segment consisted of QL Holdings LLC and its wholly-owned subsidiary QuoteLab, LLC (collectively “MediaAlpha”). MediaAlpha is a marketing technology company that develops technology that enables the programmatic buying and selling of vertical-specific, performance-based media between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory) through cost-per-click, cost-per-call and cost-per-lead pricing models. MediaAlpha’s media buying platform enables advertisers to create and automate data-driven bidding strategies designed to improve the efficiency and enhance overall performance of their marketing campaigns that target high-intent consumers at the time and place they are ready to purchase. MediaAlpha’s publisher platform is used by publishers to sell their vertical-specific, performance-based media to advertisers through transparent, programmatic, auction-based marketplaces. White Mountains deconsolidated MediaAlpha on February 26, 2019. White Mountains’s consolidated statement of comprehensive income and its segment disclosures include MediaAlpha’s results of operations for the period from January 1, 2019 through February 26, 2019. See **Note 2 — “Significant Transactions”**.

The Other Operations segment consists of the Company and its wholly-owned subsidiary, White Mountains Capital, Inc. (“WM Capital”), its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC (“WM Advisors”), investment assets managed by WM Advisors, its interests in PassportCard Limited (“PassportCard”) and DavidShield Life Insurance Agency (2000) Ltd. (“DavidShield”) (collectively, “PassportCard/ DavidShield”) and Kudu Investment Management, LLC (“Kudu”), certain other consolidated and unconsolidated entities and certain other strategic investments.

Discontinued Operations and Assets Held for Sale

On April 18, 2016, White Mountains completed its sale of Sirius International Insurance Group, Ltd. (“Sirius Group”) to CM International Pte. Ltd. and CM Bermuda Limited (collectively “CMI”), the Singapore-based investment arm of China Minsheng Investment Corp., Ltd. Adjustments to the gain on sale subsequent to the transaction have also been classified within discontinued operations.

White Mountains has classified its Guilford, Connecticut property, which consists of an office building and adjacent land, as held for sale as of March 31, 2019 and December 31, 2018. See **Note 17 — “Held for Sale and Discontinued Operations”**.

Derivatives

White Mountains holds from time to time derivative financial instruments for risk management purposes. White Mountains recognizes all derivatives as either assets or liabilities on the balance sheet measured at fair value. During the quarter ended June 30, 2018, White Mountains entered into an interest rate swap to hedge its exposure to the interest rate risk associated with the interest payments on NSM's variable rate debt. In order to qualify for hedge accounting, a derivative instrument must be both highly effective in offsetting the exposure to the hedged risk and designated as a hedge at inception. The NSM interest rate swap meets both of these requirements and is being accounted for as a hedge. Changes in the fair value of the swap are recognized in other comprehensive income. White Mountains formally evaluates the relationship between derivatives used as hedges and the related hedged cash flows, including its risk-management objective and strategy for undertaking a hedging transaction. White Mountains assesses the effectiveness of the hedging transaction at both inception and on an ongoing basis. White Mountains also held certain foreign currency forward contracts, which were held for risk management purposes, but not designated as hedges. These contracts were measured at fair value with the changes therein recognized through current period pre-tax income. See **Note 7 — "Derivatives"**.

Reinsurance Contracts Accounted for as Deposits

Reinsurance contracts that do not meet the risk transfer requirements necessary to be accounted for as reinsurance are accounted for using the deposit method under GAAP. BAM entered into a reinsurance contract agreement with Fidus Reinsurance Ltd. ("Fidus Re") during the quarter ended June 30, 2018, which is accounted for using the deposit method. See **Note 8 — "Municipal Bond Guarantee Insurance"**. The nonrefundable consideration paid by BAM to Fidus Re is charged to financing expense within general and administrative expenses.

Restricted Cash

Cash includes amounts on hand and demand deposits with banks and other financial institutions. Cash balances which are not immediately available for general corporate purposes, including fiduciary accounts, are classified as restricted. Restricted amounts included within cash are disclosed parenthetically on the balance sheet. Amounts presented in the statement of cash flows are shown net of balances acquired and sold in the purchase or sale of White Mountains's consolidated subsidiaries. Changes in restricted cash balances are presented as a separate caption within the operations, investing and financing activities sections of the statement of cash flows.

Significant Accounting Policies

Refer to the Company's 2018 Annual Report on Form 10-K for a complete discussion regarding White Mountains's significant accounting policies.

Recently Adopted Changes in Accounting Principles

Leases

On January 1, 2019, White Mountains adopted ASU 2016-02, *Leases* (ASC 842), which requires lessees to recognize lease assets and liabilities on the balance sheet for both operating and financing leases, with the exception of leases with an original term of 12 months or less. White Mountains elected the optional transition method that permits prospective adoption with recognition of a cumulative effect adjustment to the opening balance of retained earnings. As a result, White Mountains has presented comparative periods prior to adoption in accordance with previous lease accounting guidance. White Mountains also elected all available practical expedients permitted under ASC 842, which allowed White Mountains to carryforward its historical lease classification and not reassess leases for the definition of a lease under the new guidance. As of January 1, 2019 and March 31, 2019, White Mountains recognized $23.2 million and $21.5 million of lease right-of-use assets and $23.2 million and $21.8 million of lease liabilities. Adoption of ASU 2016-02 did not result in an adjustment to opening retained earnings.

Premium Amortization on Callable Debt Securities

On January 1, 2019, White Mountains adopted ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities* (ASC 310-20), which changes the amortization period for certain purchased callable debt securities. Under the new guidance, for investments in callable debt securities held at a premium, the premium is amortized over the period to the earliest call date. The new guidance does not change the amortization period for callable debt securities held at a discount. Adoption of ASU 2017-08 did not have any impact on White Mountains's financial statements.

Revenue Recognition

On January 1, 2018, White Mountains adopted ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), which modifies the guidance for revenue recognition. Under ASU 2014-09, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled once it fulfills its performance obligations under the terms of its contract with the customer. The scope of the new guidance includes agent commissions and other non-insurance revenues. Adoption of ASU 2014-09 did not have any impact on White Mountains's financial statements.

Share-Based Compensation

On January 1, 2018, White Mountains adopted ASU 2017-09, *Stock Compensation: Scope of Modification Accounting* (ASC 718), which narrows the scope of transactions subject to modification accounting to changes in terms of an award that result in a change in the award's fair value, vesting conditions or classification. Adoption of ASU 2017-09 did not have any impact on White Mountains's financial statements.

Business Combinations

On January 1, 2018, White Mountains adopted ASU 2017-01, *Business Combinations: Clarifying the Definition of a Business* (ASC 805), which clarifies the definition of a business and affects the determination of whether acquisitions or disposals are accounted for as assets or as a business. Under the new guidance, when substantially all of the fair value of the assets is concentrated in a single identifiable asset or group of similar assets, it is not a business. Adoption of ASU 2017-01 did not have any impact on White Mountains's financial statements.

Cash Flow Statement

On January 1, 2018, White Mountains adopted ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (ASC 230), which addresses the classification and presentation of certain items, including debt prepayment and extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees, for which there was diversity in practice prior to the issuance of ASU 2016-15. Also on January 1, 2018, White Mountains adopted ASU 2016-18, *Statement of Cash Flows: Restricted Cash* (ASC 230), which modifies the guidance for the treatment of restricted cash amounts in the cash flow statement. The new guidance requires restricted cash to be included in the reconciliation of beginning and end-of-period amounts presented on the statement of cash flows and requires a description of the nature of the changes in restricted cash during the periods presented. Adoption of ASU 2016-15 and ASU 2016-18 did not have any impact on White Mountains's statement of cash flows.

Financial Instruments - Recognition and Measurement

On January 1, 2018, White Mountains adopted ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASC 825-10), which modifies the guidance for financial instruments, including investments in equity securities. Under the new guidance, all equity securities with readily determinable fair values are required to be measured at fair value with changes therein recognized through current period earnings. In addition, the new ASU requires a qualitative assessment for equity securities without readily determinable fair values to identify impairment, and for impaired equity securities to be measured at fair value. White Mountains measures its portfolio of investment securities at fair value with changes therein recognized through current period earnings and, accordingly, adoption of ASU 2016-01 did not have any impact on White Mountains's financial statements.

Recently Issued Accounting Pronouncements

Goodwill

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment* (ASC 350), which changes the guidance on goodwill impairment testing. Under the new guidance, the qualitative assessment of the recoverability of goodwill remains the same. However, the second step required under the existing guidance has been eliminated. Goodwill is considered impaired if the carrying value exceeds the estimated fair value. The new guidance is effective for fiscal years beginning after December 15, 2019.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASC 326), which establishes new guidance for the recognition of credit losses for financial assets measured at amortized cost. The new ASU requires reporting entities to estimate the credit losses expected over the life of a credit exposure using historical information, current information and reasonable and supportable forecasts that affect the collectability of the financial asset. This differs from current GAAP, which delays recognition until it is probable a loss has been incurred. The new guidance is expected to accelerate recognition of credit losses. The types of assets within the scope of the new guidance include premium receivables, reinsurance recoverables and loans. ASU 2016-13 is effective for annual periods beginning after January 1, 2020, including interim periods. White Mountains measures its portfolio of investment securities at fair value with changes therein recognized through current period earnings and, accordingly, does not expect adoption to have any effect on its financial statements.

Note 2. Significant Transactions

Acquisitions

NSM

On May 11, 2018, White Mountains acquired 95.0% of the basic units outstanding of NSM. White Mountains funded the acquisition through a combination of cash on hand and new borrowings by NSM. White Mountains paid $274.2 million of cash consideration for its equity interest in NSM, and NSM borrowed $100.0 million in new debt as part of the transaction. During the three months ended September 30, 2018, White Mountains recorded a purchase price adjustment of an additional $2.1 million. White Mountains recognized total assets acquired related to NSM of $495.2 million, including $383.0 million of goodwill and other intangible assets, total liabilities assumed of $204.6 million, including contingent consideration earnout liabilities related to NSM’s previous acquisitions of its U.K.-based operations, of $10.2 million, and non-controlling interest of $14.4 million reflecting acquisition date fair values. In connection with the acquisition, White Mountains incurred transaction costs of $6.3 million in the Other Operations segment, which were expensed in the three months ended June 30, 2018.

On May 18, 2018, NSM acquired 100% of Fresh Insurance Services Group Limited (“Fresh Insurance”), an insurance broker that specializes in non-standard personal lines products, motor trade, and van insurance in the United Kingdom, for upfront cash consideration of $49.6 million. NSM borrowed $51.0 million in new debt to fund the transaction. During the three months ended March 31, 2019, NSM paid a purchase price adjustment of $0.7 million. The purchase price is subject to additional adjustments based upon growth in EBITDA during two earnout periods, ending in February 2020 and February 2022. NSM recognized total assets acquired related to Fresh Insurance of $72.6 million, including $54.6 million of goodwill and other intangible assets, and total liabilities assumed of $22.3 million, reflecting acquisition date fair values. In connection with the acquisition, NSM recorded a contingent consideration earnout liability of $7.5 million.

On December 3, 2018, NSM acquired all the net assets of KBK Insurance Group (“KBK”), a specialized MGU focused on the towing and transportation space, for upfront cash consideration of $60.0 million. In order to partially fund the KBK transaction, White Mountains contributed $29.0 million. NSM borrowed $30.1 million in new debt as part of the transaction. White Mountains recognized $59.4 million of goodwill and other intangible assets, reflecting acquisition date fair values, for which the relative fair values of goodwill and other intangible assets had not yet been determined as of December 31, 2018. During the three months ended March 31, 2019, NSM recorded a purchase price adjustment of $5.9 million relating to the fair value of the contingent consideration earnout liability in connection with the acquisition, which was not previously determined. As of March 31, 2019, White Mountains has determined that the relative values of goodwill and other intangible assets recorded in connection with the KBK transaction are $32.6 million and $32.7 million, reflecting acquisition date fair value. The purchase price is subject to additional adjustments based upon growth in EBITDA during three earnout periods ending in December 2019, December 2020 and December 2021.

The contingent consideration earnout liabilities related to these acquisitions are subject to adjustment based upon EBITDA, EBITDA projections, and present value factors for acquired entities. For the three months ended March 31, 2019, NSM recognized pre-tax expense of $1.3 million for the increase in the fair value of its contingent consideration earnout liabilities for both Fresh Insurance and its other U.K.-based operations. Any future adjustments to contingent consideration earnout liabilities under the agreements will also be recognized through pre-tax income. As of March 31, 2019 and December 31, 2018, NSM recorded contingent consideration earnout liabilities of $27.5 million and $20.2 million.

DavidShield

On January 24, 2018, White Mountains acquired 50% of the basic shares outstanding of DavidShield, its joint venture partner in PassportCard. DavidShield is a managing general agency that is the leading provider of expatriate medical insurance in Israel and uses the same card-based delivery system as PassportCard. As part of the transaction, White Mountains restructured its equity stake in PassportCard so that White Mountains and its partner in DavidShield would each own 50% of both businesses. To facilitate the transaction, White Mountains provided financing to its partner in the form of a non-interest bearing loan that is secured by the partner’s equity in PassportCard and DavidShield. The gross purchase price for the 50% of DavidShield was $41.8 million, or $28.3 million net of the financing provided for the restructuring.

Kudu

On February 5, 2018, White Mountains entered into an agreement to fund up to $125.0 million in Kudu, a provider of capital solutions to asset management and wealth management firms. As of March 31, 2019 and December 31, 2018, White Mountains owned 49.5% of the basic units outstanding of Kudu (42.7% on a fully diluted, fully converted basis). Kudu's solutions are tailored to special situations, including generational ownership transfers, management buyouts, acquisition and growth finance and legacy partner liquidity.

Kudu's solutions typically take the form of revenue shares that generate cash yields and have additional upside equity participation. Kudu provides a range of advisory services to help its asset manager partners grow their businesses. Kudu closed its first three transactions in 2018 deploying $63.0 million of capital in total, of which $31.5 million was from White Mountains. For the three months ended March 31, 2019, Kudu closed two additional transactions, deploying an additional $82.2 million, of which $41.1 million was from White Mountains. As of March 31, 2019, White Mountains has funded $72.6 million of its $125.0 million commitment, plus an additional $3.8 million for working capital.

On February 14, 2019, White Mountains entered into a definitive agreement to purchase all the ownership interests in Kudu held by certain funds managed by Oaktree Capital Management, L.P. ("Oaktree"). On April 4, 2019, White Mountains completed its acquisition of Oaktree's interests in Kudu for $81.4 million. As a result of the purchase, White Mountains's ownership interest was increased to 99.1% of the basic units outstanding of Kudu (85.4% on a fully diluted, fully converted basis). In connection with the transaction, White Mountains assumed all of Oaktree's unfunded capital commitments to Kudu, increasing White Mountains's total unfunded Kudu capital commitment to $104.7 million. See **Note 18 — "Subsequent Events"**.

For periods prior to White Mountains's acquisition of Oaktree's interest in Kudu, White Mountains determined that Kudu was a VIE, but that White Mountains was not the primary beneficiary. In those periods, White Mountains elected to use the fair value option. For periods subsequent to the acquisition, White Mountains will consolidate Kudu beginning in the second quarter of 2019.

Dispositions

MediaAlpha

On February 26, 2019, MediaAlpha completed the sale of a significant minority stake to Insignia Capital Group in connection with a recapitalization and cash distribution to existing equityholders (the "MediaAlpha Transaction"). White Mountains received net cash proceeds of $88.0 million from the MediaAlpha Transaction. White Mountains expects to receive additional proceeds of $1.3 million during the second quarter of 2019, when funds are released from escrow.

White Mountains recognized a realized gain of $67.5 million and reduced its ownership interest to 48.3% of the basic units outstanding of MediaAlpha (42.0% on a fully diluted, fully converted basis) as a result of the MediaAlpha Transaction. White Mountains's remaining ownership interest in MediaAlpha no longer meets the criteria for a controlling ownership interest and, accordingly, White Mountains deconsolidated MediaAlpha on February 26, 2019. White Mountains's consolidated statement of operations and comprehensive income and its segment disclosures include MediaAlpha's results of operations for the period from January 1, 2019 through February 26, 2019. Upon deconsolidation, White Mountains's investment in MediaAlpha met the criteria to be accounted for under the equity method or under the fair value option. White Mountains elected the fair value option and the investment in MediaAlpha was measured at its estimated fair value of $114.7 million as of March 31, 2019, with the change in fair value of $114.7 million recognized as an unrealized investment gain. White Mountains recognized a total of $182.2 million of realized and unrealized investment gains on the MediaAlpha Transaction.

Note 3. Investment Securities

White Mountains's portfolio of investment securities held for general investment purposes consists of fixed maturity investments, short-term investments, common equity securities and other long-term investments, which are all classified as trading securities. Trading securities are reported at fair value as of the balance sheet date. Net realized and unrealized investment gains (losses) on trading securities are reported in pre-tax revenues.

White Mountains's fixed maturity investments are generally valued using industry standard pricing methodologies. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life.

Realized investment gains (losses) resulting from sales of investment securities are accounted for using the specific identification method. Premiums and discounts on all fixed maturity investments are amortized or accreted to income over the anticipated life of the investment. Short-term investments consist of interest-bearing money market funds and other securities, which at the time of purchase, mature or become available for use within one year. Short-term investments are carried at amortized or accreted cost, which approximated fair value as of March 31, 2019 and December 31, 2018.

Other long-term investments consist primarily of unconsolidated entities, private equity funds and hedge funds.

Net Investment Income

White Mountains's net investment income is comprised primarily of interest income associated with White Mountains's fixed maturity investments and short-term investments and dividend income from its common equity securities and other long-term investments.

The following table presents pre-tax net investment income for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
Millions	**2019**	**2018**
Fixed maturity investments	**$ 8.1**	$ 10.9
Short-term investments	**1.3**	2.6
Common equity securities	**5.4**	5.0
Other long-term investments	**1.6**	1.9
Total investment income	**16.4**	20.4
Third-party investment expenses	**(.4)**	(.7)
Net investment income, pre-tax	**$ 16.0**	$ 19.7

Net Realized and Unrealized Investment Gains (Losses)

The following table presents net realized and unrealized investment gains (losses) for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
Millions	**2019**	**2018**
Net realized investment gains (losses), pre-tax	**$ 25.7**	$ (5.1)
Net unrealized investment gains (losses), pre-tax [(1)]	**219.9**	(48.6)
Net realized and unrealized investment gains (losses), pre-tax	**245.6**	(53.7)
Income tax (expense) benefit attributable to net realized and unrealized investment gains (losses)	**(52.2)**	5.7
Net realized and unrealized investment gains (losses), after-tax	**$ 193.4**	$ (48.0)

[(1)] Includes $114.7 in unrealized investment gains associated with the MediaAlpha Transaction. See **Note 2 — "Significant Transactions."**

For the three months ended March 31, 2019 and 2018, all of White Mountains's net realized and unrealized investment gains (losses) were recorded in the consolidated statements of operations. There were no investment gains (losses) recorded in other comprehensive income.

Net Realized Investment Gains (Losses)

The following table presents net realized investment gains (losses) for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
Millions	**Net Realized (Losses) Gains**	**Net Foreign Exchange Gains (Losses)**	**Total Net Realized (Losses) Gains Reflected in Earnings**	**Net Realized (Losses) Gains**	**Net Foreign Exchange Gains (Losses)**	**Total Net Realized Gains (Losses) Reflected in Earnings**
Fixed maturity investments	**$ (.9)**	**$ —**	**$ (.9)**	$ (13.7)	$ 18.2	$ 4.5
Short-term investments	**—**	**—**	**—**	(.1)	—	(.1)
Common equity securities	**25.8**	**—**	**25.8**	1.2	—	1.2
Other long-term investments	**.8**	**—**	**.8**	(3.5)	(7.2)	(10.7)
Net realized investment gains (losses), pre-tax	**25.7**	**—**	**25.7**	(16.1)	11.0	(5.1)
Income tax expense attributable to net realized investment gains (losses)	**(1.7)**	**—**	**(1.7)**	(.6)	—	(.6)
Net realized investment gains (losses), after-tax	**$ 24.0**	**$ —**	**$ 24.0**	$ (16.7)	$ 11.0	$ (5.7)

Net Unrealized Investment Gains (Losses)

The following table presents net unrealized investment gains (losses) and changes in the carrying value of investments measured at fair value for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
Millions	**Net Unrealized Gains**	**Net Foreign Exchange Losses**	**Total Net Unrealized Gains Reflected in Earnings**	**Net Unrealized Losses**	**Net Foreign Exchange (Losses) Gains**	**Total Net Unrealized (Losses) Gains Reflected in Earnings**
Fixed maturity investments	**$ 22.0**	**$ —**	**$ 22.0**	$ (18.6)	$ (14.8)	$ (33.4)
Short-term investments	**—**	**—**	**—**	(.7)	—	(.7)
Common equity securities	**85.5**	**—**	**85.5**	(16.7)	—	(16.7)
Other long-term investments[1]	**112.7**	**(.3)**	**112.4**	(1.9)	4.1	2.2
Net unrealized investment gains (losses), pre-tax	**220.2**	**(.3)**	**219.9**	(37.9)	(10.7)	(48.6)
Income tax expense attributable to net unrealized investment gains (losses)	**(50.5)**	**—**	**(50.5)**	6.3	—	6.3
Net unrealized investment gains (losses), after-tax	**$ 169.7**	**$ (.3)**	**$ 169.4**	$ (31.6)	$ (10.7)	$ (42.3)

[1] Includes $114.7 in unrealized investment gains associated with the MediaAlpha Transaction. See **Note 2 — "Significant Transactions."**

The following table presents total gains (losses) included in earnings attributable to net unrealized investment gains (losses) for Level 3 investments for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
Millions	**2019**	**2018**
Other long-term investments	**$ 114.0**	$ (5.1)
Total net unrealized investment gains (losses), pre-tax - Level 3 investments	**$ 114.0**	$ (5.1)

Investment Holdings

The following tables present the cost or amortized cost, gross unrealized investment gains (losses) and carrying values of White Mountains's fixed maturity investments as of March 31, 2019 and December 31, 2018:

	March 31, 2019			
Millions	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
U.S. Government and agency obligations	**$ 153.1**	**$ .4**	**$ (.5)**	**$ 153.0**
Debt securities issued by corporations	**538.4**	**7.3**	**(.9)**	**544.8**
Municipal obligations	**279.7**	**6.1**	**(.4)**	**285.4**
Mortgage and asset-backed securities	**149.4**	**.6**	**(1.2)**	**148.8**
Total fixed maturity investments	**$ 1,120.6**	**$ 14.4**	**$ (3.0)**	**$ 1,132.0**

	December 31, 2018			
Millions	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
U.S. Government and agency obligations	$ 154.0	$ .1	$ (.9)	$ 153.2
Debt securities issued by corporations	519.0	1.0	(9.5)	510.5
Municipal obligations	279.0	2.4	(1.1)	280.3
Mortgage and asset-backed securities	136.1	.1	(2.7)	133.5
Total fixed maturity investments	$ 1,088.1	$ 3.6	$ (14.2)	$ 1,077.5

The following tables present the cost or amortized cost, gross unrealized investment gains (losses), net foreign currency losses, and carrying values of White Mountains's common equity securities and other long-term investments as of March 31, 2019 and December 31, 2018:

	March 31, 2019				
Millions	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Foreign Currency Losses	Carrying Value
Common equity securities	**$ 798.6**	**$ 107.3**	**$ (.9)**	**$ —**	**$ 905.0**
Other long-term investments	**$ 389.8**	**$ 164.3**	**$ (54.3)**	**$ (2.2)**	**$ 497.6**

	December 31, 2018				
Millions	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Foreign Currency Losses	Carrying Value
Common equity securities	$ 904.7	$ 51.0	$ (30.1)	$ —	$ 925.6
Other long-term investments	$ 330.3	$ 52.2	$ (54.9)	$ (2.0)	$ 325.6

Other Long-Term Investments

The following table presents the carrying values of White Mountains's other long-term investments as of March 31, 2019 and December 31, 2018:

	Carrying Value at	
Millions	March 31, 2019	December 31, 2018
MediaAlpha [1]	**$ 114.7**	$ —
PassportCard/DavidShield [1]	**75.0**	75.0
Kudu	**71.7**	30.7
Other unconsolidated entities [1][2]	**54.4**	60.0
Total unconsolidated entities[1][2]	**315.8**	165.7
Private equity funds and hedge funds	**150.7**	146.1
Other	**31.1**	13.8
Total other long-term investments	**$ 497.6**	$ 325.6

[1] See *Fair Value Measurements by Level* table.
[2] Includes White Mountains's non-controlling interests in certain private common equity securities, limited liability companies and convertible preferred securities.

Private Equity Funds and Hedge Funds

White Mountains invests in private equity funds and hedge funds, which are included in other long-term investments. The fair value of these investments is generally estimated using the NAV of the funds. As of March 31, 2019, White Mountains held investments in twelve private equity funds and one hedge fund. The largest investment in a single fund was $53.1 million as of March 31, 2019 and $54.3 million as of December 31, 2018.

The following table presents investments in private equity funds and hedge funds by investment objective and sector as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
Millions	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private equity funds				
Manufacturing/Industrial	**$ 42.1**	**$ 10.5**	$ 42.9	$ 10.5
Aerospace/Defense/Government	**32.8**	**29.8**	27.6	34.9
Direct lending	**13.6**	**16.8**	13.0	17.7
Financial services	**9.1**	**12.8**	8.3	13.6
Total private equity funds	**97.6**	**69.9**	91.8	76.7
Hedge funds				
Long/short banks and financials	**53.1**	**—**	54.3	—
Total hedge funds	**53.1**	**—**	54.3	—
Total private equity funds and hedge funds included in other long-term investments	**$ 150.7**	**$ 69.9**	$ 146.1	$ 76.7

Investments in private equity funds are generally subject to a lock-up period during which investors may not request a redemption. Distributions prior to the expected termination date of the fund may be limited to dividends or proceeds arising from the liquidation of the fund's underlying investments. In addition, certain private equity funds have the option to extend the lock-up period.

The following table presents investments in private equity funds that were subject to lock-up periods as of March 31, 2019:

Millions	1 – 3 years	3 – 5 years	5 – 10 years	>10 years	Total
Private equity funds — expected lock-up period remaining	**$7.0**	**$—**	**$67.9**	**$22.7**	**$97.6**

Investors in private equity funds are generally subject to indemnification obligations outside of the capital commitment period and prior to the winding up of the fund. As of March 31, 2019 and December 31, 2018, White Mountains is not aware of any indemnification claims relating to its investments in private equity funds.

Redemption of investments in most hedge funds is subject to restrictions, including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency and advance notice periods for redemptions. Amounts requested for redemptions remain subject to market fluctuations until the redemption effective date, which generally falls at the end of the defined redemption period. As of March 31, 2019, White Mountains held one active hedge fund with a fair value of $53.1 million. The hedge fund is subject to a semi-annual restriction on redemptions and an advance notice period requirement of 45 days.

Fair Value Measurements as of March 31, 2019

Fair value measurements are categorized into a hierarchy that distinguishes between inputs based on market data from independent sources ("observable inputs") and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable ("unobservable inputs"). Quoted prices in active markets for identical assets or liabilities have the highest priority ("Level 1"), followed by observable inputs other than quoted prices, including prices for similar but not identical assets or liabilities ("Level 2") and unobservable inputs, including the reporting entity's estimates of the assumptions that market participants would use, having the lowest priority ("Level 3"). As of March 31, 2019 and December 31, 2018, White Mountains used quoted market prices or other observable inputs to determine fair value for approximately 82% and 87% of the investment portfolio.

Fair Value Measurements by Level

The following tables present White Mountains's fair value measurements for investments as of March 31, 2019 and December 31, 2018 by level. The major security types were based on the legal form of the securities. White Mountains has disaggregated its fixed maturity investments based on the issuing entity type, which impacts credit quality, with debt securities issued by U.S. government entities carrying minimal credit risk, while the credit and other risks associated with other issuers, such as corporations, foreign governments, municipalities or entities issuing mortgage and asset-backed securities vary depending on the nature of the issuing entity type. White Mountains further disaggregates debt securities issued by corporations and common equity securities by industry sector because investors often reference commonly used benchmarks and their subsectors to monitor risk and performance. Accordingly, White Mountains has further disaggregated these asset classes into subclasses based on the similar sectors and industry classifications it uses to evaluate investment risk and performance against commonly used benchmarks, such as the Bloomberg Barclays U.S. Intermediate Aggregate and S&P 500 indices.

	March 31, 2019			
Millions	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Fixed maturity investments:				
U.S. Government and agency obligations	$ 153.0	$ 153.0	$ —	$ —
Debt securities issued by corporations:				
Financials	139.7	—	139.7	—
Healthcare	74.7	—	74.7	—
Energy	66.0	—	66.0	—
Consumer	61.0	—	61.0	—
Industrial	57.0	—	57.0	—
Technology	55.0	—	55.0	—
Communications	40.4	—	40.4	—
Utilities	28.5	—	28.5	—
Materials	22.5	—	22.5	—
Total debt securities issued by corporations	544.8	—	544.8	—
Mortgage and asset-backed securities	148.8	—	148.8	—
Municipal obligations	285.4	—	285.4	—
Total fixed maturity investments	1,132.0	153.0	979.0	—
Short-term investments [1]	269.8	249.0	20.8	—
Common equity securities:				
Exchange traded funds [2]	712.3	646.3	66.0	—
Other [3]	192.7	—	192.7	—
Total common equity securities	905.0	646.3	258.7	—
Other long-term investments	275.1	—	—	275.1
Other long-term investments — NAV [4]	222.5	—	—	—
Total investments	$ 2,804.4	$ 1,048.3	$ 1,258.5	$ 275.1

(1) Short-term investments are measured at amortized cost, which approximates fair value.
(2) ETFs traded on foreign exchanges are priced using the fund's published NAV to account for the difference in market close times and are therefore designated a level 2 measurement.
(3) Consists of two investments in unit trusts that primarily invest in international equities.
(4) Consists of unconsolidated entities, private equity funds and one hedge fund for which fair value is measured at NAV using the practical expedient. Investments for which fair value is measured at NAV are not classified within the fair value hierarchy.

Millions	December 31, 2018 Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	$ 153.2	$ 153.2	$ —	$ —
Debt securities issued by corporations:				
Financials	143.4	—	143.4	—
Consumer	68.5	—	68.5	—
Technology	60.5	—	60.5	—
Energy	57.6	—	57.6	—
Healthcare	55.0	—	55.0	—
Industrial	47.6	—	47.6	—
Communications	31.8	—	31.8	—
Materials	26.3	—	26.3	—
Utilities	19.8	—	19.8	—
Total debt securities issued by corporations	510.5	—	510.5	—
Mortgage and asset-backed securities	133.5	—	133.5	—
Municipal obligations	280.3	—	280.3	—
Total fixed maturity investments	1,077.5	153.2	924.3	—
Short-term investments [1]	214.2	204.4	9.8	—
Common equity securities:				
Exchange traded funds [2]	675.3	617.0	58.3	—
Healthcare	14.0	14.0	—	—
Financials	13.5	13.5	—	—
Communications	12.7	12.7	—	—
Industrial	11.4	11.4	—	—
Technology	7.4	7.4	—	—
Consumer	6.2	6.2	—	—
Energy	4.1	4.1	—	—
Materials	3.1	3.1	—	—
Other [3]	177.9	—	177.9	—
Total common equity securities	925.6	689.4	236.2	—
Other long-term investments	138.7	—	—	138.7
Other long-term investments — NAV [4]	186.9	—	—	—
Total investments	$ 2,542.9	$ 1,047.0	$ 1,170.3	$ 138.7

[1] Short-term investments are measured at amortized cost, which approximates fair value.
[2] ETFs traded on foreign exchanges are priced using the fund's published NAV to account for the difference in market close times and are therefore designated a level 2 measurement.
[3] Consists of two investments in unit trusts that primarily invest in international equities.
[4] Consists of unconsolidated entities, private equity funds and one hedge fund for which fair value is measured at NAV using the practical expedient. Investments for which fair value is measured at NAV are not classified within the fair value hierarchy.

Debt Securities Issued by Corporations

The following table presents the ratings of debt securities issued by corporations held in White Mountains's investment portfolio as of March 31, 2019 and December 31, 2018:

	Fair Value at	
Millions	March 31, 2019	December 31, 2018
AAA	**$ 9.6**	$ 8.9
AA	**83.8**	88.7
A	**300.3**	270.5
BBB	**151.1**	142.4
Debt securities issued by corporations (1)	**$ 544.8**	$ 510.5

(1) Credit ratings are based upon issuer credit ratings provided by Standard & Poor's Financial Services LLC ("Standard & Poor's"), or if unrated by Standard & Poor's, long-term obligation ratings provided by Moody's Investor Service, Inc.

Mortgage and Asset-backed Securities

The following table presents the fair value of White Mountains's mortgage and asset-backed securities as of March 31, 2019 and December 31, 2018:

	March 31, 2019			December 31, 2018		
Millions	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
Mortgage-backed securities:						
Agency:						
FNMA	**$ 59.8**	**$ 59.8**	**$ —**	$ 53.6	$ 53.6	$ —
FHLMC	**43.0**	**43.0**	**—**	38.1	38.1	$ —
GNMA	**25.6**	**25.6**	**—**	23.7	23.7	$ —
Total agency (1)	**128.4**	**128.4**	**—**	115.4	115.4	—
Total mortgage-backed securities	**128.4**	**128.4**	**—**	115.4	115.4	—
Other asset-backed securities:						
Vehicle receivables	**11.5**	**11.5**	**—**	9.2	9.2	—
Credit card receivables	**8.9**	**8.9**	**—**	8.9	8.9	—
Total other asset-backed securities	**20.4**	**20.4**	**—**	18.1	18.1	—
Total mortgage and asset-backed securities	**$ 148.8**	**$ 148.8**	**$ —**	$ 133.5	$ 133.5	$ —

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

Rollforward of Fair Value Measurements by Level

White Mountains uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturity investments, common equity securities and other long-term investments as of March 31, 2019 and 2018 consist of securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

The following tables present the changes in White Mountains's fair value measurements by level for the three months ended March 31, 2019 and 2018:

			Level 3 Investments			
Millions	Level 1 Investments	Level 2 Investments	Other Long-term Investments[2]	Unconsolidated Entities, Private Equity Funds and Hedge Funds Measured at NAV [3]	Total	
Balance at December 31, 2018	**$ 842.6**	**$ 1,160.5**	**$ 138.7**	**$ 186.9**	**$ 2,328.7**	[1]
Net realized and unrealized gains (losses)	**91.7**	**40.7**	**114.0**	**(.8)**	**245.6**	
Amortization/Accretion	**.1**	**(.4)**	**—**	**—**	**(.3)**	
Purchases	**14.6**	**142.3**	**11.5**	**49.2**	**217.6**	
Sales	**(149.7)**	**(105.4)**	**—**	**(1.9)**	**(257.0)**	
Transfers in	**—**	**—**	**10.9**	**—**	**10.9**	
Transfers out	**—**	**—**	**—**	**(10.9)**	**(10.9)**	
Balance at March 31, 2019	**$ 799.3**	**$ 1,237.7**	**$ 275.1**	**$ 222.5**	**$ 2,534.6**	[1]

[1] Excludes carrying value of $269.8 million and $214.2 as of March 31, 2019 and December 31, 2018, respectively classified as short-term investments.
[2] Includes $114.7 in unrealized investment gains associated with the MediaAlpha Transaction. See **Note 2 — "Significant Transactions".**
[3] Investments for which fair value is measured at NAV using the practical expedient are no longer classified within the fair value hierarchy. See **Note 1 — "Basis of Presentation and Significant Accounting Policies"**.

			Level 3 Investments			
Millions	Level 1 Investments	Level 2 Investments	Other Long-term Investments	Unconsolidated Entities, Private Equity Funds and Hedge Funds Measured at NAV [3]	Total	
Balance at December 31, 2017	$ 890.4	$ 2,105.4	$ 77.2	$ 135.3	$ 3,208.3	[1][2]
Net realized and unrealized (losses) gains	(14.3)	(26.0)	(7.8)	2.7	(45.4)	[4]
Amortization/Accretion	—	(1.2)	—	—	(1.2)	
Purchases	238.9	407.7	44.0	2.0	692.6	
Sales	(240.7)	(1,080.8)	—	(.3)	(1,321.8)	
Transfers in	—	—	—	—	—	
Transfers out	—	—	—	—	—	
Balance at March 31, 2018	$ 874.3	$ 1,405.1	$ 113.4	$ 139.7	$ 2,532.5	[1]

[1] Excludes carrying value of $763.0 and $176.1 as of March 31, 2018 and December 31, 2017, respectively classified as short-term investments.
[2] Excludes carrying value of $(3.7) as of December 31, 2017 associated with foreign currency forward contracts.
[3] Investments for which fair value is measured at NAV using the practical expedient are no longer classified within the fair value hierarchy. See **Note 1 — "Basis of Presentation and Significant Accounting Policies"**.
[4] Excludes realized and unrealized losses associated with foreign currency forward contracts, foreign currency on cash and open trades and short-term investments of $3.5, $4.2 and $0.6 for the three months ended March 31, 2018.

Fair Value Measurements — Transfers Between Levels - Three-months ended March 31, 2019 and 2018

Transfers between levels are recorded using the fair value measurement as of the end of the quarterly period in which the event or change in circumstance giving rise to the transfer occurred.

During the first three months of 2019 and 2018, there were no fixed maturity investments or other long-term investments classified as Level 3 measurements in the prior period that were transferred to Level 2 measurements.

Significant Unobservable Inputs

The following tables present significant unobservable inputs used in estimating the fair value of other long-term investments, other than private equity funds and hedge funds, classified within Level 3 as of March 31, 2019 and December 31, 2018. The fair value of investments in certain unconsolidated entities, private equity funds and hedge funds are generally estimated using the NAV of the funds.

$ in Millions, Except Share Price	**March 31, 2019**		
Description	**Valuation Technique(s)**	**Fair Value [1]**	**Unobservable Input**
MediaAlpha	Share price of recent transaction[2]	**$114.7**	Unit price - **$208.98**
PassportCard/DavidShield	Discounted cash flow	**$75.0**	Discount rate - **18.0%**
			Revenue exit multiple - **1.00**
Compare.com	Discounted cash flow	**$16.9**	Discount rate - **22.0%**
			Revenue exit multiple - **2.75**
YOUSURE Tarifvergleich GmbH (“durchblicker”)	Discounted cash flow	**$15.2**	Discount rate - **23.0%**
			Revenue exit multiple - **2.25**
Captricity, Inc.	Discounted cash flow	**$14.5**	Discount rate - **23.0%**
			Revenue exit multiple - **3.75**
Galvanic Applied Sciences	Multiple of EBITDA	**$2.7**	EBITDA multiple - **6.00**
Private debt instrument	Discounted cash flow	**$10.0**	Discount rate - **9.23%**
Private debt instrument	Discounted cash flow	**$10.9**	Discount rate - **7.00%**

[1] Includes the net unrealized investment gains (losses) associated with foreign currency; foreign currency effects based on observable inputs.

[2] The MediaAlpha Transaction was completed on February 26, 2019. See **Note 2 - “Significant Transactions”.**

$ in Millions, Except Share Price	**December 31, 2018**		
Description	**Valuation Technique(s)**	**Fair Value [1]**	**Unobservable Input**
PassportCard/DavidShield	Discounted cash flow	$75.0	Discount rate - 18.0%
			Revenue exit multiple - 1.00
Compare.com	Discounted cash flow	$16.9	Discount rate - 22.0%
			Revenue exit multiple - 2.75
durchblicker	Discounted cash flow	$15.5	Discount rate - 23.0%
			Revenue exit multiple - 2.25
Captricity, Inc.	Discounted cash flow	$14.5	Discount rate - 23.0%
			Revenue exit multiple - 3.75
Galvanic Applied Sciences	Multiple of EBITDA	$3.1	EBITDA multiple - 6.00
Private debt instrument	Discounted cash flow	$10.0	Discount rate - 9.23%

[1] Includes the net unrealized investment gains (losses) associated with foreign currency; foreign currency effects based on observable inputs.

Note 4. Goodwill and Other Intangible Assets

White Mountains has recognized goodwill and other intangible assets at the acquisition date fair values in connection with its purchases of subsidiaries.

On May 11, 2018, White Mountains completed its acquisition of NSM, recognizing $383.0 million of goodwill and other intangible assets, reflecting acquisition date fair values. On May 18, 2018, NSM completed its acquisition of Fresh Insurance, recognizing $54.6 million of goodwill and other intangible assets, reflecting acquisition date fair values.

On February 26, 2019, MediaAlpha completed the sale of a significant minority stake to Insignia Capital Group in connection with a recapitalization and cash distribution to existing equityholders. MediaAlpha also repurchased a portion of the holdings of existing equityholders, including a repurchase of a portion of White Mountains's holdings. As a result of the repurchase, White Mountains's ownership interest was reduced to 48.3% of the basic units outstanding of MediaAlpha (42.0% on a fully diluted, fully converted basis). White Mountains's remaining ownership interest in MediaAlpha no longer meets the criteria for a controlling ownership interest and accordingly, White Mountains deconsolidated MediaAlpha on February 26, 2019.

The following tables presents the change in goodwill and other intangible assets:

	Three Months Ended March 31,					
	2019			2018		
Millions	Goodwill	Other Intangible Assets	Total Goodwill and Other Intangible Assets	Goodwill	Other Intangible Assets	Total Goodwill and Other Intangible Assets
Beginning balance	**$ 379.9**	**$ 157.6**	**$ 537.5**	$ 25.9	$ 36.2	$ 62.1
Deconsolidation of MediaAlpha	**(18.3)**	**(23.5)**	**(41.8)**	—	—	—
Attribution of acquisition date fair value estimates between goodwill and other intangible assets	**(26.8)**	**26.8**	**—**	—	—	—
Acquisitions of businesses	**13.4**	**—**	**13.4**			
Foreign currency translation	**1.2**	**.3**	**1.5**	—	— —	—
Adjustments to reflect acquisition date fair value	**.3**	**5.9**	**6.2**	—	— —	—
Amortization	**—**	**(6.6)**	**(6.6)**	—	(2.9)	(2.9)
Ending balance	**$ 349.7**	**$ 160.5**	**$ 510.2**	$ 25.9	$ 33.3	$ 59.2

The following table presents the acquisition date fair values, accumulated amortization and net carrying values for other intangible assets and goodwill, by company as of March 31, 2019 and December 31, 2018:

	March 31, 2019			December 31, 2018		
$ in Millions	**Acquisition Date Fair Value**	**Accumulated Amortization**	**Net Carrying Value**	**Acquisition Date Fair Value**	**Accumulated Amortization**	**Net Carrying Value**
Goodwill:						
NSM [(1)]	**$ 328.8**	**$ —**	**$ 328.8**	$ 354.3	$ —	$ 354.3
MediaAlpha	**—**	**—**	**—**	18.3	—	18.3
Other Operations [(2)]	**20.9**	**—**	**20.9**	7.3	—	7.3
Total goodwill	**349.7**	**—**	**349.7**	379.9	—	379.9
Other intangible assets:						
NSM [(1)]						
Customer relationships	**110.9**	**9.3**	**101.6**	85.3	6.0	79.3
Trade names	**57.1**	**2.7**	**54.4**	51.2	1.8	49.4
Information technology	**3.8**	**.7**	**3.1**	3.7	.5	3.2
Other	**1.4**	**.6**	**.8**	—	—	—
Subtotal	**173.2**	**13.3**	**159.9**	140.2	8.3	131.9
MediaAlpha						
Customer relationships	**—**	**—**	**—**	26.8	4.9	21.9
Information technology	**—**	**—**	**—**	33.3	30.9	2.4
Other	**—**	**—**	**—**	9.8	9.0	0.8
Subtotal	**—**	**—**	**—**	69.9	44.8	25.1
Other Operations						
Trade names	**.6**	**.2**	**.4**	.6	.2	.4
Information technology	**.5**	**.3**	**.2**	.5	.3	.2
Subtotal	**1.1**	**.5**	**.6**	1.1	.5	.6
Total other intangible assets	**174.3**	**13.8**	**160.5**	211.2	53.6	157.6
Total goodwill and other intangible assets	**$ 524.0**	**$ 13.8**	**510.2**	$ 591.1	$ 53.6	537.5
Goodwill and other intangible assets attributed to non-controlling interests			**(24.1)**			(40.6)
Goodwill and other intangible assets included in White Mountains's common shareholders' equity			**$ 486.1**			$ 496.9

(1) As of March 31, 2019 and December 31, 2018, NSM's goodwill included $1.0 and $(2.2) and intangible assets included $0.3 and $(0.7) of the effect of foreign currency translation.
(2) As of March 31, 2019 and December 31, 2018, Other Operations' goodwill included $0.2 and $(0.3) of the effect of foreign currency translation.

Note 5. Debt

The following table presents White Mountains's debt outstanding as of March 31, 2019 and December 31, 2018:

Millions	March 31, 2019	Effective Rate [1]	December 31, 2018	Effective Rate [1]
NSM Bank Facility	**$ 186.4**	**7.8%**	$ 180.4	7.4%
Unamortized issuance cost	**(3.6)**		(3.8)	
NSM Bank Facility, carrying value	**182.8**		176.6	
Other NSM debt	**1.7**		1.9	
MediaAlpha Bank Facility	**—**		14.3	7.1%
Unamortized issuance cost	**—**		(.1)	
MediaAlpha Bank Facility, carrying value	**—**		14.2	
Other Operations debt	**11.3**		—	
Unamortized issuance cost	**(.4)**		—	
Other Operations, carrying value	**10.9**		—	
Total debt	**$ 195.4**		$ 192.7	

[1] Effective rate considers the effect of the debt issuance costs.

NSM Bank Facility

On May 11, 2018, NSM entered into a secured credit facility (the "NSM Bank Facility") with Ares Capital Corporation in order to refinance NSM's existing debt and to fund the acquisitions of subsidiaries. The NSM Bank Facility is comprised of term loans totaling $181.1 million and a revolving credit loan commitment of $10.0 million, under which NSM initially borrowed $2.0 million. The term loans under the NSM Bank Facility mature on May 11, 2024, and the revolving loan under the NSM Bank Facility matures on May 11, 2023. During the three months ended March 31, 2019, NSM repaid $0.5 million on the term loans and borrowed $6.5 million on the revolving credit loan. As of March 31, 2019, $179.9 million of term loans and $6.5 million of revolving credit loans were outstanding under the NSM Bank Facility.

Interest on the NSM Bank Facility accrues at a floating interest rate equal to the three month LIBOR or the Prime Rate, as published by the Wall Street Journal plus, in each case, an applicable margin. The margin over LIBOR may vary between 4.25% and 4.75%, and the margin over the Prime Rate may vary between 3.25% and 3.75%, in each case, depending on the consolidated total leverage ratio of the borrower.

On June 15, 2018, NSM entered into an interest rate swap agreement to hedge its exposure to interest rate risk on $151.0 million of its variable rate term loans. Under the terms of the swap agreement, NSM pays a fixed rate of 2.97% and receives a variable rate, which is reset monthly, based on then-current LIBOR. As of March 31, 2019, the variable rate received by NSM under the swap agreement was 2.49%. As of March 31, 2019, the interest rate, including the effect of the swap, for the outstanding term loans of $149.9 million that are hedged by the swap was 7.47%. The effective interest on the outstanding term loans of $30.0 million that are unhedged was 7.30%. The effective interest rate on the total outstanding term loans under the NSM Bank Facility of $186.4 million was 7.44%, excluding the effect of debt issuance costs.

The NSM Bank Facility is secured by all property of the loan parties and contains various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including a maximum consolidated total leverage ratio covenant.

Compliance

At March 31, 2019, White Mountains was in compliance with the covenants under all of its debt instruments.

Note 6. Income Taxes

The Company and its Bermuda domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. In the event there is a change in the current law and taxes are imposed, the Company and its Bermuda domiciled subsidiaries would be exempt from such tax until March 31, 2035, pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Company has subsidiaries and branches that operate in various other jurisdictions around the world that are subject to tax in the jurisdictions in which they operate. The jurisdictions in which the Company’s subsidiaries and branches are subject to tax are Barbados, Ireland, Israel, Luxembourg, the United Kingdom and the United States.

White Mountains’s income tax expense related to pre-tax income from continuing operations for the three months ended March 31, 2019 represented an effective tax rate of 3.6%. The effective tax rate was different from the current U.S. statutory rate of 21.0%, primarily due to a release of a full valuation allowance on the net deferred tax assets of the U.S. consolidated group Guilford Holdings, Inc. and subsidiaries (“Guilford”). Guilford includes MediaAlpha, Kudu, various service companies and certain other entities and investments that are included in the Other Operations segment. The effective tax rate was also different due to withholding taxes and a tax benefit recorded at BAM. For BAM, member surplus contributions (“MSC”) and the related taxes thereon are recorded directly to non-controlling interest equity, while the valuation allowance on such taxes is recorded through the income statement. For the three months ended March 31, 2019, BAM recorded a tax benefit of $1.1 million associated with the valuation allowance on taxes related to MSC that is included in the effective tax rate.

White Mountains’s income tax expense related to pre-tax loss from continuing operations for the three months ended March 31, 2018 represented an effective tax rate of (1.1)% . The effective tax rate was different from the U.S. statutory rate of 21.0%, primarily due to a full valuation allowance on all net deferred tax assets at U.S. operations, consisting of Guilford and BAM, withholding taxes and a tax benefit recorded at BAM. For BAM, MSC and the related taxes thereon are recorded directly to non-controlling interest equity, while the valuation allowance on such taxes is recorded through the income statement. For the three months ended March 31, 2018, BAM recorded a tax benefit of $0.6 million associated with the valuation allowance on taxes related to MSC that is included in the effective tax rate.

In arriving at the effective tax rate for the three months ended March 31, 2019 and 2018, White Mountains forecasted all income and expense items including the change in unrealized investment gains (losses) and realized investment gains (losses) for the years ending December 31, 2019 and 2018.

White Mountains records a valuation allowance against deferred tax assets if it becomes more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in income tax expense in the period of change. In determining whether or not a valuation allowance, or change therein, is warranted, White Mountains considers factors such as prior earnings history, expected future earnings, carryback and carryforward periods and strategies that if executed would result in the realization of a deferred tax asset.

With few exceptions, White Mountains is no longer subject to U.S. federal, state, or non-U.S. income tax examinations by tax authorities for years before 2013.

During the three months ended March 31, 2018, the Israeli Tax Authority commenced an examination of the 2013 to 2016 income tax returns for Wobi Insurance Agency Ltd. (“Wobi”). Wobi is a financial-sector price comparison business in Israel that sells primarily auto insurance and earns commissions on all policy sales that is included in the Other Operations segment. White Mountains does not expect the resolution of this examination to result in a material change to its financial position, results of operations and cash flows.

Note 7. Derivatives

NSM Interest Rate Swap

On May 11, 2018, NSM entered into the NSM Bank Facility. Interest on the NSM Bank Facility accrues at a floating interest rate equal to the three month LIBOR or the Prime Rate, as published by the Wall Street Journal plus, in each case, an applicable margin. The margin over LIBOR may vary between 4.25%and 4.75%, and the margin over the Prime Rate may vary between 3.25% and 3.75%, in each case, depending on the consolidated total leverage ratio of the borrower.

On June 15, 2018, NSM entered into an interest rate swap agreement to hedge its exposure to interest rate risk on $151.0 million of its variable rate term loans. Under the terms of the swap agreement, NSM pays a fixed rate of 2.97% and receives a variable rate, which is reset monthly, based on the then-current LIBOR. As of March 31, 2019, the variable rate received by NSM under the swap agreement was 2.49%. Over the term of the swap, the notional amount decreases in accordance with the principal repayments NSM expects to make on its term loans. As of March 31, 2019, the interest rate, including the effect of the swap, for the outstanding term loans of $149.9 million that are hedged by the swap was 7.47%, excluding the effect of debt issuance costs. NSM's obligations under the swap are secured by the same collateral securing the NSM Bank Facility on a *pari passu* basis. NSM does not currently hold any collateral deposits from or provide any collateral deposits to the swap counterparty.

NSM evaluated the effectiveness of the swap to hedge its interest rate risk associated with its variable rate debt and concluded at the swap inception date that the swap was highly effective in hedging that risk. NSM will evaluate the effectiveness of the hedging relationship on an ongoing basis.

For the three months ended March 31, 2019, NSM recognized net interest expense of $0.2 million for the periodic net settlement payments on the swap. As of March 31, 2019 and December 31, 2018, the estimated fair value of the swap and the accrual of the periodic net settlement payments recorded in other liabilities was $4.6 million and $2.7 million. There was no ineffectiveness in the hedge for the period ended March 31, 2019. The $(1.9) million change in the fair value of the swap for the three months ended March 31, 2019 is included within accumulated other comprehensive income (loss).

Foreign Currency Forward Contracts

White Mountains's investment portfolio includes investments denominated in GBP, Euros, Japanese Yen and other foreign currencies. White Mountains previously entered into foreign currency forward contracts to manage its foreign currency exposure related to certain of these investments. In conjunction with the liquidation of the GBP investment grade corporate bond mandate in the three months ended March 31, 2018, White Mountains closed the associated foreign currency forward contract. As of March 31, 2019 and December 31, 2018, White Mountains no longer has any open foreign currency forward contracts.

The derivative losses recognized in net realized and unrealized investment gains (losses) for the three months ended March 31, 2018 were $(3.5) million.

Note 8. Municipal Bond Guarantee Insurance

In 2012, HG Global was capitalized with $594.5 million from White Mountains and $14.5 million from non-controlling interests to fund the initial capitalization of BAM, a newly formed mutual municipal bond insurer. As of March 31, 2019, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of $503.0 million of BAM Surplus Notes. At inception, BAM and HG Re also entered into a first loss reinsurance treaty ("FLRT"). HG Re provides first loss reinsurance protection up to 15%-of-par outstanding on each municipal bond insured by BAM. For capital appreciation bonds, par is adjusted to the estimated equivalent par value for current interest paying bonds. In return, BAM cedes 60% of the risk premium charged for insuring the municipal bond, net of a ceding commission.

HG Re's obligations under the FLRT are limited to the assets in two collateral trusts: a Regulation 114 Trust and a supplemental collateral trust (the "Supplemental Trust" and, together with the Regulation 114 Trust, the "Collateral Trusts"). Losses required to be reimbursed under the FLRT are subject to an aggregate limit equal to the assets held in the Collateral Trusts at any point in time.

Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8.0% to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually. In 2018, BAM exercised its option to extend the variable rate period for an additional three years. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8.0%. The variable rate was set at 5.70% for 2019 and 4.60% for 2018.

No payment of interest or principal on the BAM Surplus Notes may be made without the approval of the New York State Department of Financial Services ("NYDFS"). BAM has stated its intention to seek regulatory approval to pay interest and principal on its surplus notes to the extent that its remaining qualified statutory capital and other capital resources continue to support its outstanding obligations, its business plan and its "AA/stable" rating from Standard & Poor's. BAM repaid $17.7 million of the BAM Surplus Notes and $5.3 million of accrued interest during the year ended December 31, 2018.

In order to further support BAM's long-term capital position and business prospects, in 2017 HG Global agreed to contribute the $203.0 million of Series A BAM Surplus Notes ("Series A Notes") into the Supplemental Trust at HG Re. The Supplemental Trust already held the $300.0 million of Series B BAM Surplus Notes ("Series B Notes"). At the same time HG Global and BAM also changed the payment terms of the Series B Notes, so that payments will reduce principal and accrued interest on a pro rata basis, consistent with the payment terms on the Series A Notes. The terms of the Series B Notes had previously stipulated that payments would first reduce interest owed, then reduce principal owed once all accrued interest had been paid. The NYDFS approved the change during 2017.

In connection with the contribution and change in payment terms of the Series B Notes, the Series A Notes were merged into the Series B Notes. The BAM Surplus Notes are currently held in an HG Re sponsored vehicle within the Supplemental Trust.

The Regulation 114 Trust target balance is equal to gross ceded unearned premiums and unpaid ceded loss and LAE expenses, if any. The Supplemental Trust target balance is equal to $603.0 million. As the BAM Surplus Notes are repaid over time, the BAM Surplus Notes will be replaced in the Supplemental Trust by cash and fixed income securities. The Collateral Trust balances must be at target levels before excess funds can be distributed out of the Supplemental Trust.

Under GAAP, if the terms of a debt instrument are amended, unless there is a greater than 10% change in the expected discounted future cash flows of such instrument, a change in the instrument's carrying value is not permitted. White Mountains determined that the impact of the changes made during 2017 to the terms of the BAM Surplus Notes on the expected discounted future cash flows was not greater than 10%.

As of March 31, 2019 and December 31, 2018, the collateral trusts held assets of $771.5 million and $757.4 million, which both included $481.3 million of BAM Surplus Notes. As of March 31, 2019 and December 31, 2018, HG Global has accrued $150.5 million and $143.7 million of interest receivable on the BAM Surplus Notes.

The following table presents a schedule of BAM's insured obligations as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Contracts outstanding	**7,786**	7,525
Remaining weighted average contract period outstanding (in years)	**10.7**	10.7
Contractual debt service outstanding (in millions):		
Principal	**$ 53,715.2**	$ 52,201.6
Interest	**27,348.9**	26,560.3
Total debt service outstanding	**$ 81,064.1**	$ 78,761.9
Gross unearned insurance premiums	**$ 179.6**	$ 176.0

The following table presents a schedule of BAM's future premium revenues as of March 31, 2019:

Millions	March 31, 2019
April 1, 2019 - December 31, 2019	$ **12.2**
January 1, 2020 - March 31, 2020	**3.9**
April 1, 2020 - June 30, 2020	**3.9**
July 1, 2020 - September 30, 2020	**3.9**
October 1, 2020 - December 31, 2020	**3.8**
Total 2020	**15.5**
2021	**14.5**
2022	**13.6**
2023	**12.8**
2024	**12.0**
2025 and thereafter	**99.0**
Total gross unearned insurance premiums	$ **179.6**

The following table presents a schedule of net written premiums included in White Mountains's HG Global/BAM segment for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
Millions	2019	2018
Written premiums:		
Direct	$ **7.9**	$ 6.4
Assumed	**—**	—
Gross written premiums	$ **7.9**	$ 6.4
Earned premiums:		
Direct	$ **3.7**	$ **3.0**
Assumed	**0.5**	**—**
Gross earned premiums	$ **4.2**	$ 3.0

In April 2018, BAM entered into a collateralized financial guarantee excess of loss reinsurance agreement with Fidus Re, Ltd. ("Fidus Re"), a Bermuda based special purpose insurer created solely to provide reinsurance protection to BAM. Fidus Re was capitalized by the issuance of $100.0 million of insurance linked securities. The proceeds from issuance were placed in a collateral trust supporting Fidus Re's obligations to BAM. The insurance linked securities were issued by Fidus Re with an initial term of twelve years and are callable five years after the date of issuance. Under the agreement, BAM retains the first $165.0 million of aggregate losses, before giving effect to HG's reinsurance coverage, on the ceded business. Fidus Re reinsures 90% of aggregate losses exceeding $165.0 million on a portion of BAM's financial guarantee portfolio up to a total reimbursement of $100 million. The aggregate loss limit under the agreement is $276.1 million. The agreement is accounted for using deposit accounting, and any related financing expenses are recorded in general and administrative expenses, because the agreement does not meet the risk transfer requirements necessary to be accounted for as reinsurance.

In November 2018, BAM entered into a 100% quota share facultative reinsurance agreement under which it assumed a portfolio of municipal bond guarantee contracts with a par value of $2.2 billion. None of the contracts assumed were non-performing and no loss reserves have been established for any of the contracts, either as of the transaction date or as of March 31, 2019. The agreement, which covers future claims exposure only, meets the risk transfer criteria under ASC 944-20, *Insurance Activities* and accordingly has been accounted for as reinsurance.

Note 9. Investments in Unconsolidated Entities

White Mountains's investments in unconsolidated entities are included within other long-term investments and consist of investments in common equity securities or similar instruments, which give White Mountains the ability to exert significant influence over the investee's operating and financial policies ("equity method eligible unconsolidated entities"). Such investments may be accounted for under either the equity method or the fair value option.

The following table presents the carrying values of investments in equity method eligible unconsolidated entities recorded within other long-term investments as of March 31 2019 and December 31, 2018:

Millions	March 31, 2019	December 31, 2018
Equity method eligible unconsolidated entities, at fair value	**$ 293.6**	$ 138.1
Investments accounted for under the equity method	**1.0**	1.3
Total investments in equity method eligible unconsolidated entities	**294.6**	139.4
Other unconsolidated investments [1]	**203.0**	186.2
Total other long-term investments	**$ 497.6**	$ 325.6

[1] Consists of other long-term investments that are not equity method eligible.

The following table presents White Mountains's investments in equity method eligible unconsolidated entities as of March 31, 2019 and 2018:

	Basic Ownership Interest		
Investee	March 31, 2019	December 31, 2018	Instrument Held
MediaAlpha[1]	**48.3%**	n/a	Units
PassportCard/DavidShield [2]	**50.0%**	50.0%	Common shares
Kudu	**49.5%**	49.5%	Units
durchblicker	**45.0%**	45.0%	Common shares
Tuckerman Capital Fund III, L.P.	**16.0%**	18.5%	Limited partnership interest
Compare.com	**18.4%**	18.4%	Common shares

[1] As of December 31, 2018, MediaAlpha was a majority-owned consolidated subsidiary of White Mountains.
[2] As of March 31, 2019 and December 31, 2018, White Mountains's ownership interest in DavidShield comprised a 50.0% direct interest and White Mountains's ownership interest in PassportCard comprised a 25.0% direct ownership interest and a 25.0% indirect interest through DavidShield. See **Note 2 — "Significant Transactions".**

As a result of the MediaAlpha Transaction, White Mountains's reduced its ownership interest in MediaAlpha to 48.3% of the basic units outstanding (42.0% on a fully diluted, fully converted basis). White Mountains's remaining ownership interest in MediaAlpha no longer meets the criteria for a controlling ownership interest and, accordingly, White Mountains deconsolidated MediaAlpha on February 26, 2019. Upon deconsolidation, White Mountains's investment in MediaAlpha met the criteria to be accounted for under the equity method or under the fair value option. White Mountains elected the fair value option and the investment in MediaAlpha was measured at its estimated fair value of $114.7 million as of March 31, 2019, with the change in fair value of $114.7 million reflected within unrealized investment gains. White Mountains's consolidated statement of comprehensive income and its segment disclosures include MediaAlpha's results of operations for the period from January 1, 2019 through February 26, 2019. See **Note 2 — "Significant Transactions".**

For the period from February 26, 2019 to March 31, 2019, MediaAlpha's total revenues, total expenses, and pre-tax income were $33.5 million, $32.5 million, and $1.1 million. As of March 31, 2019, MediaAlpha's total assets and total liabilities were $102.3 million and $148.2 million.

Note 10. Employee Share-Based Incentive Compensation Plans

White Mountains's Long-Term Incentive Plan (the "WTM Incentive Plan") provides for grants of various types of share-based and non-share-based incentive awards to key employees of White Mountains. As of March 31, 2019, White Mountains's share-based compensation incentive awards consist of performance shares and restricted shares.

Performance Shares

Performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. Awards generally vest at the end of a three-year period, are subject to the attainment of pre-specified performance goals, and are valued based on the market value of common shares at the time awards are approved for payment.

The following table presents the performance share activity for the three months ended March 31, 2019 and 2018 for performance shares granted under the WTM Incentive Plan:

	Three Months Ended March 31,					
	2019			2018		
Millions, except share amounts	Target Performance Shares Outstanding		Accrued Expense	Target Performance Shares Outstanding		Accrued Expense
Beginning of period	**40,616**	**$**	**31.7**	50,515	$	45.8
Shares paid [1]	**(13,715)**		**(18.1)**	(23,186)		(28.4)
New grants	**13,700**		**—**	14,105		—
Forfeitures and cancellations[2]	**1**		**.2**	(818)		.3
Expense recognized	**—**		**9.3**	—		3.3
End of period	**40,602**	**$**	**23.1**	40,616	$	21.0

[1] WTM performance share payments in 2019 for the 2016-2018 performance cycle, which were paid in cash in March 2019, ranged from 139% to 166% of target. WTM performance share payments in 2018 for the 2015-2017 performance cycle, which were paid in cash in March 2018, ranged from 145% to 147% of target.
[2] Amounts include changes in assumed forfeitures, as required under GAAP.

For performance shares earned in the 2016-2018 and 2015-2017 performance cycles, all performance shares earned were settled in cash. If all the outstanding WTM performance shares had vested on March 31, 2019, the total additional compensation cost to be recognized would have been $24.4 million, based on accrual factors (common share price and payout assumptions) as of March 31, 2019.

The following table presents performance shares outstanding and accrued expense for performance shares awarded under the WTM Incentive Plan as of March 31, 2019 for each performance cycle:

	Three Months Ended March 31, 2019		
Millions, except share amounts	Target Performance Shares Outstanding		Accrued Expense
Performance cycle:			
2017 – 2019	**14,070**	**$**	**16.9**
2018 – 2020	**13,450**		**5.5**
2019 – 2021	**13,700**		**1.0**
Sub-total	**41,220**		**23.4**
Assumed forfeitures	**(618)**		**(.3)**
March 31, 2019	**40,602**	**$**	**23.1**

Restricted Shares

The following table presents the unrecognized compensation cost associated with the outstanding restricted share awards for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,					
	2019			2018		
Millions, except share amounts	Restricted Shares		Unamortized Issue Date Fair Value	Restricted Shares		Unamortized Issue Date Fair Value
Non-vested,						
Beginning of period	**41,510**	**$**	**12.5**	53,755	$	14.3
Issued	**13,700**		**12.8**	14,105		11.4
Vested	**(13,715)**		**—**	(25,381)		—
Forfeited	**—**		**—**	(969)		(.2)
Expense recognized	**—**		**(2.5)**	—		(3.3)
End of period	**41,495**	**$**	**22.8**	41,510	$	22.2

During the three months ended March 31, 2019, White Mountains issued 13,700 restricted shares that vest on January 1, 2022. During the three months ended March 31, 2018, White Mountains issued 13,450 restricted shares that vest on January 1, 2021, 290 restricted shares that vest on January 1, 2020 and 365 restricted shares that vested on January 1, 2019. The unamortized issue date fair value as of March 31, 2019 is expected to be recognized ratably over the remaining vesting periods.

Note 11. Leases

White Mountains has entered into lease agreements, primarily for office space. These leases are classified as operating leases, with lease expense recognized on a straight-line basis over the term of the lease. Lease incentives, such as free rent or landlord reimbursements for leasehold improvements, are recognized at lease inception and amortized on a straight-line basis over the term of the lease. Lease expense and the amortization of leasehold improvements are recognized within general and administrative expenses. Lease payments related to options to extend or renew the lease term are excluded from the calculation of lease liabilities unless White Mountains is reasonably certain of exercising those options.

On January 1, 2019, White Mountains adopted ASU 2016-02, *Leases (ASC 842).* See **Note 1 — "Basis of Presentation and Significant Accounting Policies" — Basis of Presentation and Significant Accounting Policies**. Prior to adoption of ASU 2016-02, White Mountains recognized lease expense for operating leases on a straight-line basis, but did not recognize lease assets or liabilities on its consolidated balance sheet. Upon adoption on January 1, 2019 , White Mountains recognized lease right-of-use ("ROU") assets of $23.2 million and lease liabilities of $23.2 million. As of March 31, 2019, the ROU asset was $21.5 million and lease liabilities were $21.8 million.

The following table summarizes net lease expense recognized in White Mountains's consolidated statement of operations for the three months ended March 31, 2019:

Millions Lease Cost		Three Months Ended March 31, 2019
Lease cost	$	1.7
Less: sublease income		.1
Net lease cost	$	1.6

The following table presents the contractual maturities of the lease liabilities associated with White Mountains's operating lease agreements as of March 31, 2019:

Millions		As of March 31, 2019
Remainder of 2019	$	4.2
2020		4.6
2021		3.9
2022		3.7
2023		3.1
Thereafter		5.1
Total undiscounted lease payments		24.6
Less: present value adjustment		2.8
Operating lease liability	$	21.8

The following table presents lease related assets and liabilities by reportable segment as of March 31, 2019:

	As of March 31, 2019								
Millions	HG/BAM		NSM		Other Operations		Total		Weighted Average Incremental Borrowing Rate (1)
ROU lease asset	$	11.8	$	4.7	$	5.0	$	21.5	
Lease liability	$	11.8	$	4.7	$	5.3	$	21.8	4.7%

(1) The present value of the remaining lease payments were determined by discounting the lease payments using the incremental borrowing rate.

Note 12. Earnings Per Share

White Mountains calculates earnings per share using the two-class method, which allocates earnings between common shares and unvested restricted common shares. Both classes of shares participate equally in dividends and earnings on a per share basis. Basic earnings per share amounts are based on the weighted average number of common shares outstanding adjusted for unvested restricted common shares.

The following table presents the Company’s computation of earnings per share from continuing operations for the three months ended March 31, 2019 and 2018. See **Note 17 — “Held for Sale and Discontinued Operations”**.

	Three Months Ended March 31,	
	2019	**2018**
Basic and diluted earnings per share numerators (in millions):		
Net income (loss) attributable to White Mountains’s common shareholders	**$ 284.4**	$ (48.0)
Less: total income from discontinued operations, net of tax	**.7**	.1
Net income (loss) from continuing operations attributable to White Mountains’s common shareholders	**$ 283.7**	$ (48.1)
Allocation of earnings to participating restricted common shares[1]	**(2.9)**	.4
Basic and diluted earnings (losses) per share numerators	**$ 280.8**	$ (47.7)
Basic earnings per share denominators (in thousands):		
Total average common shares outstanding during the period	**3,172.2**	3,746.1
Average unvested restricted common shares[2]	**(32.5)**	(35.9)
Basic earnings (losses) per share denominator	**3,139.7**	3,710.2
Diluted earnings per share denominator (in thousands):		
Total average common shares outstanding during the period	**3,172.2**	3,746.1
Average unvested restricted common shares[2]	**(32.5)**	(35.9)
Diluted earnings (losses) per share denominator	**3,139.7**	3,710.2
Basic and diluted earnings per share (in dollars) - continuing operations:		
Distributed earnings - dividends declared and paid	**$ 1.00**	$ 1.00
Undistributed earnings (losses)	**88.42**	(13.85)
Basic and diluted earnings (losses) per share	**$ 89.42**	$ (12.85)

[1] Restricted shares issued by White Mountains receive dividends, and therefore, are considered participating securities.
[2] Restricted shares outstanding vest either in equal annual installments or upon a stated date. See **Note 10 — “Employee Share-Based Incentive Compensation Plans”.**

The following table presents the undistributed net earnings (losses) from continuing operations for the three months ended March 31, 2019 and 2018. See **Note 17 — “Held for Sale and Discontinued Operations”**.

	Three Months Ended March 31,	
Millions	**2019**	**2018**
Undistributed net earnings (losses) - continuing operations:		
Net income (losses) attributable to White Mountains’s common shareholders, net of restricted common share amounts	**$ 280.8**	$ (47.7)
Dividends declared, net of restricted common share amounts [1]	**(3.2)**	(3.7)
Total undistributed net earnings (losses), net of restricted common share amounts	**$ 277.6**	$ (51.4)

[1] Restricted shares issued by White Mountains receive dividends, and therefore, are considered participating securities.

Note 13. Non-controlling Interests

Non-controlling interests consist of the ownership interests of non-controlling shareholders in consolidated entities and are presented separately on the balance sheet.

The following table presents the balance of non-controlling interests included in White Mountains's total equity and the related percentage of each consolidated entity's total equity owned by non-controlling shareholders as of March 31, 2019 and December 31, 2018:

$ in Millions	March 31, 2019 Non-controlling Percentage	March 31, 2019 Non-controlling Equity	December 31, 2018 Non-controlling Percentage	December 31, 2018 Non-controlling Equity
Non-controlling interests, excluding BAM				
HG Global	**3.1%**	**$ 14.8**	3.1%	$ 14.5
NSM	**4.7**	**14.2**	4.5	13.6
Other NSM	**13.4**	**.2**	13.4	.3
MediaAlpha	**—**	**—**	39.0	16.2
Other Operations	**various**	**.9**	various	1.1
Total, excluding BAM		**30.1**		45.7
BAM	**100.0**	**(173.8)**	100.0	(170.6)
Total non-controlling interests		**$ (143.7)**		$ (124.9)

Note 14. Segment Information

White Mountains has determined that its reportable segments are HG Global/BAM, NSM, MediaAlpha (through February 26, 2019) and Other Operations. White Mountains has made its segment determination based on consideration of the following criteria: (i) the nature of the business activities of each of the Company's subsidiaries and affiliates; (ii) the manner in which the Company's subsidiaries and affiliates are organized; (iii) the existence of primary managers responsible for specific subsidiaries and affiliates; and (iv) the organization of information provided to the chief operating decision makers and the Board of Directors.

White Mountains deconsolidated MediaAlpha on February 26, 2019. White Mountains's segment disclosures include MediaAlpha's results of operations for the period from January 1, 2019 through February 26, 2019. See **Note 2 — "Significant Transactions"**.

Significant intercompany transactions among White Mountains's segments have been eliminated herein. The following table presents the financial information for White Mountains's segments:

Millions	HG Global/ BAM	NSM	MediaAlpha [(1)]	Other Operations	Total
Three Months Ended March 31, 2019					
Earned insurance premiums	**$ 4.2**	**$ —**	**$ —**	**$ —**	**$ 4.2**
Net investment income	**5.3**	**—**	**—**	**10.7**	**16.0**
Net realized and unrealized investment gains	**11.8**	**—**	**—**	**119.1**	**130.9**
Realized and unrealized gains from the MediaAlpha Transaction	**—**	**—**	**—**	**182.2**	**182.2**
Advertising and commission revenues [(1)]	**—**	**43.3**	**48.8**	**1.3**	**93.4**
Other revenue	**.6**	**6.0**	**—**	**.3**	**6.9**
Total revenues	**21.9**	**49.3**	**48.8**	**313.6**	**433.6**
Insurance acquisition expenses	**1.3**	**—**	**—**	**—**	**1.3**
Cost of sales	**—**	**—**	**40.6**	**1.1**	**41.7**
General and administrative expenses	**14.4**	**25.1**	**12.5**	**29.4**	**81.4**
Broker commission expense	**—**	**15.7**	**—**	**—**	**15.7**
Change in fair value of contingent consideration earnout liabilities	**—**	**1.3**	**—**	**—**	**1.3**
Amortization of other intangible assets	**—**	**5.0**	**1.6**	**—**	**6.6**
Interest expense	**—**	**3.7**	**.2**	**—**	**3.9**
Total expenses	**15.7**	**50.8**	**54.9**	**30.5**	**151.9**
Pre-tax income (loss)	**$ 6.2**	**$ (1.5)**	**$ (6.1)**	**$ 283.1**	**$ 281.7**

[(1)] MediaAlpha's results are from January 1, 2019 to February 26, 2019, the date of the MediaAlpha Transaction.

Millions	HG Global/BAM	MediaAlpha	Other Operations	Total
Three Months Ended March 31, 2018				
Earned insurance premiums	$ 3.0	$ —	$ —	$ 3.0
Net investment income	3.7	—	16.0	19.7
Net realized and unrealized investment losses	(7.9)	—	(45.8)	(53.7)
Advertising and commission revenues [(1)]	—	70.1	.9	71.0
Other revenue	.2	1.6	.3	2.1
Total revenues	(1.0)	71.7	(28.6)	42.1
Insurance acquisition expenses	1.4	—	—	1.4
Cost of sales	—	57.4	.7	58.1
General and administrative expenses	11.9	11.2	22.0	45.1
Amortization of other intangible assets	—	2.9	—	2.9
Interest expense	—	.4	.2	.6
Total expenses	13.3	71.9	22.9	108.1
Pre-tax loss	$ (14.3)	$ (.2)	$ (51.5)	$ (66.0)

(1) Approximately 31% of MediaAlpha's advertising revenue for the three months ended March 31, 2018 was associated with one customer.

Note 15. Fair Value of Financial Instruments

White Mountains records its financial instruments at fair value with the exception of the NSM Bank Facility and the MediaAlpha Bank Facility, which are recorded as debt at face value less unamortized original issue discount.

The following table presents the fair value and carrying value of this financial instrument as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
Millions	Fair Value	Carrying Value	Fair Value	Carrying Value
NSM Bank Facility	**$ 182.9**	**$ 182.8**	$ 176.1	$ 176.6
MediaAlpha Bank Facility	**$ —**	**$ —**	$ 14.6	$ 14.2
Other Operations debt	**$ 10.9** (1)	**$ 10.9**	$ —	$ —

(1) White Mountains measured the fair value of the Other Operations debt at the carrying value as a result of the debt being acquired on March 12, 2019.

The fair value estimates for the NSM Bank Facility and the MediaAlpha Bank Facility have been determined based on a discounted cash flows approach and are considered to be Level 3 measurements. As a result of the MediaAlpha Transaction, White Mountains's remaining ownership interest in MediaAlpha no longer meets the criteria for a controlling ownership interest and accordingly, White Mountains deconsolidated MediaAlpha on February 26, 2019. See **Note 2 — "Significant Transactions".**

Note 16. Commitments and Contingencies

NSM Contingent Liability

In connection with White Mountains's acquisition of NSM, White Mountains and NSM entered into an agreement with American International Group, Inc. ("AIG") to help facilitate a sale of NSM's U.S. collector car renewal rights owned by AIG to a third party by December 31, 2019. Under the terms of the agreement, if the renewal rights are not sold by December 31, 2019, AIG has the right to require NSM to purchase the renewal rights for $82.5 million. The Company has guaranteed NSM's obligations under the agreement with AIG. The manner in which these obligations are ultimately discharged depends on a number of factors, including the market value of the renewal rights, the number of potential buyers and the current and prospective environment for U.S. collector car insurance. White Mountains believes that the estimated fair value of the renewal rights is equal to or greater than $82.5 million and, accordingly, no accrual of a liability is necessary as of March 31, 2019.

Sirius Group Tax Contingency

A subsidiary of Sirius Group, which was sold by White Mountains in 2016, has been denied interest deductions by the Swedish Tax Authority ("STA") for tax years 2013-2016. In October 2018, the Swedish Administrative Court ruled against Sirius Group on its appeal of the Swedish Tax Agency's denial of certain interest deductions relating to periods prior to the sale of Sirius Group to CMI. In connection with the sale, White Mountains indemnified Sirius Group against the loss of certain tax attributes, including those related to these interest deductions. As a result, as of March 31, 2019 and December 31, 2018, White Mountains recorded a liability of $16.6 million and $17.3 million, reflecting the value of these interest deductions. For the three months ended March 31, 2019, the change in the liability, of $0.7 million, is related to foreign currency translation and is included within net gain on sale of discontinued operations. Sirius Group has appealed the decision to the Swedish Administrative Court of Appeal.

Legal Contingencies

White Mountains is subject to litigation and arbitration in the normal course of business. White Mountains recognizes an accrual for litigation and arbitration if it is probable that a loss has been incurred and the amount can be reasonably estimated. White Mountains discloses litigation and arbitration if it is probable that a loss has been incurred or if there is a reasonable possibility that a loss may have been incurred. White Mountains does not have any current litigation as of March 31, 2019 that is deemed probable of having a material adverse effect on White Mountains's financial condition, results of operations or cash flows.

Note 17. Held for Sale and Discontinued Operations

Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI. During the three months ended March 31, 2018, White Mountains recorded a $0.1 million gain from sale of Sirius Group as a result of a change to the valuation of the accrued incentive compensation payable to Sirius Group employees.

In October 2018, the Swedish Administrative Court ruled against Sirius Group on its appeal of the Swedish Tax Agency's denial of certain interest deductions relating to periods prior to the sale of Sirius Group to CMI. In connection with the sale, White Mountains indemnified Sirius Group against the loss of certain tax attributes, including those related to these interest deductions. As a result, as of March 31, 2019 and December 31, 2018, White Mountains recorded a liability of $16.6 million and $17.3 million, reflecting the value of these interest deductions. For the three months ended March 31, 2019, the change in the liability, of $0.7 million, is related to foreign currency translation and is included within net gain on sale of discontinued operations. See **Note 16 — "Commitments and Contingencies"**.

Other

As of December 31, 2017, White Mountains has classified its Guilford, Connecticut property, which consists of an office building and adjacent land, as held for sale. The property has been measured at its estimated fair value net of costs of disposal, of $3.3 million as of March 31, 2019 and December 31, 2018.

Net Change in Cash from Discontinued Operations

The following table presents the net change in cash, including income tax payments to national governments and interest paid associated with the business classified as discontinued operations:

	Three Months Ended	
Millions	**2018**	
Net cash provided from operations	$	.1
Net cash used for investing activities		(.1)
Net cash used for financing activities		—
Net change in cash during the period		—
Cash balances at beginning of period		—
Cash balances at end of period	$	—
Supplemental cash flows information:		
Interest paid	$	—
Net income tax payment to national governments	$	—

Earnings Per Share from Discontinued Operations

White Mountains calculates earnings per share using the two-class method, which allocates earnings between common and unvested restricted common shares. Both classes of shares participate equally in earnings on a per share basis. Basic earnings per share amounts are based on the weighted average number of common shares outstanding adjusted for unvested restricted common shares. Diluted earnings per share amounts are also impacted by the net effect of potentially dilutive common shares outstanding.

The following table presents the Company's computation of earnings per share for discontinued operations for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Basic and diluted earnings per share numerators (in millions):		
Net income (loss) attributable to White Mountains's common shareholders	**$ 284.4**	$ (48.0)
Less: total income (loss) from continuing operations, net of tax	**283.7**	(48.1)
Net income from discontinued operations attributable to White Mountains's common shareholders	**$ .7**	$ .1
Allocation of earnings to participating restricted common shares [1]	**—**	—
Basic and diluted earnings per share numerators [2]	**$ .7**	$ .1
Basic earnings per share denominators (in thousands):		
Total average common shares outstanding during the period	**3,172.2**	3,746.1
Average unvested restricted common shares [3]	**(32.5)**	(35.9)
Basic earnings per share denominator	**3,139.7**	3,710.2
Diluted earnings per share denominator (in thousands):		
Total average common shares outstanding during the period	**3,172.2**	3,746.1
Average unvested restricted common shares [3]	**(32.5)**	(35.9)
Diluted earnings per share denominator	**3,139.7**	3,710.2
Basic and diluted earnings per share (in dollars) - discontinued operations:	**$ .22**	$ .03

[1] Restricted shares issued by White Mountains contain dividend participation features, and therefore, are considered participating securities.
[2] Net earnings attributable to White Mountains's common shareholders, net of restricted share amounts, is equal to undistributed earnings for the three months ended March 31, 2019 and 2018.
[3] Restricted common shares outstanding vest either in equal annual installments or upon a stated date. See **Note 10 — "Employee Share-Based Incentive Compensation Plans"**.

Note 18. Subsequent Events

Embrace

On April 1, 2019, NSM acquired 100% of Embrace Pet Insurance, a nationwide provider of pet health insurance for dogs and cats. NSM paid $73.0 million of cash consideration, net of cash acquired, for its equity interest in Embrace Pet Insurance.

Kudu

On April 4, 2019, White Mountains completed its acquisition of Oaktree's interests in Kudu for $81.4 million. As a result of the purchase, White Mountains's ownership interest was increased to 99.1% of the basic units outstanding of Kudu (85.4% on a fully diluted, fully converted basis). In connection with the transaction, White Mountains assumed all of Oaktree's unfunded capital commitments to Kudu, increasing White Mountains's total unfunded Kudu capital commitment to $104.7 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*The following discussion contains "forward-looking statements". White Mountains intends statements that are not historical in nature, which are hereby identified as forward-looking statements, to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. White Mountains cannot promise that its expectations in such forward-looking statements will turn out to be correct. White Mountains's actual results could be materially different from and worse than its expectations. See "***FORWARD-LOOKING STATEMENTS***" on page 61 for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements.*

The following discussion also includes nine non-GAAP financial measures (i) adjusted book value per share, (ii) underlying growth in adjusted book value per share, (iii) gross written premiums and member surplus contributions ("MSC") from new business, (iv) NSM's earnings before interest, taxes, depreciation and amortization ("EBITDA"), (v) NSM's adjusted EBITDA, (vi) adjusted capital, (vii) total consolidated portfolio returns excluding the MediaAlpha Transaction, (viii) total common equity securities and other long-term investments returns excluding the MediaAlpha Transaction, and (ix) total other long-term investments returns excluding the MediaAlpha Transaction, that have been reconciled from their most comparable GAAP financial measures on page 59. White Mountains believes these measures to be useful in evaluating White Mountains's financial performance and condition.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

Overview

White Mountains ended the first quarter of 2019 with book value per share of $981 and adjusted book value per share of $979. Book value per share and adjusted book value per share were each up 10% for the quarter, including dividends. On February 26, 2019, MediaAlpha completed the sale of a significant minority stake to Insignia Capital Group in connection with a recapitalization and cash distribution to existing equityholders (the "MediaAlpha Transaction"). The increases in book value per share and adjusted book value per share were driven primarily by the gain from the MediaAlpha Transaction and strong investment returns.

Including the $55 per share estimated net gain from the MediaAlpha Transaction as if it had closed on December 31, 2018, book value per share would have been approximately $951 and adjusted book value per share would have been approximately $943. Had the MediaAlpha Transaction closed on December 31, 2018, for the first quarter of 2019 White Mountains's book value per share would have increased 3% and adjusted book value per share would have increased 4%.

Gross written premiums and MSC collected in the HG Global/BAM segment totaled $16 million in the first quarter of 2019, compared to $11 million in the first quarter of 2018. BAM insured municipal bonds with par value of $1.9 billion in the first quarter of 2019, compared to $1.3 billion in the first quarter of 2018, which was unusually low, as many issuers pulled forward planned first quarter 2018 issuance volume into late 2017 given the uncertainty around tax reform. Total pricing, which reflects both gross written premiums and MSC from new business, was 83 basis points in the first quarter of 2019, down from 96 basis points in the first quarter of 2018. Pricing in the primary market decreased to 41 basis points in the first quarter of 2019, compared to 72 basis points in the first quarter of 2018. The decrease in pricing was primarily driven by lower interest rates and tighter credit spreads. BAM's total claims paying resources were $878 million as of March 31, 2019, compared to $871 million as of December 31, 2018.

NSM reported pre-tax loss of $2 million, adjusted EBITDA of $10 million and commission revenues of $43 million in the first quarter of 2019. NSM's pre-tax loss in the first quarter of 2019 included $5 million of amortization of other intangible assets, $4 million of interest expense and $1 million of general and administrative expenses related to the change in the fair value of NSM's contingent consideration earnout liabilities. On April 1, 2019, NSM acquired Embrace Pet Insurance, a nationwide provider of pet health insurance for dogs and cats.

White Mountains's pre-tax total return on invested assets was 10.1% for the first quarter of 2019. Excluding the MediaAlpha Transaction, White Mountains's pre-tax total return on invested assets was 5.7% for the first quarter of 2019, compared to -1.0% for the first quarter of 2018.

White Mountains's portfolio of common equity securities returned 13.0% for the first quarter of 2019, just underperforming the S&P 500 Index return of 13.6%. White Mountains's portfolio of common equity securities returned -0.9% for the first quarter of 2018, essentially in-line with the S&P 500 Index return of -0.8%.

White Mountains's other long-term investments portfolio returned 32.6% for the first quarter of 2019. Excluding the MediaAlpha Transaction, White Mountains's other long-term investments portfolio returned 0.2% for the first quarter of 2019. The results were primarily driven by relatively flat performance from unconsolidated entities and private equity funds. White Mountains's other long-term investments portfolio returned -2.8% for the first quarter of 2018. The results were primarily driven by losses from a foreign currency forward contract closed during the period and unfavorable results from unconsolidated entities.

White Mountains’s fixed income portfolio returned 2.3% for the first quarter of 2019, in-line with the Bloomberg Barclays U.S. Intermediate Aggregate Index return. White Mountains’s fixed income portfolio returned -0.7% for the first quarter of 2018, outperforming the Bloomberg Barclays U.S. Intermediate Aggregate Index return of -1.1%.

In April 2019, White Mountains closed its previously announced acquisition of Oaktree Capital Management, L.P.’s interests in Kudu, bringing White Mountains’s total capital commitment to Kudu to $250 million.

Adjusted Book Value Per Share

The following table presents White Mountains’s book value per share and reconciles it to adjusted book value per share, a non-GAAP measure. See **NON-GAAP FINANCIAL MEASURES** on page 59.

	March 31, 2019	December 31, 2018	March 31, 2018
Book value per share numerators (in millions):			
White Mountains’s common shareholders’ equity	**$ 3,122.0**	$ 2,843.1	$ 3,439.0
Time value of money discount on expected future payments on the BAM Surplus Notes [1]	**(138.6)**	(141.2)	(154.1)
HG Global’s unearned premium reserve [1]	**140.2**	136.9	106.8
HG Global’s net deferred acquisition costs [1]	**(35.7)**	(34.6)	(25.2)
Adjusted book value per share numerator	**$ 3,087.9**	$ 2,804.2	$ 3,366.5
Book value per share denominators (in thousands of shares):			
Common shares outstanding - GAAP book value per share denominator	**3,181.2**	3,173.1	3,753.4
Unearned restricted common shares	**(25.5)**	(14.6)	(26.2)
Adjusted book value per share denominator	**3,155.7**	3,158.5	3,727.2
GAAP book value per share	**$ 981.39**	$ 896.00	$ 916.24
Adjusted book value per share	**$ 978.51**	$ 887.85	$ 903.22
Year-to-date dividends paid per share	**$ 1.00**	$ 1.00	$ 1.00

[1] Amount reflects White Mountains’s preferred share ownership in HG Global of 96.9%.

Goodwill and Other Intangible Assets

During the quarter ended March 31, 2019, White Mountains completed the analysis of the acquisition date fair values associated with its purchase of KBK, including the fair values attributed to goodwill and separately identifiable other intangible assets. The following table presents a summary of goodwill and other intangible assets that are included in White Mountains’s book value as of March 31, 2019, December 31, 2018, and March 31, 2018:

Millions	March 31, 2019	December 31, 2018	March 31, 2018
Goodwill:			
NSM	**$ 328.8**	$ 354.3 [1]	$ —
MediaAlpha	**—**	18.3	18.3
Other Operations	**20.9**	7.3	7.6
Total goodwill	**349.7**	379.9	25.9
Other intangible assets:			
NSM	**159.9**	131.9	—
MediaAlpha	**—**	25.1	32.5
Other Operations	**.6**	.6	.8
Total other intangible assets	**160.5**	157.6	33.3
Total goodwill and other intangible assets [2]	**510.2**	537.5	59.2
Goodwill and other intangible assets attributed to non-controlling interests	**(24.1)**	(40.6)	(21.1)
Goodwill and other intangible assets included in White Mountains’s common shareholders’ equity	**$ 486.1**	$ 496.9	$ 38.1

[1] The relative fair values of goodwill and of other intangible assets recognized in connection with the acquisition of KBK had not yet been determined at December 31, 2018. See “NSM” in **Note 2 — “Significant Transactions”.**
[2] See **Note 4 — “Goodwill and Other Intangible Assets”** for details of goodwill and other intangible assets.

Summary of Consolidated Results

The following table presents White Mountains's consolidated financial results for the three months ended March 31, 2019 and 2018:

Millions	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenues		
Financial Guarantee revenues	**$ 21.9**	$ (1.0)
Specialty Insurance Distribution revenues	**49.3**	—
Marketing Technology revenues [1]	**48.8**	71.7
Other Operations revenues	**313.6**	(28.6)
Total revenues	**433.6**	42.1
Expenses		
Financial Guarantee expenses	**15.7**	13.3
Specialty Insurance Distribution expenses	**50.8**	—
Marketing Technology expenses [1]	**54.9**	71.9
Other Operations expenses	**30.5**	22.9
Total expenses	**151.9**	108.1
Pre-tax income (loss)		
Financial Guarantee pre-tax income (loss)	**6.2**	(14.3)
Specialty Insurance Distribution pre-tax loss	**(1.5)**	—
Marketing Technology pre-tax loss [1]	**(6.1)**	(.2)
Other Operations pre-tax income (loss)	**283.1**	(51.5)
Total pre-tax income (loss)	**281.7**	(66.0)
Income tax expense	**(10.2)**	(.7)
Net income (loss) from continuing operations	**271.5**	(66.7)
Net gain on sale of discontinued operations, net of tax	**.7**	.1
Net income (loss)	**272.2**	(66.6)
Net loss attributable to non-controlling interests	**12.2**	18.6
Net income (loss) attributable to White Mountains's common shareholders	**284.4**	(48.0)
Other comprehensive loss, net of tax	**(.3)**	—
Comprehensive income (loss)	**284.1**	(48.0)
Comprehensive income (loss) attributable to White Mountains's common shareholders	**$ 284.1**	$ (48.0)

[1] MediaAlpha's results are from January 1, 2019 to February 26, 2019, the date of the MediaAlpha Transaction.

I. Summary of Operations By Segment

White Mountains conducts its operations through four segments: (1) HG Global/BAM, (2) NSM, (3) MediaAlpha (through February 26, 2019) and (4) Other Operations. A discussion of White Mountains's consolidated investment operations is included after the discussion of operations by segment. White Mountains's segment information is presented in **Note 12 — "Segment Information"** to the Consolidated Financial Statements.

As a result of the MediaAlpha Transaction, White Mountains no longer consolidates MediaAlpha or considers it to be a segment. White Mountains's segment disclosures for the three months ended March 31, 2019 include MediaAlpha's results of operations for the period from January 1, 2019 through February 26, 2019, the date of the MediaAlpha Transaction. See **Note 2 — "Significant Transactions"**.

HG Global/BAM

The following table presents the components of pre-tax income (loss) included in White Mountains's HG Global/BAM segment related to the consolidation of HG Global, which includes HG Re and its other wholly-owned subsidiaries, and BAM for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019			
Millions	**HG Global**	**BAM**	**Eliminations**	**Total**
Gross written premiums	$ —	$ 7.9	$ —	$ 7.9
Assumed (ceded) written premiums	6.7	(6.7)	—	—
Net written premiums	$ 6.7	$ 1.2	$ —	$ 7.9
Earned insurance premiums	$ 3.4	$ .8	$ —	$ 4.2
Net investment income	1.9	3.4	—	5.3
Net investment income - BAM Surplus Notes	6.9	—	(6.9)	—
Net realized and unrealized investment gains	5.1	6.7	—	11.8
Other revenue	—	.6	—	.6
Total revenues	17.3	11.5	(6.9)	21.9
Insurance acquisition expenses	.8	.5	—	1.3
General and administrative expenses	.5	13.9	—	14.4
Interest expense - BAM Surplus Notes	—	6.9	(6.9)	—
Total expenses	1.3	21.3	(6.9)	15.7
Pre-tax income (loss)	$ 16.0	$ (9.8)	$ —	$ 6.2
Supplemental information:				
MSC collected [(1)]	$ —	$ 7.9	$ —	$ 7.9

[(1)] MSC are recorded directly to BAM's equity, which is recorded as non-controlling interest on White Mountains's balance sheet.

	Three Months Ended March 31, 2018			
Millions	**HG Global**	**BAM**	**Eliminations**	**Total**
Gross written premiums	$ —	$ 6.4	$ —	$ 6.4
Assumed (ceded) written premiums	5.3	(5.3)	—	—
Net written premiums	$ 5.3	$ 1.1	$ —	$ 6.4
Earned insurance premiums	$ 2.3	$ .7	$ —	$ 3.0
Net investment income	1.2	2.5	—	3.7
Net investment income - BAM Surplus Notes	5.7	—	(5.7)	—
Net realized and unrealized investment losses	(3.6)	(4.3)	—	(7.9)
Other revenue	—	.2	—	.2
Total revenues	5.6	(.9)	(5.7)	(1.0)
Insurance acquisition expenses	.5	.9	—	1.4
Other underwriting expenses	—	.1	—	.1
General and administrative expenses	.4	11.4	—	11.8
Interest expense - BAM Surplus Notes	—	5.7	(5.7)	—
Total expenses	.9	18.1	(5.7)	13.3
Pre-tax income (loss)	$ 4.7	$ (19.0)	$ —	$ (14.3)
Supplemental information:				
MSC collected [(1)]	$ —	$ 4.9	$ —	$ 4.9

[(1)] MSC are recorded directly to BAM's equity, which is recorded as non-controlling interest on White Mountains's balance sheet.

HG Global/BAM Results—Three Months Ended March 31, 2019 versus Three Months Ended March 31, 2018

BAM is required to prepare its financial statements on a statutory accounting basis for the NYDFS and does not report stand-alone GAAP financial results. BAM is owned by its members, the municipalities that purchase BAM's insurance for their debt issuances. BAM charges an insurance premium on each municipal bond insurance policy it writes. A portion of the premium is MSC and the remainder is gross written premium. In the event of a municipal bond refunding, the MSC from the original issuance can be reutilized, in effect serving as a credit against the total insurance premium on the refunding of the municipal bond. Issuers of debt insured by BAM are members of BAM so long as any of their BAM-insured debt is outstanding, and as members they have certain interests in BAM, including the right to vote for BAM's directors and to receive dividends in the future, if declared.

Gross written premiums and MSC collected in the HG Global/BAM segment were $16 million in the first quarter of 2019, compared to $11 million in the first quarter of 2018. BAM insured $1.9 billion of municipal bonds, $1.3 billion of which were in the primary market, during the first quarter of 2019, compared to $1.3 billion of municipal bonds, $1.1 billion of which were in the primary market, during the first quarter of 2018, which was unusually low, as many issuers pulled forward planned first quarter 2018 issuance volume into late 2017 given the uncertainty around tax reform.

Total pricing, which reflects both gross written premiums and MSC from new business, was 83 basis points in the first quarter of 2019, compared to 96 basis points in the first quarter of 2018. See **"NON-GAAP FINANCIAL MEASURES"** on page 59. Pricing in the primary market decreased to 41 basis points in the first quarter of 2019, compared to 72 basis points in the first quarter of 2018. The decrease in pricing was primarily driven by lower interest rates and tighter credit spreads.

The following table presents the gross par value of primary and secondary market policies issued, the gross written premiums and MSC collected and total pricing for the three months ended March 31, 2019 and 2018:

$ in Millions	Three Months Ended March 31, 2019	2018
Gross par value of primary market policies issued	**$ 1,385.8**	$ 1,149.5
Gross par value of secondary market policies issued	**539.2**	148.6
Total gross par value of market policies issued	**$ 1,925.0**	$ 1,298.1
Gross written premiums	**$ 7.9**	$ 6.4
MSC collected	**7.9**	4.9
Total gross written premiums and MSC collected	**$ 15.8**	$ 11.3
Present value of future installment MSC collections	**.2**	1.2
Gross written premium adjustments on existing installment policies	**(.1)**	—
Gross written premiums and MSC from new business	**$ 15.9**	$ 12.5
Total pricing	**83 bps**	96 bps

HG Global reported GAAP pre-tax income of $16 million in the first quarter of 2019, compared to $5 million in the first quarter of 2018. The increase in pre-tax income was driven primarily by higher returns in HG Global's investment portfolio. Results in the first quarter of 2019 include $7 million of interest income on the BAM Surplus Notes, compared to $6 million of interest income in the first quarter of 2018.

BAM is a mutual insurance company that is owned by its members. BAM's results are consolidated into White Mountains's GAAP financial statements and attributed to non-controlling interests. White Mountains reported $10 million of GAAP pre-tax loss from BAM in the first quarter of 2019, compared to $19 million in the first quarter of 2018. The decrease in the pre-tax loss was driven primarily by higher returns in BAM's investment portfolio. Results in the first quarter of 2019 include $7 million of interest expense on the BAM Surplus Notes and $14 million of general and administrative expenses, compared to $6 million of interest expense and $11 million of general and administrative expenses in the first quarter of 2018.

Claims Paying Resources

BAM's "claims paying resources" represent the capital and other financial resources BAM has available to pay claims and, as such, is a key indication of BAM's financial strength. In 2018, BAM expanded its claims paying resources by $100 million through the collateralized reinsurance agreement with Fidus Re, Ltd. ("Fidus Re"), a special-purpose insurer created solely to provide collateralized reinsurance protection to BAM.

BAM's claims paying resources increased to $878 million as of March 31, 2019 from $871 million as of December 31, 2018. The increase was driven by a $7 million increase in the statutory value of the collateral trusts.

The following table presents BAM's total claims paying resources as of March 31, 2019 and December 31, 2018:

Millions	March 31, 2019	December 31, 2018
Policyholders' surplus	**$ 408.9**	$ 413.7
Contingency reserve	**54.1**	50.3
Qualified statutory capital	**463.0**	464.0
Net unearned premiums	**36.9**	36.2
Present value of future installment premiums and MSC	**13.3**	12.9
HG Re, Ltd. collateral trusts at statutory value	**264.8**	258.3
Fidus Re, Ltd. collateral trusts at statutory value	**100.0**	100.0
Claims paying resources	**$ 878.0**	$ 871.4

HG Global/BAM Balance Sheets

The following table presents amounts from HG Global, which includes HG Re and its other wholly-owned subsidiaries, and BAM that are contained within White Mountains's consolidated balance sheet as of March 31, 2019 and December 31, 2018:

	March 31, 2019			
Millions	**HG Global**	**BAM**	**Eliminations and Segment Adjustment**	**Total**
Assets				
Fixed maturity investments	$ 259.5	$ 478.1	$ —	$ 737.6
Short-term investments	7.8	24.0	—	31.8
Total investments	267.3	502.1	—	769.4
Cash	4.6	5.8	—	10.4
BAM Surplus Notes	481.3	—	(481.3)	—
Accrued interest receivable on BAM Surplus Notes	150.5	—	(150.5)	—
Deferred acquisition costs	36.8	19.6	(36.8)	19.6
Insurance premiums receivable	4.1	6.5	(4.1)	6.5
Accounts receivable on unsettled investment sales	.1	6.0	—	6.1
Other assets	1.5	21.2	(.2)	22.5
Total assets	$ 946.2	$ 561.2	$ (672.9)	$ 834.5
Liabilities				
BAM Surplus Notes[1]	$ —	$ 481.3	$ (481.3)	$ —
Accrued interest payable on BAM Surplus Notes[2]	—	150.5	(150.5)	—
Preferred dividends payable to White Mountains's subsidiaries[3]	291.7	—	—	291.7
Preferred dividends payable to non-controlling interests	10.0	—	—	10.0
Unearned insurance premiums	144.6	35.0	—	179.6
Accrued incentive compensation	—	10.1	—	10.1
Accounts payable on unsettled investment purchases	1.6	—	—	1.6
Other liabilities	1.1	58.1	(41.1)	18.1
Total liabilities	449.0	735.0	(672.9)	511.1
Equity				
White Mountains's common shareholders' equity	482.4	—	—	482.4
Non-controlling interests	14.8	(173.8)	—	(159.0)
Total equity	497.2	(173.8)	—	323.4
Total liabilities and equity	$ 946.2	$ 561.2	$ (672.9)	$ 834.5

(1) Under GAAP, the BAM Surplus Notes are classified as debt by the issuer. Under statutory accounting principles, they are classified as policyholders' surplus.
(2) Under GAAP, interest accrues daily on the BAM Surplus Notes. Under statutory accounting principles, interest is not accrued on the BAM Surplus Notes until it has been approved for payment by insurance regulators.
(3) HG Global preferred dividends payable to White Mountains's subsidiaries is eliminated in White Mountains's consolidated financial statements. For segment reporting, the HG Global preferred dividends payable to White Mountains's subsidiaries included within the HG Global/BAM segment are eliminated against the offsetting receivable included within the Other Operations segment, and therefore are added back to White Mountains's common shareholders' equity within the HG Global/BAM segment.

Millions	December 31, 2018 HG Global	BAM	Eliminations and Segment Adjustment	Total Segment
Assets				
Fixed maturity investments	$ 225.8	$ 475.6	$ —	$ 701.4
Short-term investments	28.5	38.4	—	66.9
Total investments	254.3	514.0	—	768.3
Cash	6.0	6.5	—	12.5
BAM Surplus Notes	481.3	—	(481.3)	—
Accrued interest receivable on BAM Surplus Notes	143.7	—	(143.7)	—
Deferred acquisition costs	35.7	19.0	(35.7)	19.0
Insurance premiums receivable	4.0	6.4	(4.0)	6.4
Accounts receivable on unsettled investment sales	—	—	—	—
Other assets	1.3	9.0	(.3)	10.0
Total assets	$ 926.3	$ 554.9	$ (665.0)	$ 816.2
Liabilities				
BAM Surplus Notes[(1)]	$ —	$ 481.3	$ (481.3)	$ —
Accrued interest payable on BAM Surplus Notes[(2)]	—	143.7	(143.7)	—
Preferred dividends payable to White Mountains's subsidiaries[(3)]	278.5	—	—	278.5
Preferred dividends payable to non-controlling interests	9.6	—	—	9.6
Unearned insurance premiums	141.3	34.7	—	176.0
Accrued incentive compensation	—	20.4	—	20.4
Accounts payable on unsettled investment purchases	—	2.2	—	2.2
Other liabilities	1.1	43.2	(40.0)	4.3
Total liabilities	430.5	725.5	(665.0)	491.0
Equity				
White Mountains's common shareholders' equity	481.3	—	—	481.3
Non-controlling interests	14.5	(170.6)	—	(156.1)
Total equity	495.8	(170.6)	—	325.2
Total liabilities and equity	$ 926.3	$ 554.9	$ (665.0)	$ 816.2

(1) Under GAAP, the BAM Surplus Notes are classified as debt by the issuer. Under statutory accounting principles, they are classified as policyholders' surplus.
(2) Under GAAP, interest accrues daily on the BAM Surplus Notes. Under statutory accounting principles, interest is not accrued on the BAM Surplus Notes until it has been approved for payment by insurance regulators.
(3) HG Global preferred dividends payable to White Mountains's subsidiaries is eliminated in White Mountains's consolidated financial statements. For segment reporting, the HG Global preferred dividends payable to White Mountains's subsidiaries included within the HG Global/BAM segment are eliminated against the offsetting receivable included within the Other Operations segment, and therefore are added back to White Mountains's common shareholders' equity within the HG Global/BAM segment.

Par Value of Policies Issued and Priced by BAM

The following table presents the gross par value of policies issued and priced by BAM for the three months ended March 31, 2019 and 2018:

Millions	Three Months Ended March 31, 2019	2018
Gross par value of primary market policies issued	**$ 1,385.8**	$ 1,149.5
Gross par value of secondary market policies issued	**539.2**	148.6
Total gross par value of policies issued	**1,925.0**	1,298.1
Gross par value of policies priced yet to close	**487.9**	366.4
Less: Gross par value of policies closed that were previously priced	**(226.7)**	(114.4)
Total gross par value of policies priced	**$ 2,186.2**	$ 1,550.1

NSM

On May 11, 2018, White Mountains acquired 95% of NSM Insurance HoldCo, LLC and its wholly-owned subsidiaries (collectively, “NSM”). NSM is a full-service MGU and program administrator for specialty property and casualty insurance. White Mountains funded the acquisition through a combination of cash on hand and new borrowings by NSM. White Mountains paid $274 million of cash consideration for its equity interest in NSM, and NSM borrowed $100 million in new debt as part of the transaction. During the three months ended September 30, 2018, White Mountains recorded a purchase price adjustment of an additional $2 million. Also, as part of the acquisition, White Mountains assumed estimated contingent consideration earnout liabilities related to NSM’s previous acquisitions of its U.K.-based operations of $10 million.

On May 18, 2018, NSM acquired 100% of Fresh Insurance Services Group Limited (“Fresh Insurance”), an insurance broker that specializes in non-standard personal lines products, motor trade, and van insurance in the United Kingdom for upfront cash consideration of $50 million. NSM borrowed $51 million in new debt to fund the transaction. During the three months ended March 31, 2019, NSM paid a purchase price adjustment of an additional $1 million. The purchase price is subject to additional adjustments based upon growth in EBITDA during two earnout periods ending in February 2020 and February 2022. In connection with the acquisition, NSM recorded a contingent consideration earnout liability of $8 million.

On December 3, 2018, NSM acquired all of the net assets of KBK Insurance Group (“KBK”), a specialized MGU focused on the towing and transportation space, for upfront cash of $60 million. In order to partially fund the KBK transaction, White Mountains contributed $29 million to NSM. NSM borrowed $30 million in new debt as part of the transaction. The purchase price is subject to additional adjustments based upon growth in EBITDA during three earnout periods ending in December 2019, December 2020 and December 2021.

On April 1, 2019, NSM acquired 100% of Embrace Pet Insurance, a nationwide provider of pet health insurance for dogs and cats. NSM paid $73 million of cash consideration, net of cash acquired, for its equity interest in Embrace Pet Insurance.

The contingent consideration earnout liabilities related to these acquisitions are subject to adjustment based upon EBITDA, EBITDA projections, and present value factors for acquired entities. For the three months ended March 31, 2019, NSM recognized pre-tax expense of $1 million for the increase in the fair value of its contingent consideration earnout liabilities for KBK, Fresh Insurance and its other U.K.-based operations. Any future adjustments to contingent consideration earnout liabilities under the agreements will also be recognized through pre-tax income. As of March 31, 2019 and December 31, 2018, NSM recorded contingent consideration earnout liabilities of $28 million and $20 million.

The following table presents the components of GAAP net loss, EBITDA and adjusted EBITDA included in White Mountains’s NSM segment for the three months ended March 31, 2019:

Millions	Three Months Ended March 31, 2019
Commission revenues	$ 43.3
Broker commission expenses	15.7
Gross profit	27.6
Other revenues	6.0
General and administrative expenses	25.1
Change in fair value of contingent consideration earnout liabilities	1.3
Amortization of other intangible assets	5.0
Interest expense	3.7
GAAP pre-tax loss	(1.5)
Income tax benefit	(.3)
GAAP net loss	(1.2)
Add back:	
Interest expense	3.7
Income tax benefit	(.3)
General and administrative expenses — depreciation	.5
Amortization of other intangible assets	5.0
EBITDA [(1)]	7.7
Add back:	
Change in fair value of contingent consideration earnout liabilities	1.3
Acquisition-related transaction expenses	.5
Investments made in the development of new business lines	.2
Restructuring expenses	.1
Adjusted EBITDA [(1)]	$ 9.8

[(1)] See **“NON-GAAP FINANCIAL MEASURES”** on page 59.

NSM Results—Three Months Ended March 31, 2019

NSM reported pre-tax loss of $2 million, adjusted EBITDA of $10 million and commission revenues of $43 million in the first quarter of 2019. NSM's pre-tax loss in the first quarter of 2019 included $5 million of amortization of other intangible assets, $4 million of interest expense and $1 million of general and administrative expenses related to the change in the fair value of NSM's contingent consideration earnout liabilities.

NSM Business Trends

The following is a discussion of the trends in NSM's business, including periods prior to White Mountains's ownership of NSM.

NSM's business consists of over 15 active programs that are broadly categorized into five market verticals. The following table presents the controlled premium and commission revenues by vertical for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,			
	2019		2018	
$ in Millions	**Controlled Premium [1]**	**Commission and Other Revenues**	**Controlled Premium [1]**	**Commission and Other Revenues**
Specialty Transportation	**$ 65.9**	**$ 17.9**	$ 25.9	$ 8.3
Real Estate	**38.8**	**9.0**	36.6	8.2
Social Services	**22.9**	**5.8**	23.3	6.0
United Kingdom	**41.8**	**12.1**	15.7	4.5
Other	**27.2**	**4.5**	27.5	4.8
Total	**$ 196.6**	**$ 49.3**	$ 129.0	$ 31.8

[1] Controlled premium are total premiums placed by NSM during the period.

Three Months Ended March 31, 2019 versus Three Months Ended March 31, 2018

Specialty Transportation: NSM's specialty transportation controlled premium and commission and other revenues grew significantly in the first quarter of 2019 compared to the first quarter of 2018, driven primarily by the acquisition of KBK in the fourth quarter of 2018. KBK contributed $38 million and $8 million of controlled premium and commission and other revenues in the first quarter of 2019. NSM's collector car business controlled premiums and base commissions grew approximately 5% from the first quarter of 2018. In addition, profit commissions in this vertical were higher in the first quarter of 2019, compared to the first quarter of 2018, primarily due to improved loss ratios.

Real Estate: NSM's real estate controlled premium and commission and other revenues increased primarily due to HabPro, NSM's newly created excess and surplus habitational program, which contributed $2 million of controlled premium and $0.3 million in commission and other revenues in the first quarter of 2019. Other than HabPro, the real estate vertical was essentially flat, as increases in CHAMP, which places coverages for coastal condominium associations, were offset by decreases in flood insurance.

Social Services: NSM's social services controlled premium and commission and other revenues declined modestly in the first quarter of 2019, compared to the first quarter of 2018, driven primarily by increased market competition.

United Kingdom: NSM's United Kingdom controlled premium and commission and other revenues grew significantly in the first quarter of 2019, compared to the first quarter of 2018, driven primarily by the acquisition of Fresh Insurance in the second quarter of 2018. Fresh Insurance contributed $19 million and $7 million of controlled premium and commission and other revenues in the first quarter of 2019. In addition, First Underwriting Limited, an MGA that was launched in the fourth quarter of 2018, contributed $8 million and $1 million of controlled premium and commission and other revenues, respectively, in the first quarter of 2019.

Other: NSM's other controlled premium and commission and other revenues were relatively flat in the first quarter of 2019, compared to the first quarter of 2018, as slight declines in the workers' compensation and retail brokerage businesses were offset by improvement in the architects and engineers program.

MediaAlpha

As a result of the MediaAlpha Transaction, White Mountains's reduced its ownership interest in MediaAlpha to 48% of the basic units outstanding (42% on a fully diluted, fully converted basis). White Mountains's remaining ownership interest in MediaAlpha no longer meets the criteria for a controlling ownership interest and, accordingly, White Mountains deconsolidated MediaAlpha on February 26, 2019. The following table presents the components of GAAP net loss included in White Mountains's MediaAlpha segment for the period from January 1, 2019 to February 26, 2019 (the "2019 Ownership Period") and the three months ended March 31, 2018:

Millions	2019 Ownership Period	Three Months Ended March 31, 2018
Advertising and commission revenues	**$ 48.8**	$ 70.1
Cost of sales	**40.6**	57.4
Gross profit	**8.2**	12.7
Other revenue	**—**	1.6
General and administrative expenses	**5.7**	11.2
General and administrative expenses - MediaAlpha Transaction related costs	**6.8**	—
Amortization of other intangible assets	**1.6**	2.9
Interest expense	**.2**	.4
GAAP pre-tax loss	**$ (6.1)**	$ (.2)

MediaAlpha reported GAAP pre-tax loss of $6 million and revenues of $49 million for the 2019 Ownership Period. During the 2019 Ownership Period, revenues were primarily driven by the P&C and Health, Medicare and Life verticals, which had revenues of $26 million and $17 million. During the 2019 Ownership Period, MediaAlpha recognized $7 million of costs related to the transaction with Insignia Group in general and administrative expenses.

MediaAlpha reported break-even GAAP pre-tax income and revenues of $70 million for the first quarter of 2018. MediaAlpha's results for the first quarter of 2018 were driven primarily by growth in MediaAlpha's P&C verticals, driven by increased demand from advertisers, and growth in the Health, Medicare and Life vertical.

Other Operations

The following table presents a summary of White Mountains’s financial results from its Other Operations segment for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
Millions	2019	2018
Net investment income	**$ 10.7**	$ 16.0
Net realized and unrealized investment gains (losses)	**119.1**	(45.8)
Realized and unrealized gains from the MediaAlpha Transaction	**182.2**	—
Advertising and commission revenues	**1.3**	.9
Other revenues	**.3**	.3
Total revenues	**313.6**	(28.6)
Cost of sales	**1.1**	.7
General and administrative expenses	**29.4**	22.0
Interest expense	**—**	.2
Total expenses	**30.5**	22.9
Pre-tax income (loss)	**$ 283.1**	$ (51.5)

Other Operations Results—Three Months Ended March 31, 2019 versus Three Months Ended March 31, 2018

White Mountains’s Other Operations segment reported pre-tax income of $283 million in the first quarter of 2019, compared to pre-tax loss of $52 million in the first quarter of 2018. The change was driven primarily by $182 million of realized and unrealized gains from the MediaAlpha Transaction and higher investment returns. White Mountains’s Other Operations segment reported net realized and unrealized investment gains, excluding the MediaAlpha Transaction, of $119 million in the first quarter of 2019, compared to net realized and unrealized investment losses of $46 million in the first quarter of 2018. White Mountains’s Other Operations segment reported net investment income of $11 million in the first quarter of 2019, compared to $16 million in the first quarter of 2018. See **Summary of Investment Results** on page 51. General and administrative expenses were $29 million in the first quarter of 2019, compared to $22 million in the first quarter of 2018. The increase was driven primarily by higher incentive compensation costs, driven primarily by an increase in both White Mountains’s share price and the assumed harvest percentage on outstanding performance shares.

II. Summary of Investment Results

White Mountains's total investment results include results from all segments. For purposes of discussing rates of return, all percentages are presented gross of management fees and trading expenses in order to produce a better comparison to benchmark returns, while all dollar amounts are presented net of management fees and trading expenses.

The following table presents the pre-tax investment returns for White Mountains's consolidated portfolio for the three months ended March 31, 2019 and 2018:

Gross Investment Returns and Benchmark Returns

	Three Months Ended March 31,	
	2019	**2018**
Common equity securities	**13.0%**	(0.9)%
Other long-term investments	**32.6%**	(2.8)%
Other long-term investments - excluding MediaAlpha	**0.2%**	(2.8)%
Total common equity securities and other long-term investments	**19.0%**	(1.2)%
Total common equity securities and other long-term investments - excluding MediaAlpha	**9.3%**	(1.2)%
S&P 500 Index (total return)	**13.6%**	(0.8)%
Fixed income investments	**2.3%**	(0.7)%
Bloomberg Barclays U.S. Intermediate Aggregate Index	**2.3%**	(1.1)%
Total consolidated portfolio	**10.1%**	(1.0)%
Total consolidated portfolio - excluding MediaAlpha	**5.7%**	(1.0)%

Investment Returns—Three Months Ended March 31, 2019 versus Three Months Ended March 31, 2018

White Mountains's pre-tax total return on invested assets was 10.1% for the first quarter of 2019. The first quarter 2019 returns included $115 million in pre-tax unrealized investment gains from the MediaAlpha Transaction. Excluding the MediaAlpha Transaction, White Mountains's pre-tax total return on invested assets was 5.7% for the first quarter of 2019, compared to -1.0% for the first quarter of 2018. Returns for the first quarter of 2019 were driven primarily by the strong rebound in equity markets. Returns for the first quarter of 2018 were driven primarily by declines in equity markets and rising interest rates.

Common Equity Securities and Other Long-Term Investments Results

White Mountains's portfolio of common equity securities and other long-term investments was $1.4 billion, $1.3 billion, and $1.2 billion as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively. **See Note 3 - "Investment Securities".** White Mountains's portfolio of common equity securities and other long-term investments represented approximately 50%, 49% and 36% of total invested assets as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively. The increase in this percentage was driven primarily by additions to the common equity securities and other long-term investment portfolios and a decline in the total investment asset base principally due to share repurchases and deployments of capital into new businesses over the period.

White Mountains's portfolio of common equity securities and other long-term investments returned 19.0% for the first quarter of 2019. Excluding the MediaAlpha Transaction, White Mountains's portfolio of common equity securities and other long-term investments returned 9.3% for the first quarter of 2019, compared to -1.2% for the first quarter of 2018.

White Mountains's portfolio of common equity securities was $905 million, $926 million and $946 million as of March 31, 2019, December 31, 2018 and March 31, 2018, repectively. White Mountains's portfolio of common equity securities returned 13.0% for the first quarter of 2019, just underperforming the S&P 500 Index return of 13.6%. White Mountains's portfolio of common equity securities returned -0.9% for the first quarter of 2018, essentially in-line with the S&P 500 Index return of -0.8%. White Mountains's portfolio of common equity securities primarily consists of passive ETFs and publicly-traded common equity securities that are actively managed by third-party registered investment advisers.

White Mountains's portfolio of ETFs seeks to provide investment results that generally correspond to the performance of broad market indices. As of March 31, 2019 and December 31, 2018, White Mountains had approximately $712 million and $675 million invested in ETFs. In the first quarter of 2019 and 2018, the ETFs essentially earned the effective index return, before expenses, over the period in which White Mountains was invested in these funds.

As of March 31, 2019, White Mountains's relationships with third-party registered investment advisers (the "actively managed common equity portfolios") were with Highclere International Investors ("Highclere"), who invests in small- and mid-cap equity securities listed in markets outside of the United States and Canada through a unit trust and Silchester International Investors ("Silchester"), who invests in value-oriented non-U.S. equity securities through a unit trust. In February of 2019, White Mountains terminated its relationship with Lateef Investment Management ("Lateef"), a growth at a reasonable price adviser managing a highly-concentrated separate account portfolio of U.S. mid-cap and large-cap growth companies. As of March 31, 2019 and December 31, 2018, White Mountains had approximately $193 million and $250 million of common equity securities invested with third-party registered investment advisers.

White Mountains's actively managed common equity portfolios returned 11.0% for the first quarter of 2019, underperforming the S&P 500 Index return of 13.6%. The underperformance was driven primarily by unfavorable relative returns from the non-U.S. portfolios managed by Highclere and Silchester, partially offset by favorable relative returns from the Lateef portfolio prior to the termination of the relationship in February 2019. White Mountains's actively managed common equity portfolios returned -0.4% for the first quarter of 2018, outperforming the S&P 500 Index return of -0.8%. The outperformance was driven primarily by favorable relative returns from the Lateef portfolio.

White Mountains maintains a portfolio of other long-term investments that primarily consists of unconsolidated entities, private equity funds and hedge funds. White Mountains's portfolio of other long-term investments was $498 million, $326 million and $253 million as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively. White Mountains's other long-term investments portfolio returned 32.6% for the first quarter of 2019. Excluding the MediaAlpha Transaction, White Mountains's other long-term investments portfolio returned 0.2% for the first quarter of 2019, compared to -2.8% for the first quarter of 2018. Investment returns for the first quarter of 2019 were driven primarily by relatively flat performance from unconsolidated entities and private equity funds. Returns for the first quarter of 2018 were driven primarily by losses from a foreign currency forward contract closed during the period and unfavorable results from unconsolidated entities.

Fixed Income Results

White Mountains's fixed income portfolio, including short-term investments, was $1.4 billion, $1.3 billion and $2.1 billion as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively. The duration of White Mountains's fixed income portfolio, including short-term investments, was 3.2 years, 3.4 years and 2.8 years as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

White Mountains's fixed income portfolio returned 2.3% for the first quarter of 2019, in-line with the Bloomberg Barclays U.S. Intermediate Aggregate Index return. White Mountains's fixed income portfolio returned -0.7% for the first quarter of 2018, outperforming the Bloomberg Barclays U.S. Intermediate Aggregate Index return of -1.1%. In the first quarter of 2018, White Mountains terminated its relationship with a third-party registered investment adviser managing a medium duration GBP investment grade corporate bond portfolio and closed the foreign currency forward contract associated with this mandate.

Foreign Currency Exposure

As of March 31, 2019, White Mountains had foreign currency exposure on $261 million of net assets primarily related to common equity securities managed by Silchester and Highclere, NSM's U.K. operations and certain foreign consolidated and unconsolidated entities.

White Mountains may enter into foreign currency forward contracts from time to time in order to mitigate its foreign currency exposure on certain invested assets. In conjunction with the liquidation of the GBP investment grade corporate bond mandate in the first quarter of 2018, White Mountains closed the associated foreign currency forward contract.

The following table presents the fair value of White Mountains's foreign denominated net assets as of March 31, 2019:

Currency $ in Millions	Fair Value	% of Common Shareholders' Equity
GBP	$ **79.3**	**2.6%**
EUR	**57.6**	**1.8**
JPY	**55.6**	**1.8**
All other	**68.9**	**2.2**
Total	$ **261.4**	**8.4%**

Income Taxes

The Company and its Bermuda domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. In the event there is a change in the current law and taxes are imposed, the Company and its Bermuda domiciled subsidiaries would be exempt from such taxes until March 31, 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Company has subsidiaries and branches that operate in various other jurisdictions around the world that are subject to tax in the jurisdictions in which they operate. The jurisdictions in which the Company's subsidiaries and branches are subject to tax include Barbados, Ireland, Israel, Luxembourg, the United Kingdom and the United States.

White Mountains's income tax expense related to pre-tax income from continuing operations for the three months ended March 31, 2019 represented an effective tax rate of 4%. The effective tax rate was different from the U.S. statutory rate of 21%, primarily due to a release in a full valuation allowance on the net deferred tax assets of the U.S. consolidated group Guilford Holdings, Inc. and subsidiaries ("Guilford"). Guilford includes MediaAlpha, Kudu, various service companies and certain other entities and investments that are included in the Other Operations segment. The effective tax rate was also different due to withholding taxes and a tax benefit recorded at BAM. For BAM, MSC and the related taxes thereon, are recorded directly to non-controlling interest equity, while the valuation allowance on such taxes is recorded through the income statement. For the three months ended March 31, 2019, BAM recorded a tax benefit of $1 million associated with the valuation allowance on taxes related to MSC that is included in the effective tax rate. See **Note 6 — "Income Taxes"**.

White Mountains's income tax expense related to pre-tax loss from continuing operations for the three months ended March 31, 2018 represented an effective tax rate of (1)%. The effective tax rate was different from the U.S. statutory rate of 21%, primarily due to a full valuation allowance on all net deferred tax assets at U.S. operations, consisting of Guilford and BAM, withholding taxes and a tax benefit recorded at BAM. For BAM, MSC and the related taxes thereon, are recorded directly to non-controlling interest equity, while the valuation allowance on such taxes is recorded through the income statement. For the three months ended March 31, 2018, BAM recorded a tax benefit of $1 million associated with the valuation allowance on taxes related to MSC that is included in the effective tax rate. See **Note 6 — "Income Taxes"**.

LIQUIDITY AND CAPITAL RESOURCES

Operating Cash and Short-term Investments

Holding Company Level

The primary sources of cash for the Company and certain of its intermediate holding companies are expected to be distributions from its operating subsidiaries, net investment income, proceeds from sales, repayments and maturities of investments, capital raising activities and, from time to time, proceeds from sales of operating subsidiaries. The primary uses of cash are expected to be general and administrative expenses, purchases of investments, payments to tax authorities, payments on and repurchases/retirements of its debt obligations, dividend payments to holders of the Company's common shares, distributions to non-controlling interest holders of consolidated subsidiaries, contributions to operating subsidiaries and, from time to time, purchases of operating subsidiaries and repurchases of the Company's common shares.

Operating Subsidiary Level

The primary sources of cash for White Mountains's operating subsidiaries are expected to be commissions, fees and premium collections, net investment income, proceeds from sales, repayments and maturities of investments, contributions from holding companies, capital raising activities and, from time to time, proceeds from sales of operating subsidiaries. The primary uses of cash are expected to be general and administrative expenses, broker commission expenses, costs of sales, insurance acquisition expenses, loss payments, purchases of investments, payments to tax authorities, payments on and repurchases/retirements of its debt obligations, distributions made to holding companies, distributions to non-controlling interest holders and, from time to time, purchases of operating subsidiaries.

Both internal and external forces influence White Mountains's financial condition, results of operations and cash flows. Premium and fee levels, loss payments, cost of sales and investment returns may be impacted by changing rates of inflation and other economic conditions. Some time may lapse between the occurrence of an insured loss, the reporting of the loss to White Mountains and the settlement of the liability for that loss. The exact timing of the payment of losses and benefits cannot be predicted with certainty.

Management believes that White Mountains's cash balances, cash flows from operations and routine sales and maturities of investments are adequate to meet expected cash requirements for the foreseeable future on both a holding company and subsidiary level.

Dividend Capacity

The following is a description of the dividend capacity of White Mountains's reinsurance and other operating subsidiaries:

HG Global/BAM

As of March 31, 2019, HG Global had $619 million face value of preferred shares outstanding, of which White Mountains owned 96.9%. Holders of the HG Global preferred shares receive cumulative dividends at a fixed annual rate of 6.0% on a quarterly basis, when and if declared by HG Global. HG Global did not declare or pay any preferred dividends in the quarter of 2019. As of March 31, 2019, HG Global has accrued $302 million of dividends payable to holders of its preferred shares, $292 million of which is payable to White Mountains and eliminates in consolidation. As of March 31, 2019, HG Global and its subsidiaries had $3 million of cash and fixed maturity investments outside of HG Re.

HG Re is a Special Purpose Insurer subject to regulation and supervision by the BMA, but it does not require regulatory approval to pay dividends. However, pursuant to the FLRT with BAM, HG Re's dividend capacity is limited to amounts held outside of the collateral trusts. As of March 31, 2019, HG Re had statutory capital and surplus of $713 million, $771 million of assets held in the collateral trusts pursuant to the FLRT with BAM and $1 million of cash held outside the collateral trusts.

No payment of interest or principal on the BAM Surplus Notes may be made without the approval of the New York State Department of Financial Services ("NYDFS"). BAM has stated its intention to seek regulatory approval to pay interest and principal on its surplus notes to the extent that its remaining qualified statutory capital and other capital resources continue to support its outstanding obligations, its business plan and its "AA/stable" rating from Standard & Poor's. During the first three months of 2019, BAM made no repayments of the BAM Surplus Notes or accrued interest.

NSM

During the three months ended March 31, 2019, NSM did not make any distributions to its unitholders. As of March 31, 2019, NSM had $24 million of net unrestricted cash.

Other Operations

During the three months ended March 31, 2019, White Mountains paid a $3 million common share dividend. As of March 31, 2019, the Company and its intermediate holding companies had $661 million of net unrestricted cash, short-term investments and fixed maturity investments and $905 million of common equity securities and $151 million of private equity funds and hedge funds.

Financing

The following table presents White Mountains's capital structure as of March 31, 2019 and December 31, 2018:

$ in Millions	March 31, 2019	December 31, 2018
NSM Bank Facility, carrying value	**$ 182.8**	$ 176.6
Other NSM debt	**1.7**	1.9
MediaAlpha Bank Facility, carrying value [(1)]	**—**	14.2
Other Operations debt	**10.9**	—
Total debt	**195.4**	192.7
Non-controlling interests—excluding BAM	**30.1**	45.7
Total White Mountains's common shareholders' equity	**3,122.0**	2,843.1
Total capital	**3,347.5**	3,081.5
Time-value discount on expected future payments on the BAM Surplus Notes [(2)]	**(138.6)**	(141.2)
HG Global's unearned premium reserve [(2)]	**140.2**	136.9
HG Global's net deferred acquisition costs [(2)]	**(35.7)**	(34.6)
Total adjusted capital	**$ 3,313.4**	$ 3,042.6
Total debt to total adjusted capital	**5.9%**	6.3%

[(1)] The MediaAlpha Bank Facility is no longer included as a result of the MediaAlpha Transaction.

[(2)] Amount reflects White Mountains's preferred share ownership in HG Global of 96.9%.

Management believes that White Mountains has the flexibility and capacity to obtain funds externally through debt or equity financing on both a short-term and long-term basis. However, White Mountains can provide no assurance that, if needed, it would be able to obtain additional debt or equity financing on satisfactory terms, if at all.

It is possible that, in the future, one or more of the rating agencies may lower White Mountains's existing ratings. If one or more of its ratings were lowered, White Mountains could incur higher borrowing costs on future borrowings and its ability to access the capital markets could be impacted.

On May 11, 2018, NSM entered into a secured credit facility (the "NSM Bank Facility") with Ares Capital Corporation in order to refinance NSM's debt and to fund the acquisition of Fresh Insurance. The NSM Bank Facility is comprised of term loans totaling $181 million and a revolving credit loan commitment of $10 million. The term loans under the NSM Bank Facility mature on May 11, 2024, and the revolving credit loan under the NSM Bank Facility matures on May 11, 2023. During the three months ended March 31, 2019, NSM repaid $1 million on the term loans and drew $7 million under the revolving credit loan. As of March 31, 2019, $180 million of term loans and $7 million of revolving credit loans were outstanding under the NSM Bank Facility.

Interest on the NSM Bank Facility accrues at a floating interest rate equal to the three month LIBOR or the Prime Rate, as published by the Wall Street Journal plus, in each case, an applicable margin. The margin over LIBOR may vary between 4.25% and 4.75%, and the margin over the Prime Rate may vary between 3.25% and 3.75%, in each case, depending on the consolidated total leverage ratio of the borrower.

On June 15, 2018, NSM entered into an interest rate swap agreement to hedge its exposure to interest rate risk on its variable rate term loans. Under the terms of the swap agreement, NSM pays a fixed rate of 2.97% and receives a variable rate, which is reset monthly, based on based on then-current LIBOR. As of March 31, 2019, the variable rate received by NSM under the swap agreement was 2.49%. As of March 31, 2019, the interest rate, including the effect of the swap, for the outstanding term loans of $149.9 million that are hedged by the swap, was 7.47%. See **Note 7 — "Derivatives — NSM Interest Rate Swap"**.

The NSM Bank Facility is secured by all property of the loan parties and contains various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including a maximum consolidated total leverage ratio covenant.

Covenant Compliance

As of March 31, 2019, White Mountains was in compliance with all of the covenants under all of its debt instruments.

NSM Bank Facility

The consolidated total leverage ratio in the NSM Bank Facility is determined by dividing NSM's debt by its EBITDA, both as defined in the NSM Bank Facility.

Debt is defined to include indebtedness for borrowed money, due and payable earnouts on permitted acquisitions and various other adjustments specified in the NSM Bank Facility, less unrestricted cash and cash equivalents ("Bank Debt"). NSM's Bank Debt was $165 million as of March 31, 2019.

EBITDA is defined to include adjusted EBITDA (see **NON-GAAP FINANCIAL MEASURES** on page 59) plus additional adjustments (i) to exclude certain expenses not already excluded from adjusted EBITDA as specified in NSM's Bank Facility and (ii) to include/exclude historical earnings of acquired/disposed companies ("Bank EBITDA"). NSM's Bank EBITDA was $41 million for the trailing twelve months ended March 31, 2019.

The maximum consolidated total leverage ratio covenant was 5.5x. NSM's actual consolidated total leverage ratio as of March 31, 2019 was 4.0x.

Share Repurchases

White Mountains's board of directors has authorized the Company to repurchase its common shares from time to time, subject to market conditions. The repurchase authorizations do not have a stated expiration date. In the first quarter of 2019, White Mountains repurchased and retired 5,679 of its common shares for $5 million, at an average share price of $858, which was approximately 88% of White Mountains's March 31, 2019 adjusted book value per share. In the first quarter of 2018, White Mountains repurchased and retired 9,965 of its common shares for $8 million, at an average share price of $841, which was approximately 93% of White Mountains's March 31, 2018 adjusted book value per share. All of the shares White Mountains repurchased in the first quarter of 2019 and 2018 were to satisfy employee income tax withholding pursuant to employee benefit plans. Shares repurchased pursuant to employee benefit plans do not reduce the board authorization. As of March 31, 2019, White Mountains may repurchase an additional 635,705 shares under these board authorizations. In addition, White Mountains has also repurchased its common shares from time to time through tender offers that were separately approved by its board of directors.

Cash Flows

Detailed information concerning White Mountains's cash flows during the three months ended March 31, 2019 and 2018 follows:

Cash flows from continuing operations for the three months ended March 31, 2019 and March 31, 2018

Net cash used for continuing operations was $41 million in the three months ended March 31, 2019 compared to $45 million in the three months ended March 31, 2018. Cash used for continuing operations decreased in the three months ended March 31, 2019, compared to the three months ended March 31, 2018. During the three months ended March 31, 2019 and 2018, White Mountains made long-term incentive payments totaling $19 million and $28 million. White Mountains does not believe these trends will have a meaningful impact on its future liquidity or its ability to meet its future cash requirements.

Cash flows from investing and financing activities for the three months ended March 31, 2019

Financing and Other Capital Activities

During the three months ended March 31, 2019, the Company declared and paid a $3 million cash dividend to its common shareholders.

During the three months ended March 31, 2019, White Mountains repurchased and retired 5,679 of its common shares for $5 million, all of which were repurchased under employee benefit plans for statutory withholding tax payments.

During the three months ended March 31, 2019, BAM received $8 million in MSC.

During the three months ended March 31, 2019, NSM borrowed $7 million of revolving credit loans and repaid $1 million of term loans under the NSM Bank Facility.

Acquisitions and Dispositions

On February 26, 2019, White Mountains received net cash proceeds of $88 million from the MediaAlpha Transaction.

During the first three months of 2019, Kudu closed two transactions, deploying $82 million, of which $41 million was from White Mountains.

Cash flows from investing and financing activities for the three months ended March 31, 2018

Financing and Other Capital Activities

During the first three months of 2018, the Company declared and paid a $4 million cash dividend to its common shareholders.

During the first three months of 2018, White Mountains repurchased and retired 9,965 of its common shares for $8 million, all of which were repurchased under employee benefit plans for statutory withholding tax payments.

During the first three months of 2018, BAM received $5 million in MSC.

During the first three months of 2018, MediaAlpha repaid $2 million under the MediaAlpha Bank Facility.

Acquisitions and Dispositions

On January 24, 2018, White Mountains paid $42 million in connection with the DavidShield transaction.

FAIR VALUE CONSIDERATIONS

General

White Mountains records certain assets and liabilities at fair value in its consolidated financial statements, with changes therein recognized in current period earnings. In addition, White Mountains discloses estimated fair value for certain liabilities measured at historical or amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price) at a particular measurement date. Fair value measurements are categorized into a hierarchy that distinguishes between inputs based on market data from independent sources (“observable inputs”) and a reporting entity’s internal assumptions based upon the best information available when external market data is limited or unavailable (“unobservable inputs”). Quoted prices in active markets for identical assets have the highest priority (“Level 1”), followed by observable inputs other than quoted prices including prices for similar but not identical assets or liabilities (“Level 2”), and unobservable inputs, including the reporting entity’s estimates of the assumptions that market participants would use, having the lowest priority (“Level 3”).

Assets and liabilities carried at fair value include substantially all of the investment portfolio, derivative instruments, both exchange traded and over the counter instruments. Valuation of assets and liabilities measured at fair value require management to make estimates and apply judgment to matters that may carry a significant degree of uncertainty. In determining its estimates of fair value, White Mountains uses a variety of valuation approaches and inputs. Whenever possible, White Mountains estimates fair value using valuation methods that maximize the use of observable prices and other inputs. Where appropriate, assets and liabilities measured at fair value have been adjusted for the effect of counterparty credit risk.

Invested Assets

White Mountains uses brokers and outside pricing services to assist in determining fair values. The outside pricing services White Mountains uses have indicated that they will only provide prices where observable inputs are available.

As of March 31, 2019, approximately 82% of the investment portfolio recorded at fair value was priced based upon quoted market prices or other observable inputs.

Level 1 Measurements

Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries and short-term investments, which include U.S. Treasury Bills, and common equity securities. For investments in active markets, White Mountains uses the quoted market prices provided by outside pricing services to determine fair value.

Level 2 Measurements

Investments valued using Level 2 inputs include fixed maturity investments, which have been disaggregated into classes, including debt securities issued by corporations, mortgage and asset-backed securities and municipal obligations. Investments valued using Level 2 inputs also include certain passive ETFs that track U.S. stock indices such as the S&P 500 Index, but are traded on foreign exchanges, which management values using the fund manager’s published NAV to account for the difference in market close times.

In circumstances where quoted market prices are unavailable or are not considered reasonable, White Mountains estimates the fair value using industry standard pricing methodologies and observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, credit ratings, prepayment speeds, reference data including research publications and other relevant inputs. Given that many fixed maturity investments do not trade on a daily basis, the outside pricing services evaluate a wide range of fixed maturity investments by regularly drawing parallels from recent trades and quotes of comparable securities with similar features. The characteristics used to identify comparable fixed maturity investments vary by asset type and take into account market convention.

White Mountains’s process to assess the reasonableness of the market prices obtained from the outside pricing sources covers substantially all of its fixed maturity investments and includes, but is not limited to, the evaluation of pricing methodologies and a review of the pricing services’ quality control procedures on at least an annual basis, a comparison of its invested asset prices obtained from alternate independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices and a review of the underlying assumptions utilized by the pricing services for select measurements on an ad hoc basis throughout the year. White Mountains also performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price on an ad-hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and $0.5 million from the expected price based on these assessment procedures are considered outliers, as are prices that have not changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of White Mountains’s review process does not appear to support the market price provided by the pricing services, White Mountains challenges the vendor provided price. If White Mountains cannot gain satisfactory evidence to support the challenged price, White Mountains will rely upon its own pricing methodologies to estimate the fair value of the security in question. The valuation process described above is generally applicable to all of White Mountains’s fixed maturity investments.

Level 3 Measurements

Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Investments valued using Level 3 fair value estimates are based upon unobservable inputs and include investments in certain fixed maturity investments, common equity securities and other long-term investments where quoted market prices are unavailable or are not considered reasonable.

Level 3 valuations are generated from techniques that use assumptions not observable in the market. These unobservable assumptions reflect White Mountains’s assumptions that market participants would use in valuing the investment. Generally, certain securities may start out as Level 3 when they are originally issued, but as observable inputs become available in the market, they may be reclassified to Level 2. Transfers between levels are based on investments held as of the beginning of the period.

Other Long-Term Investments

White Mountains maintains a portfolio of other long-term investments that primarily consists of unconsolidated entities, private equity funds and hedge funds. White Mountains’s portfolio of other long-term investments are generally valued at fair value, using level 3 measurements or net asset value “NAV” as a practical expedient. Investments for which fair value is measured at NAV using the practical expedient are not classified within the fair value hierarchy.

Unconsolidated Entities

White Mountains’s portfolio of other long-term investments includes unconsolidated entities, including non-controlling interests in certain private common equity securities, limited liability companies and convertible preferred securities. White Mountains portfolio of unconsolidated entities are generally valued using Level 3 inputs. The determination of the fair value of unconsolidated entities may involve significant management judgment, the use of valuation models and assumptions that are inherently subjective.

On an ongoing basis, White Mountains considers qualitative changes in facts and circumstances, which may impact the valuation of unconsolidated entities, including economic changes of relevant industries and changes to the investee capital structure, business strategy and significant changes in key personnel. On an annual basis, or when facts and circumstances suggest a quantitative valuation analysis is necessary, White Mountains, with the assistance of a third-party valuation firm, completes a valuation analysis of significant unconsolidated entities.

Private Equity Funds and Hedge Funds

White Mountains’s portfolio of other long-term investments includes investments in private equity funds and hedge funds. White Mountains employs a number of procedures to assess the reasonableness of the fair value measurements for its private equity funds and hedge funds, including obtaining and reviewing periodic and audited annual financial statements as well as discussing each fund’s pricing with the fund manager throughout the year. However, since the fund managers do not provide sufficient information to evaluate the pricing methods and inputs for each underlying investment, White Mountains considers the inputs to be unobservable. The fair value of White Mountains’s private equity fund and hedge fund investments has generally been determined using the fund manager’s NAV. In the event that White Mountains believes the fair value of a private equity fund or hedge fund differs from the NAV reported by the fund manager due to illiquidity or other factors, White Mountains will adjust the reported NAV to more appropriately represent the fair value of its investment in the private equity fund or hedge fund. As of March 31, 2019 and December 31, 2018, White Mountains did not adjust the reported NAV of its investments in private equity funds and hedge funds.

NON-GAAP FINANCIAL MEASURES

This report includes nine non-GAAP financial measures that have been reconciled with their most comparable GAAP financial measures.

Adjusted book value per share is a non-GAAP financial measure, which is derived by adjusting (i) the GAAP book value per share numerator and (ii) the common shares outstanding denominator, as described below. The GAAP book value per share numerator is adjusted (i) to include a discount for the time value of money arising from the expected timing of cash payments of principal and interest on the BAM surplus notes and (ii) to add back the unearned premium reserve, net of deferred acquisition costs, at HG Global. Under GAAP, White Mountains is required to carry the BAM surplus notes, including accrued interest, at nominal value with no consideration for time value of money. Based on a debt service model that forecasts operating results for BAM through maturity of the surplus notes, the present value of the BAM surplus notes, including accrued interest, was estimated to be $143 million, $146 million and $159 million less than the nominal GAAP carrying values as of March 31, 2019, December 31, 2018, and March 31, 2018, respectively. The value of HG Global’s unearned premium reserve, net of deferred acquisition costs, was $108 million, $106 million and $84 million as of March 31, 2019, December 31, 2018, and March 31, 2018, respectively. White Mountains believes these adjustments are useful to management and investors in analyzing the intrinsic value of HG Global, including the value of the surplus notes and the value of the in-force business at HG Re, HG Global’s reinsurance subsidiary. The denominator used in the calculation of adjusted book value per share equals the number of common shares outstanding, adjusted to exclude unearned restricted common shares, the compensation cost of which, at the date of calculation, has yet to be amortized. Restricted common shares are earned on a straight-line basis over their vesting periods. The reconciliation of GAAP book value per share to adjusted book value per share is included on page 40.

The underlying growth in adjusted book value per share reflects the estimated gain from the MediaAlpha Transaction as if it had closed as of December 31, 2018. A reconciliation from GAAP to the reported percentage is as follows:

	As of March 31, 2019	As of December 31, 2018	Growth % (1)
GAAP book value per share	$ 981.39	$ 896.00	9.6%
Estimated gain from the MediaAlpha Transaction as of December 31, 2018	—	55.07	
GAAP book value per share including the estimated gain from the MediaAlpha Transaction as of December 31, 2018	981.39	951.07	3.3%
Adjustments to book value per share (see reconciliation on page 40)	(2.88)	(8.15)	
Adjusted book value per share including the estimated gain from the MediaAlpha Transaction as of December 31, 2018	$ 978.51	$ 942.92	3.9%

(1) Growth includes $1.00 per share dividend paid during the first quarter of 2019.

Gross written premiums and MSC from new business is a non-GAAP financial measure, which is derived by adjusting gross written premiums and MSC collected (i) to include the present value of future installment MSC not yet collected and (ii) to exclude the impact of gross written premium adjustments related to policies closed in prior periods. White Mountains believes these adjustments are useful to management and investors in evaluating the volume and pricing of new business closed during the period. The reconciliation from GAAP gross written premiums to gross written premiums and MSC from new business is included on page 44.

NSM's EBITDA and adjusted EBITDA are non-GAAP financial measures. EBITDA is a non-GAAP financial measure that excludes interest expense on debt, income tax benefit (expense), depreciation and amortization from GAAP net income (loss). Adjusted EBITDA is a non-GAAP financial measure that excludes certain other items in GAAP net income (loss) in addition to those excluded from EBITDA. The adjustments relate to (i) change in fair value of contingent consideration earnout liabilities, (ii) acquisition-related transaction expenses, (iii) investments made in the development of new business lines and (iv) restructuring expenses. A description of each follows:

- *Change in fair value of contingent consideration earnout liabilities* - Earnout liabilities are amounts payable to the sellers of businesses purchased by NSM that are contingent on the earnings of such businesses in periods subsequent to their acquisition. Under GAAP, earnout liabilities are not capitalized as part of the purchase price. Earnout liabilities are recorded at fair value, with the periodic change in the fair value of these liabilities recorded as income or an expense.
- *Acquisition-related transaction expenses* - Represents costs directly related to transactions to acquire businesses, such as transaction-related compensation, banking, accounting and external lawyer fees, which are not capitalized and are expensed under GAAP.
- *Investments made in the development of new business lines* - Represents the net loss related to the start-up of newly established lines of business, which NSM views as investments. For the periods presented, this adjustment primarily relates to NSM's investment expenditures in the organic development of its pet insurance line and its MGA in the United Kingdom, net of revenues generated. NSM recently decided to discontinue its organic investment in the development of its pet insurance line and instead to invest in the pet insurance line through its acquisition of Embrace Pet Insurance, which closed in April 2019.
- *Restructuring expenses* - Represents expenses associated with eliminating redundant work force and facilities that typically arise as a result of NSM's post-acquisition integration strategies.

White Mountains believes that these non-GAAP financial measures are useful to management and investors in evaluating NSM's performance. The reconciliation of NSM's GAAP net income (loss) to EBITDA and adjusted EBITDA is included on page 47.

Total capital at White Mountains is comprised of White Mountains's common shareholders' equity, debt and non-controlling interests other than non-controlling interests attributable to BAM. Total adjusted capital is a non-GAAP financial measure, which is derived by adjusting total capital (i) to include a discount for the time value of money arising from the expected timing of cash payments of principal and interest on the BAM Surplus Notes and (ii) to add back the unearned premium reserve, net of deferred acquisition costs, at HG Global. The reconciliation of total capital to total adjusted capital is included on page 54.

Total consolidated portfolio returns excluding the MediaAlpha Transaction, common equity securities and other long term investment returns excluding the MediaAlpha Transaction and other long-term investments returns excluding the MediaAlpha Transaction are non-GAAP financial measures that remove the $115 million pre-tax unrealized gain resulting from the MediaAlpha Transaction recognized in the first quarter of 2019. Subsequent to the MediaAlpha Transaction, White Mountains no longer consolidates MediaAlpha and accounts for its remaining investment in MediaAlpha at fair value. White Mountains believes these measures to be useful to management and investors by making the returns in the current period comparable to the prior periods. A reconciliation from GAAP to the reported percentages is as follows:

	For the Three Months Ended March 31, 2019		
	GAAP Returns	**Remove MediaAlpha**	**Returns - Excluding MediaAlpha**
Total consolidated portfolio returns	**10.1%**	**(4.4)%**	**5.7%**
Common equity securities and other long-term investments returns	**19.0%**	**(9.7)%**	**9.3%**
Other long-term investments returns	**32.6%**	**(32.4)%**	**.2%**

CRITICAL ACCOUNTING ESTIMATES

Refer to the Company's 2018 Annual Report on Form 10-K for a complete discussion regarding White Mountains's critical accounting estimates.

FORWARD-LOOKING STATEMENTS

This report 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 report which address activities, events or developments which White Mountains expects or anticipates 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's:

- changes 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 its 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 with its expectations and predictions is subject to risks and uncertainties that could cause actual results to differ materially from expectations, including:

- the risks that are described from time to time in White Mountains's filings with the Securities and Exchange Commission, including but not limited to White Mountains's Annual Report on Form 10-K for the fiscal year ended December 31, 2018;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- competitive forces, including the conduct of other insurers;
- 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; and
- other factors, most of which are beyond White Mountains's control.

Consequently, all of the forward-looking statements made in this report 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Refer to White Mountains's 2018 Annual Report on Form 10-K and in particular **Item 7A. - "Quantitative and Qualitative Disclosures About Market Risk"**.

Item 4. Controls and Procedures.

The Principal Executive Officer ("PEO") and the Principal Financial Officer ("PFO") of White Mountains have evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the PEO and PFO have concluded that White Mountains's disclosure controls and procedures are effective.

There were no significant changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended March 31, 2019.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There have been no material changes to any of the risk factors previously disclosed in the Registrant's 2018 Annual Report on Form 10-K.

Item 2. Issuer Purchases of Equity Securities.

Months	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans [1]	Maximum Number of Shares that May Yet Be Purchased Under the Plans [1]
January 1-January 31, 2019	**5,679**	**$ 857.69**	**—**	**635,705**
February 1-February 28, 2019	**—**	**$ —**	**—**	**635,705**
March 1-March 31, 2019	**—**	**$ —**	**—**	**635,705**
Total	**5,679**	**$ 857.69**	**—**	**635,705**

[1] White Mountains's board of directors has authorized the Company to repurchase its common shares, from time to time, subject to market conditions. The repurchase authorizations do not have a stated expiration date.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. **Exhibits**.

(a)

Exhibit number		Name
2	—	Plan of Reorganization (incorporated by reference herein to the Company’s Registration Statement on S-4 (No. 333-87649) dated September 23, 1999)
3.1	—	Memorandum of Continuance of the Company (incorporated by reference herein to Exhibit (3)(i) of the Company’s Current Report on Form 8-K dated November 1, 1999)
3.2	—	Amended and Restated Bye-Laws of the Company (incorporated by reference herein to Exhibit 3 of the Company’s Report on Form 10-Q dated May 2, 2017)
10.1	—	White Mountains Bonus Plan*
10.2	—	FIRST AMENDMENT dated as of December 3, 2018, among NSM INSURANCE GROUP, LLC, a Delaware limited liability company, NSM INSURANCE HOLDCO, LLC, a Delaware limited liability company, the other LOAN PARTIES party hereto, ARES CAPITAL CORPORATION, a Maryland corporation, as administrative agent, and the LENDERS party hereto. *
10.3	—	SECOND AMENDMENT dated as of April 1, 2019, among NSM INSURANCE GROUP, LLC, a Delaware limited liability company, NSM INSURANCE HOLDCO, LLC, a Delaware limited liability company, the other LOAN PARTIES party hereto, ARES CAPITAL CORPORATION, a Maryland corporation, as administrative agent, and the LENDERS party hereto. *
31.1	—	Principal Executive Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as Amended. *
31.2	—	Principal Financial Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as Amended. *
32.1	—	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	—	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101	—	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Included herein

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Registrant)

Date: May 6, 2019

By: /s/ J. Brian Palmer
J. Brian Palmer
Managing Director and Chief Accounting Officer

WHITE MOUNTAINS ANNUAL BONUS PROGRAM

Set forth below is a summary of the White Mountains Annual Bonus Program:

OVERVIEW

The White Mountains Annual Bonus Program (the “Program”) is an integral part of the total compensation program for employees of White Mountains Insurance Group, Ltd. (“White Mountains”) and certain of its subsidiaries (collectively, the “Company”). The Program is overseen by the Compensation/Nominating & Governance Committee of the Board of Directors of White Mountains (the “CNG Committee”). At the end of each year, separate bonus pools are established for the non-investment personnel and the investment personnel of the Company based on performance. In general, the bonus pool may range from 0% to 200% of the target.

ANNUAL BONUS POOL DETERMINATION

For non-investment personnel, the size of the annual bonus pool at target is the sum of the individual target bonuses for participants in the program. For senior personnel, the individual target typically is 75% of salary; for junior personnel the individual target is typically a lower percentage of salary. The annual bonus pool can range from 0% to 200% of target, as determined by the CNG Committee using its judgment. Individual bonuses may be capped as described below under the caption “Individual Awards”.

For investment personnel, the size of the annual bonus pool at target is established in the same manner as for non-investment personnel. For senior investment personnel, the individual target typically is 75% of salary; for junior investment personnel the individual target is typically a lower percentage of salary. The annual bonus pool can range from 0% to 200% of target, as determined by the CNG Committee using its judgment. In determining the bonus pool for investment personnel, the CNG Committee considers the following factors, among others: absolute level of investment results, investment performance as compared to a range of relevant benchmarks, peer company investment results, and corporate circumstances and their effect on pure investment performance. Individual bonuses may be capped as described below.

INDIVIDUAL AWARDS

Bonuses for executive officers are determined in a 100% formulaic manner, with the amount of any bonus determined by reference to one or more performance metrics and harvest scales selected in advance by the CNG Committee. Bonuses earned by executive officers will range from 0% to 200% of target.

For our executive officers, the CNG Committee will maintain the discretion to decrease the individual annual bonuses after the quantitative calculation has been finalized; however, it does not have discretion to increase those bonuses. White Mountains’s executive officers, at most, will receive the result of the quantitative methodology.

Individual bonuses to persons who are not executive officers can vary widely around the pool average based on individual performance. Bonuses to such persons are not capped other than by the size of the applicable bonus pool.

A limited number of special bonuses may be awarded to persons who are not executive officers in any year to recognize successful individual results without regard to the aggregate size of an annual bonus pool.

PROGRAM PARTICIPATION FOR NEW HIRES

Annual bonuses of eligible employees hired during the year are typically pro-rated based on date of hire.

CLAWBACK POLICY

White Mountains has adopted a clawback policy applicable to bonuses. If White Mountains is required to restate any financial statement included in an SEC filing as a result of an employee’s misconduct, the Board may, without prejudice to any other remedies available to White Mountains, seek reimbursement of any bonus received by such person that relates in whole or in part to any period for which such financial statements were restated. If the misconduct was fraud, then in addition to other actions the Board will mandatorily seek such reimbursement.

FIRST AMENDMENT dated as of December 3, 2018 (this "Amendment"), among NSM INSURANCE GROUP, LLC, a Delaware limited liability company (the "Borrower"), NSM INSURANCE HOLDCO, LLC, a Delaware limited liability company ("Holdings"), the other LOAN PARTIES party hereto, ARES CAPITAL CORPORATION, a Maryland corporation ("Ares"), as administrative agent (in such capacity, the "Administrative Agent"), and the LENDERS party hereto.

WHEREAS, reference is made to the Credit Agreement, dated as of May 11, 2018 (the "Existing Credit Agreement"), among the Borrower, Holdings, the Lenders party thereto (the "Existing Lenders"), the L/C Issuers party thereto and the Administrative Agent;

WHEREAS, reference is also made to the Asset Purchase Agreement dated as of December 3, 2018 (the "KBK Acquisition Agreement"), among Care Providers Insurance Services, LLC, a Pennsylvania limited liability company (the "Buyer"), KBK Insurance Group, Inc., a Louisiana corporation, KBK Premium Services, Inc., a Louisiana corporation, certain stockholders identified therein and Kenneth P. Murray, in his capacity as the seller representative, pursuant to which the Buyer will purchase, acquire and accept certain assets, and assume certain liabilities, of the Sellers on the terms set forth therein (collectively, the "KBK Acquisition");

WHEREAS, in connection with the KBK Acquisition, the Borrower has requested that, on the First Amendment Effective Date (as defined below), (a) the Lenders party hereto and set forth on Schedule I hereto (collectively, the "Incremental Term Loan Lenders") provide to the Borrower Incremental Term Loan Commitments in an aggregate amount equal to $30,123,568 (such Incremental Term Loan Commitments, the "Incremental Term Loan Commitments") to make Incremental Term Loans thereunder (such Incremental Term Loans, the "Incremental Term Loans"), the proceeds of which shall be used to finance the KBK Acquisition and to pay fees and expenses in connection with the KBK Acquisition and this Amendment (the incurrence of the Incremental Term Loans, the consummation of the KBK Acquisition and such payment of fees and expenses is collectively referred to as the "First Amendment Transactions"), and (b) the Administrative Agent and the Required Lenders agree to amend the Existing Credit Agreement as set forth in this Amendment (the Existing Credit Agreement, as amended hereby, the "Amended Credit Agreement"; the Existing Credit Agreement and the Amended Credit Agreement are collectively referred to as the "Credit Agreement");

WHEREAS, each Incremental Term Loan Lender is willing to extend an Incremental Term Loan Commitment and make an Incremental Term Loan in the principal amount set forth opposite its name on Schedule I hereto, and the Administrative Agent and the Existing Lenders party hereto, constituting the Required Lenders, are willing to agree to the proposed amendments set forth herein, in each case on the terms and subject to the conditions set forth herein; and

WHEREAS, Capitalized terms used and not defined herein shall have such meanings ascribed thereto in the Existing Credit Agreement or the Amended Credit Agreement, as the context implies.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Incremental Term Loans.

(a) Subject to the terms and conditions set forth herein, each Incremental Term Loan Lender agrees, severally and not jointly, to make Incremental Term Loans in Dollars to the Borrower on the First Amendment Effective Date in a principal amount equal to the amount set forth opposite the name of such Incremental Term Loan Lender on Schedule I hereto. Amounts paid or prepaid in respect of the Incremental Term Loans may not be reborrowed.

(b) The terms of the Incremental Term Loans shall be as set forth in the Amended Credit Agreement. Notwithstanding anything to the contrary in the Credit Agreement, the Incremental Term Loans shall initially be Eurodollar Rate Loans that have an Interest Period equal to the remaining duration of the Interest Period then applicable to the Initial Term Loans outstanding on the First Amendment Effective Date, and thereafter may be converted or continued as set forth in Section 2.10 of the Amended Credit Agreement.

(c) On the First Amendment Effective Date, each Lender shall, promptly after the satisfaction of the conditions set forth in Section 3 hereof, make available to the Administrative Agent at its address referred to in Section 11.11 of the Amended Credit Agreement, in immediately available funds, such Lender's Pro Rata Share of the Borrowing of the Incremental Term Loans requested in the Borrowing Notice referred to in Section 3(f), and upon receipt thereof the Administrative Agent shall make the same available, in immediately available funds, to the Borrower. The parties hereto agree that the provisions of Sections 2.2(a), 2.2(b) and 3.2 of the Credit Agreement shall not apply to the making of the Incremental Term Loans.

(d) The Incremental Term Loan Commitments shall automatically terminate on the earlier of (i) the making of the Incremental Term Loans on the First Amendment Effective Date and (ii) 5:00 p.m., New York City time, on December 3, 2018.

(e) Pursuant to Section 2.19 of the Credit Agreement and the definition of "Term Loans" in the Credit Agreement, the Incremental Term Loans shall be Term Loans for all purposes under the Credit Agreement and each other Loan Document. Without limiting the generality of the foregoing, (i) the Incremental Term Loans (A) shall constitute Obligations and have all of the benefits thereof and (B) shall be secured by the Liens granted to the Administrative Agent for the benefit of the Secured Parties under the Credit Agreement or any other Loan Document, and (ii) each Incremental Term Loan Lender shall have all of the rights, remedies, privileges and protections applicable to the Lenders under the Credit Agreement and the other Loan Documents. For the avoidance of doubt, the Incremental Term Loans shall be incurred in reliance on clause (c) of the definition of "Incremental Cap" under the Amended Credit Agreement.

SECTION 2. Amendments to Existing Credit Agreement. Effective on the First Amendment Effective Date, the Existing Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the blackline changed pages attached as Exhibit A hereto.

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective on the first date (the "First Amendment Effective Date") on which the following conditions are satisfied.

(a) Amendment. The Administrative Agent shall have received from Holdings, the Borrower, each other Loan Party, each Incremental Term Lender and the Existing Lenders representing the Required Lenders either (i) a counterpart of this Amendment signed on behalf of such party or (ii) evidence satisfactory to the Administrative Agent (which may include a facsimile transmission) that such party has signed a counterpart of this Amendment.

(b) Fees and Expenses. All reasonable and reasonably documented out-of-pocket costs and expenses payable to the Lenders under the Loan Documents and the fees payable under that certain Fee Letter dated December 3, 2018, between the Borrower and Ares, shall have been (or shall be substantially concurrently with the making of the Incremental Term Loans hereunder) paid to the extent then due; provided that, with respect to such costs and expenses, an invoice shall have been provided to the Borrower at least one Business Day prior to the First Amendment Effective Date.

(c) Secretary's Certificates and Good Standing Certificates. The Administrative Agent shall have received (i) a certificate of each Loan Party, each dated the First Amendment Effective Date and executed by a secretary, assistant secretary or other Responsible Officer thereof, which shall (A) certify that (1) attached thereto is a true and complete copy of the certificate or articles of incorporation, formation or organization (or equivalent) of such Loan Party certified by the relevant authority of its jurisdiction of organization, (2) the certificate or articles of incorporation, formation or organization (or equivalent) of such Loan Party attached thereto have not been amended (except as attached thereto) since the date reflected thereon, (3) attached thereto is a true and correct copy of the by-laws or operating, management, partnership or similar agreement of such Loan Party, together with all amendments thereto as of the First Amendment Effective Date, and such by-laws or operating, management, partnership or similar agreement are in full force and effect as of the First Amendment Effective Date and (4) attached thereto is a true and complete copy of the resolutions or written consent, as applicable, of its board of directors, board of managers, sole member or other applicable governing body authorizing the execution and delivery of this Amendment, which resolutions or consent have not been modified, rescinded or amended (other than as attached thereto) and are in full force and effect, and (B) identify by name and title and bear the signatures of the officers, managers, directors or authorized signatories of such Loan Party authorized to sign this Amendment and (ii) a good standing (or equivalent) certificate as of a recent date for each Loan Party from the relevant authority of its jurisdiction of organization (to the extent applicable in such jurisdiction).

(d) Opinion of Counsel to Loan Parties. The Administrative Agent shall have received customary legal opinions, dated the First Amendment Effective Date, of Cravath, Swaine & Moore LLP, in its capacity as special New York counsel for the Loan Parties, Richards, Layton & Finger, PA, in its capacity as special Delaware counsel for the Loan Parties, and Dorsey & Whitney LLP, in its capacity as special Texas counsel for the Loan Parties.

(e) KBK Acquisition/Equity Contribution. The KBK Acquisition shall have been (or substantially concurrently with the making of the Incremental Term Loans hereunder will be) consummated on the terms and conditions set forth in the KBK Acquisition Agreement. Parent and certain management investors shall have made (or substantially concurrently with the borrowing of the Incremental Term Loans hereunder will make) a contribution of cash equity to Holdings in an aggregate amount not less than $30.0 million.

(f) Notice of Borrowing. The Administrative Agent shall have received, not later than 1:00 p.m. (New York time) on the second Business Day prior to the First Amendment Effective Date), an executed Notice of Borrowing, provided that such Notice of Borrowing (i) may be conditioned on the consummation of the KBK Acquisition on the date specified therein as the date of borrowing of the Incremental Term Loans, (ii) shall be consistent with the second sentence of Section 2(b) hereof and (iii) shall not require any representations or warranties to be set forth therein.

(g) Officer's Certificate. The Administrative Agent shall have received an executed certificate of a Responsible Officer of the Borrower, dated the First Amendment Effective Date, to the effect that (i) the conditions precedent in clause (e) shall have been satisfied, (ii) the representations and warranties set forth in Section 4 hereof are true and correct and (iii) the Consolidated Total Leverage

Ratio as of September 30, 2018, calculated on a Pro Forma Basis, after giving effect to the First Amendment Transactions (including the effectiveness of the amendments contemplated by Section 2 hereof), does not exceed 3.9:1.0.

(h) Solvency. The Administrative Agent shall have received a solvency certificate in the form of Exhibit J to the Existing Credit Agreement from the chief financial officer (or other officer with equivalent duties) of the Borrower, dated as of the First Amendment Effective Date.

(i) KYC. To the extent requested by the Administrative Agent not less than ten (10) days prior to the First Amendment Effective Date, the Administrative Agent shall have received all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act.

SECTION 4. Representations and Warranties. The Borrower, on behalf of itself and the other Loan Parties, represents and warrants to the Administrative Agent and each Lender party hereto that (a) after giving effect to this Amendment and the First Amendment Transactions, the Specified Representations in the Amended Credit Agreement are true and correct in all material respects as of the First Amendment Effective Date or, to the extent that any such representation and warranty specifically refers to a given date or period, it is true and correct in all material respects as of such date or for such period, provided that, for purposes of this clause (a), the reference in Section 4.6 of the Amended Credit Agreement to the "Related Transactions" shall be deemed, mutatis mutandis, to refer to the First Amendment Transactions and (b) after giving effect to this Amendment and the First Amendment Transactions, no Default or Event of Default has occurred and is continuing as of the First Amendment Effective Date.

SECTION 5. Reaffirmation. Each of the Loan Parties, as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which such Loan Party grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (a) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party (after giving effect hereto) and (b) to the extent such Loan Party granted liens on or security interests in any of its property pursuant to any such Loan Document as security, for or otherwise guaranteed, the Obligations under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. Each of the Loan Parties hereby acknowledges that each of the Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. Except as expressly set forth herein, the execution of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations.

SECTION 6. Miscellaneous.

(a) This Amendment may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Amendment by facsimile transmission or Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof.

(b) The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

(c) The captions and headings of this Amendment are for convenience of reference only and shall not affect the interpretation of this Amendment.

(d) Except as expressly provided by this Amendment, all of the terms and provisions of the Credit Agreement and the other Loan Documents remain in full force and effect. The amendments contained herein shall not be construed as a waiver or amendment of any other provision of the Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein or a consent to any further or future action on the part of any Loan Party that would require the waiver or consent of the Lenders.

(e) This Amendment constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties or any of them with respect to the subject matter hereof.

(f) This Amendment shall be deemed to be a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. On and after the date hereof, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(g) This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

NSM INSURANCE HOLDCO, LLC, as Holdings

By: ______________________
Name: William McKernan
Title: President

NSM INSURANCE GROUP, LLC, as the Borrower

By: ______________________
Name: William McKernan
Title: President

AMERICAN COLLECTORS INSURANCE LLC, as a Guarantor

By: ______________________
Name: William McKernan
Title: President

CARE PROVIDERS INSURANCE SERVICES, LLC, as a Guarantor

By: ______________________
Name: William McKernan
Title: President

ARES CAPITAL CORPORATION, individually and as the Administrative Agent

By: ______________________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Bowhead IMC LP
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

AC AMERICAN FIXED INCOME IV, L.P.
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

AO MIDDLE MARKET CREDIT L.P.
By: OCM Middle Market Credit G.P. Inc., its general partner

By: ______________________
Name: K. Patel
Title: Director

By: ______________________
Name: Jeremy Ehrlich
Title: Director

[First Amendment Signature Page]

AN Credit Strategies Fund, L.P.
By: Ares Capital Management LLC, its investment manager

By: ______________________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

ADF I Holdings LLC
By: Ares Capital Management LLC, as servicer

By: ______________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Ares ND CSF Holdings LLC
By: Ares Capital Management LLC, as servicer

By: AH
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

ARES CENTRE STREET PARTNERSHIP, L.P.
By: Ares Centre Street GP, Inc., as general partner

By: ______________________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Nationwide Mutual Insurance Company
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Nationwide Life Insurance Company
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Great American Life Insurance Company
By: Ares Capital Management LLC, its investment manager

By: ____________________________
Name: Ian Fitzgerald
Title: Authorized Signatory

Ares Credit Strategies Insurance Dedicated Fund
Series of SALI Multi-Series Fund, L.P.
By: Ares Management LLC, its investment subadvisor
By: Ares Capital Management LLC, as subadvisor

By: ______________________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Federal Insurance Company
By: Ares Capital Management LLC, its investment manager

By: ______________________________
Name: Ian Fitzgerald
Title: Authorised Signatory

[First Amendment Signature Page]

Ares European Credit Strategies Fund VIII (BUMA), L.P.
By: Ares Management Limited, its investment manager
By: Ares Capital Management LLC, its subadvisor

By: ______________________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Great American Life Insurance Company
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Ian Fitzgerald
Title: Authorized Signatory

Ares CSIDF Holdings, LLC
By: Ares Capital Management LLC, its servicer

By: ______________________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Ares Jasper Fund Holdings, LLC
By: Ares Capital Management LLC, as servicer

By: ______________________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

Blue Eagle 2016-1, Ltd.
By: Global Atlantic Financial Company, its collateral manager
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

SC ACM Private Debt Fund L.P.
By: Ares Capital Management LLC, its investment advisor

By: ______________________
Name: Ian Fitzgerald
Title: Authorized Signatory

[First Amendment Signature Page]

SCHEDULE I

Incremental Term Loans

Incremental Term Lender	Principal Amount of Incremental Term Loans
Ares Capital Corporation	$10,248,587.46
Bowhead IMC LP	$3,485,805.46
AC American Fixed Income IV, L.P.	$3,077,798.68
AO Middle Market Credit L.P.	$2,583,740.44
AN Credit Strategies Fund	$1,678,494.73
ADF I Holdings LLC	$1,186,635.29
Ares ND CSF Holdings LLC	$1,143,088.48
Ares Centre Street Partnership, L.P.	$682,065.11
Nationwide Mutual Insurance Company	$613,274.86
Nationwide Life Insurance Company	$408,849.91
Great American Life Insurance Company	$330,128.18
Ares Credit Strategies Insurance Dedicated Fund Series of SALI Multi-Series Fund, L.P.	$325,086.66
Federal Insurance Company	$250,000.00
Ares European Credit Strategies Fund VIII (BUMA), L.P.	$250,000.00
Great American Insurance Company	$110,042.73
Lake Forest Bank & Trust Company, N.A.	$3,750,000.00
Total:	$30,123,568.00

EXHIBIT A

AMENDMENTS TO CREDIT AGREEMENT

[Attached]

EXECUTION VERSION

CREDIT AGREEMENT

Dated as of May 11, ~~2018~~**2018,**
as amended by First Amendment to Credit Agreement, dated as of December 3, 2018,

among

NSM INSURANCE GROUP, LLC, as the Borrower,

NSM INSURANCE HOLDCO, LLC, as Holdings,

ARES CAPITAL CORPORATION, as Administrative Agent,

and

THE LENDERS AND L/C ISSUERS PARTY HERETO FROM TIME TO TIME

♦ ♦ ♦

ARES CAPITAL MANAGEMENT LLC,
as Sole Bookrunner
and
Sole Lead Arranger

and

LAKE FOREST BANK & TRUST COMPANY, N.A.,
as Documentation Agent

[[3883514]]

~~THIS~~**This** CREDIT AGREEMENT, ~~DATED AS OF MAY 11, 2018, IS ENTERED INTO AMONG~~**dated as of May 11, 2018, as amended as of on the First Amendment Effective Date, is entered into among** NSM INSURANCE GROUP, LLC, ~~A DELAWARE LIMITED LIABILITY COMPANY (THE "BORROWER~~**a Delaware limited liability company (the "Borrower**"), NSM INSURANCE HOLDCO, LLC, ~~A DELAWARE LIMITED LIABILITY COMPANY ("HOLDINGS"), THE~~**a Delaware limited liability company ("Holdings"), the** LENDERS, ~~THE~~**the** L/C ISSUERS ~~AND~~**and** ARES CAPITAL CORPORATION ("~~ARES"), AS ADMINISTRATIVE AGENT FOR THE LENDERS AND THE L/C ISSUERS (IN SUCH CAPACITY, TOGETHER WITH ITS SUCCESSORS AND PERMITTED ASSIGNS IN SUCH CAPACITY, THE "ADMINISTRATIVE AGENT~~**Ares"), as administrative agent for the Lenders and the L/C Issuers (in such capacity, together with its successors and permitted assigns in such capacity, the "Administrative Agent**").

WITNESSETH:

WHEREAS, the Borrower has requested, and the Lenders (as this and other capitalized terms used in these preliminary statements are defined in Section 1.1 below) have agreed, that (a) the Lenders make Initial Term Loans on the Closing Date to the Borrower in an aggregate amount equal to $100,000,000, (b) the Lenders commit to making Delayed-Draw Term Loans in an aggregate principal amount equal to $51,000,000 and (c) the Lenders provide the Revolving Credit Facility in an aggregate amount of $10,000,000, including the letter of credit subfacility, in each case on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Borrower will use the proceeds of the Initial Term Loans, the Delayed-Draw Term Loans and the Initial Revolving Borrowing, if any, to (i) consummate the Refinancing, (ii) finance the Leo Acquisition and (iii) pay the fees and expenses incurred in connection with the transactions contemplated hereby; and

WHEREAS, on the Closing Date, White Mountains Catskill Holdings, Inc., a Delaware corporation (the "Buyer"), a wholly owned subsidiary of White Mountains Insurance Group, Ltd., a Bermuda exempted limited liability company, will purchase certain Stock and Stock Equivalents in Holdings from the Sellers (the "Acquisition") pursuant to the terms of the Acquisition Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS, INTERPRETATION AND ACCOUNTING TERMS

Section 1.1 Defined Terms. As used in this Agreement, the following terms have the following meanings:

"Acceptable Intercreditor Agreement" means (i) any intercreditor or subordination agreement or arrangement (which may take the form of a "waterfall" or similar provision), as applicable, the terms of which are consistent with market terms (as determined by the Borrower and the Administrative Agent in good faith) governing arrangements for the sharing and/or subordination of Liens and/or arrangements relating to the distribution of payments, as applicable, at the time the relevant intercreditor or subordination agreement or arrangement is proposed to be established in light of the type of Indebtedness subject thereto or (ii) any other intercreditor or subordination agreement or arrangement (which may take the form of a "waterfall" or similar provision), as applicable, the terms of which are reasonably acceptable to the Borrower and the Administrative Agent.

generally accepted financial practice assuming a 4-year life to maturity (or, if less, the stated life to maturity at the time of its incurrence of the applicable Indebtedness); provided, further, that "All-In Yield" shall not include bona fide arrangement fees, structuring fees, underwriting fees, commitment fees, ticking fees or any other fees similar to the foregoing (regardless of how such fees are computed and whether paid in whole or in part to any or all lenders) paid to arrangers or underwriting lenders for such Indebtedness or commitments in respect thereof, and shall not include customary consent fees paid generally to consenting lenders.

"Applicable Margin" means (a) with respect to the Initial Term Loans, **First Amendment Incremental Term Loans,** Delayed-Draw Term Loans, Revolving Loans and Swingline Loans, (i) from the Closing Date until the third Business Day following the date of the delivery of the financial statements pursuant to Section 6.1(b) for the Fiscal Quarter ending June 30, 2018, 4.50% *per annum* in the case of Eurodollar Rate Loans and 3.50% in the case of Base Rate Loans and (ii) thereafter, as set forth in the table below, from and after the third Business Day after the date on which the Administrative Agent shall have received the applicable financial statements pursuant to Section 6.1(b) or 6.1(c) and the Compliance Certificate pursuant to Section 6.1(d) calculating the Consolidated Total Leverage Ratio with respect to the period of four consecutive Fiscal Quarters ended on the last day of such Fiscal Quarter and (b) with respect to Loans of any other tranche, the rate per annum specified in the Incremental Amendment, the Extension/Modification Amendment or in any amendment with respect to Replacement Loans, as the case may be, establishing Loans of such tranche.

Pricing Level	Consolidated Total Leverage Ratio	Applicable Margin for Eurodollar Rate Loans	Applicable Margin for Base Rate Loans
I	> 4.50:1.00	4.75%	3.75%
II	≤ 4.50:1.00 but > 3.50:1.00	4.50%	3.50%
III	≤ 3.50:1.00	4.25%	3.25%

At any time the Borrower has not submitted to the Administrative Agent the applicable financial statements as and when required under Section 6.1(b) and 6.1(c) and the Compliance Certificate as and when required under Section 6.1(d), the Applicable Margin shall be determined based on the rates set forth in Pricing Level I. Within one Business Day of receipt of the applicable information under Section 6.1(b), 6.1(c) and 6.1(d), the Administrative Agent shall give the Borrower and each Lender facsimile or telephonic notice (confirmed in writing) of the Applicable Margin in effect from such date. In the event that any financial statement or Compliance Certificate delivered pursuant to Section 6.1(b), 6.1(c) or 6.1(d) is determined to be inaccurate, and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an "Applicable Period") than the Applicable Margin applied for such Applicable Period, then, if such determination of inaccuracy occurs prior to the repayment in full of the Loans and termination of the Commitments, (x) the Borrower shall as promptly as reasonably practicable following such determination deliver to the Administrative Agent correct financial statements and the related Compliance Certificate required by Section 6.1(b), 6.1(c) and 6.1(d) for such Applicable Period, (y) the Applicable Margin for such Applicable Period shall be determined as if the Consolidated Total Leverage Ratio were determined based on the amounts set forth in such correct financial statements and certificate and (z) the Borrower shall promptly (and in any event within ten Business Days) following delivery of such corrected financial statements and certificate pay to the Administrative Agent the accrued additional interest owing as a result of such increased Applicable Margin for such Applicable Period.

"Financial Statement" means each financial statement described in or delivered pursuant to Section 4.4 or 6.1.

"First Amendment" means the First Amendment dated as of December 3, 2018, to this Agreement, among Holdings, the Borrower, the other Loan Parties party thereto, the Administrative Agent and the Lenders party thereto.

"First Amendment Effective Date" means December 3, 2018.

"First Amendment Incremental Term Loans" means the Incremental Term Loans provided pursuant to the First Amendment.

"Fiscal Month" means any of the monthly accounting periods of the Borrower.

"Fiscal Quarter" means each 3 Fiscal Month period ending on March 31, June 30, September 30 or December 31.

"Fiscal Year" means the twelve-month period ending on December 31.

"Fixed Amount" has the meaning specified in Section 1.1(d)(ii).

"Fixed Incremental Amount" means (i) at any time prior to the consummation of the Leo Acquisition, $26,000,000 and (ii) if the Leo Acquisition is consummated, $31,500,000.

"Foreign Subsidiary" means any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles in the United States of America, as in effect from time to time, set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, in the statements and pronouncements of the Financial Accounting Standards Board and in such other statements by such other entity as may be in general use by significant segments of the accounting profession that are applicable to the circumstances as of the date of determination. Subject to Section 1.3, all references to "GAAP" shall be to GAAP applied consistently with the principles used in the preparation of the Financial Statements described in Section 4.4(a), including, without limitation, those qualifications to GAAP set forth on the disclosure schedules to the Acquisition Agreement.

"Governmental Authority" means any nation, sovereign or government, any state or other political subdivision thereof, any agency, authority or instrumentality thereof and any entity or authority exercising executive, legislative, taxing, judicial, regulatory or administrative functions of or pertaining to government.

"Group Members" means, collectively, the Borrower and its Restricted Subsidiaries.

"Group Members' Accountants" means Wipfli LLP or any other nationally- or regionally-recognized independent registered certified public accountants.

"Guarantor" means Holdings, each Wholly Owned Subsidiary of the Borrower listed on Schedule 4.3 that is not an Excluded Subsidiary and each other Person that becomes a party to the Guaranty and Security Agreement pursuant to Section 7.10 after the Closing Date, provided that only Subsidiaries that are not Excluded Subsidiaries shall be required to become a party to the Guaranty and Security Agreement. For the avoidance of doubt, the Borrower may, in its sole discretion, cause any provided that:

(i) any Incremental Facility and/or Incremental Equivalent Debt may be incurred under one or more of clauses (a) through (c) of this definition as selected by the Borrower in its sole discretion~~,~~; and

(ii) if any Incremental Facility or Incremental Equivalent Debt is intended to be incurred under clause (c) of this definition and any other clause of this definition in a single transaction or series of related transactions, (A) the permissibility of the portion of such Incremental Facility or Incremental Equivalent Debt to be incurred or implemented under clause (c) of this definition shall first be determined without giving effect to any Incremental Facilities or Incremental Equivalent Debt to be incurred or implemented under any other clause of this definition, but giving full *pro forma* effect to the use of proceeds of the entire amount of such Incremental Facility or Incremental Equivalent Debt and the related transactions, and (B) the permissibility of the portion of such Incremental Facility or Incremental Equivalent Debt to be incurred or implemented under the other applicable clauses of this definition shall be determined thereafter.

"Incremental Equivalent Debt" means Indebtedness in the form of *pari passu* senior secured notes or loans or junior secured or unsecured notes or loans and/or commitments in respect of any of the foregoing issued, incurred or implemented in lieu of loans under an Incremental Facility; provided, that:

(a) the aggregate outstanding principal amount thereof shall not exceed the Incremental Cap as in effect at the time of determination;

(b) the Weighted Average Life to Maturity applicable to such Indebtedness shall be no shorter than the remaining Weighted Average Life to Maturity of any then-existing tranche of Term Loans; provided that such Indebtedness may be in the form of customary bridge loans with a final maturity date of no longer than one year, so long as any Indebtedness for which such loans are exchanged for or that otherwise replaces such loans satisfies the requirements of this clause (b);

(c) the final maturity date with respect to such Indebtedness shall be no earlier than the Term Loan Maturity Date on the date of the issuance or incurrence, as applicable, thereof; provided that such Indebtedness may be in the form of customary bridge loans with a final maturity date of no longer than one year, so long as any Indebtedness for which such loans are exchanged for or that otherwise replaces such loans satisfies the requirements of this clause (c);

(d) subject to clauses (b) and (c), the amortization schedule and Applicable Margin for such Indebtedness shall be determined by the Borrower and the holders of such Indebtedness;

(e) if such Indebtedness is (i) secured on a *pari passu* basis with the Obligations that are secured on a first lien basis, (ii) secured on a junior basis as compared to the Obligations that are secured on a first lien basis or (iii) unsecured and subordinated to the Obligations, then the holders of such Indebtedness shall be party to an Acceptable Intercreditor Agreement;

(f) no such Indebtedness may be (A) guaranteed by any Person that is not a Loan Party, (B) secured by any assets other than the Collateral or (C) issued, incurred or implemented by any Person other than the Borrower;

(g) the All-In Yield (and the components thereof) applicable to such Indebtedness shall be determined by the Borrower and the holders of such Indebtedness; provided that, with respect to such Indebtedness which is *pari passu* with the Initial Term Loans in right of payment and with respect to security, if the All-In Yield applicable to such Indebtedness shall exceed the All-In Yield at such time on the Initial Term Loans by more than 0.50% (any such excess, the "Yield Differential") the then Applicable Margin then in effect for the existing Initial **Term Loans, First Amendment Incremental** Term Loans and Delayed-Draw Term Loans, as applicable, shall automatically be increased by the Yield Differential, effective upon the issuance or incurrence, as applicable, of such Indebtedness; provided, further, that any increase in All-In Yield applicable to any Initial **Term Loan, First Amendment Incremental** Term Loan or Delayed-Draw Term Loan, as applicable, due to the application or imposition of an Base Rate or Eurodollar Rate "floor" on any such Indebtedness may, at the election of the Borrower, be effected through an increase in Base Rate or Eurodollar Rate "floor" applicable to such Initial **Term Loans, First Amendment Incremental** Term Loans or Delayed-Draw Term Loans;

(h) except as otherwise permitted herein, the terms of such Indebtedness (excluding, to the extent applicable, pricing, interest rate margin, fees, discounts, rate floors and optional prepayment or redemption terms, all of which shall be determined by the Borrower), (x) are substantially identical to, or are not materially more restrictive on the Borrower and its Restricted Subsidiaries (as determined by the Borrower), when taken as a whole, than those applicable to the then-existing Term Loans (except for covenants or other provisions applicable only to periods after the Term Loan Maturity Date) or (y) otherwise reasonably acceptable to the Administrative Agent; and

(i) at the time of the incurrence of such Indebtedness, except as provided in Section 1.3, no Event of Default shall exist.

"Incremental Facility" means any Incremental Term Loan Facility and any Incremental Revolving Loan Facility.

"Incremental Facility Closing Date" shall have the meaning specified in Section 2.19(f).

"Incremental Loans" means the Incremental Revolving Loans and the Incremental Term Loans.

"Incremental Revolving Credit Commitment" shall have the meaning specified in Section 2.19(a).

"Incremental Revolving Loan" means any Revolving Loan made by a Revolving Credit Lender pursuant to its Incremental Revolving Credit Commitment.

"Incremental Term Loan" means any Term Loan made by a Term Loan Lender pursuant to its Incremental Term Loan Commitment.

"Incremental Term Loan Commitment" shall have the meaning specified in Section 2.19(a).

"Incremental Term Loan Maturity Date" means the date that an Incremental Term Loan is originally scheduled to mature.

"Incremental Revolving Loan Facility" means any Incremental Revolving Loans and the provisions herein related to such Incremental Revolving Loans.

"Incremental Term Loan Facility" means any Incremental Term Loans and the provisions herein related to such Incremental Term Loans.

"Incurrence-Based Amount" has the meaning specified in Section 1.1(d)(ii).

"KBK Acquisition" has the meaning specified in the First Amendment.

"Lake Forest Bank" means Lake Forest Bank & Trust Company, N.A.

"L/C Cash Collateral Account" means any Cash Collateral Account (a) specifically designated as such by the Borrower in a notice to the Administrative Agent, and (b) from and after the effectiveness of such notice, not containing any funds other than those required under the Loan Documents to be placed therein.

"L/C Issuer" means (a) Lake Forest Bank or any of its Affiliates, (b) Ares or any of its Affiliates and (c) each Person that hereafter becomes an L/C Issuer with the approval of, and pursuant to an agreement with and in form and substance reasonably satisfactory to, the Administrative Agent and the Borrower, in each case in their capacity as an issuer of Letters of Credit hereunder and together with their successors in such capacity.

"L/C Obligations" means, for any Letter of Credit at any time, the sum of (a) the L/C Reimbursement Obligations at such time for such Letter of Credit and (b) the aggregate maximum undrawn face amount of such Letter of Credit outstanding at such time.

"L/C Reimbursement Agreement" has the meaning specified in Section 2.4(a)(iii).

"L/C Reimbursement Date" has the meaning specified in Section 2.4(e).

"L/C Reimbursement Obligation" means, for any Letter of Credit, the obligation of the Borrower to the L/C Issuer thereof, as and when matured, to pay all amounts drawn under such Letter of Credit.

"L/C Request" has the meaning specified in Section 2.4(b).

"L/C Sublimit" means $7,500,000.

"LCA Election" has the meaning specified in Section 1.3(c).

"LCA Test Date" has the meaning specified in Section 1.3(c).

"Lead Arranger" means Ares Capital.

"Lender" means, collectively, the Swingline Lender and any other financial institution or other Person that (a) is listed on the signature pages hereof as a "Lender" or (b) from time to time becomes a party hereto by execution of an Assignment, in each case for so long as such Person holds a Loan or Commitment hereunder. Notwithstanding the foregoing, no Disqualified Lender that purports to become a Lender hereunder in violation of the proviso to Section 11.2(b) shall be entitled to any of the rights or privileges enjoyed by the other Lenders (including with respect to voting, information and lender meetings) and shall be deemed for all purposes to be a Defaulting Lender, until such time as such Disqualified Lender no longer owns any Loans or Commitments.

"Leo Acquisition" means the acquisition of 100% of the equity interests of Fresh Insurance Services Group Limited by Vantage Holdings Limited.

"Letter of Credit" means any letter of credit Issued pursuant to Section 2.4.

optimization expenses, not exceeding (with respect to such items reflected in Borrower's Financial Statements after the Closing Date), when combined with any add-backs pursuant to clauses (iii), (vii) and adjustments pursuant to clause (2) below, 25% of LTM EBITDA in any four Fiscal Quarter period (calculated prior to giving effect to any such add-backs),

(xiii) fees and expenses payable to Parent to the extent such payment is permitted under Section 8.9(h) or (i),

(xiv) all customary and reasonable deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness,

(xv) costs or expenses pursuant to any management equity plan, profits interest or stock option plan or any other Stock-based management or Stock-based employee benefit plan or any stock subscription, stockholders or partnership agreement,

(xvi) any non-cash rent expense, and

(xvii) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing LTM EBITDA or Consolidated Net Income of such Person in any period to the extent non-cash gains relating to such income were deducted during the four Fiscal Quarter period immediately preceding the date of such cash receipt in the calculation of LTM EBITDA of such Person for any previous period and not added back;

minus (c) the sum of, in each case to the extent included in the calculation of such Consolidated Net Income and without duplication,

(i) any credit for United States federal income taxes or other taxes measured by net income during such period,

(ii) any gain from extraordinary items during such period,

(iii) any aggregate net gain from the sale or other disposition of property (other than accounts receivable and inventory) out of the ordinary course of business by such person during such period,

(iv) any other non-cash gain, including any reversal of a charge referred to in clause (b)(vi) above by reason of a decrease in the value of any stock or stock equivalent during such period,

(v) any other cash payment during such period in respect of expenditures, charges and losses that have been added to LTM EBITDA of such Person pursuant to clause (b)(vi) above in any prior period, and

(vi) income during such period in connection with "earn-outs" and other deferred payments in connection with Permitted Acquisitions, to the extent required to be included in the calculation of Consolidated Net Income in accordance with GAAP;

all determined on a consolidated basis in accordance with GAAP; provided that for purposes of calculating LTM EBITDA of the Borrower for any period that includes any of the fiscal quarters ended ~~June 30, 2017, September 30, 2017,~~ December 31, ~~2017 and~~**2017,** March 31, 2018, **June 30, 2018 and September 30, 2018,** LTM EBITDA of Holdings for such fiscal quarters shall ~~(a) from the Closing Date until the date the Borrower and the Administrative Agent agree on revised amounts pursuant to Section~~

~~7.12(a) (the "Deemed LTM EBITDA Adjustment Date"), be deemed to be \$8,977,596, \$6,277,505, \$4,752,978 and \$5,968,752,~~**be deemed to be \$8,041,240, \$10,490,450, \$13,537,349 and \$10,177,674,** respectively (such amounts, the "Deemed LTM EBITDA Amounts")~~ and (b) from and after the Deemed LTM EBITDA Adjustment Date, be deemed to be (i) \$5,968,752 for the fiscal quarter ended March 31, 2018 and (ii) such amounts provided pursuant to Section 7.12(a) for the fiscal quarters ended June 30, 2017, September 30, 2017 and December 31, 2017,~~**,** in each case, as may be subject to add-backs and adjustments as set forth in the following paragraph.

In addition, for purposes of calculating LTM EBITDA (except for the calculation of Excess Cash Flow):

(1) acquisitions that have been made by the Borrower or any of its Restricted Subsidiaries including through mergers or consolidations, the acquisition of assets constituting a business unit, line of business or division of another Person or a facility, or any Person or any of its Restricted Subsidiaries acquired by the Borrower or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four Fiscal Quarter reference period or subsequent to such reference period and on or prior to the calculation date will be calculated on a Pro Forma Basis as if they had occurred on the first day of the four Fiscal Quarter reference period (such *pro forma* calculations shall be determined in good faith by the chief financial officer (or other financial officer) of the Borrower and based on assumptions believed by the Borrower to be reasonable at the time made);

(2) LTM EBITDA shall be increased by the amount of "run-rate" cost savings, operating expense reductions and synergies (including revenue synergies related to acquisitions consummated in the previous 12 months) projected by the Borrower in good faith to be realized as a result of specified actions that have been taken (or for which substantial steps have been taken) (calculated on a Pro Forma Basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the four Fiscal Quarter reference period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of such period), net of the amount of actual benefits realized during such period from such actions (such cost savings and synergies, "Specified Transaction Adjustments"); provided that (A) such Specified Transaction Adjustments are reasonably identifiable, quantifiable and factually supportable in the good faith judgment of the Borrower, and (B) such cost savings, operating expense reductions and synergies are expected to be realized no later than twelve (12) months after the date on which such action has been taken; provided, further that projected cost savings, operating expense reductions and synergies to be included in LTM EBITDA in any four Fiscal Quarter period shall not exceed (with respect to such items reflected in Borrower's Financial Statements after the Closing Date), when combined with any add-backs pursuant to clauses (iii), (vii) and (xii) above, 25% of LTM EBITDA (calculated prior to giving effect to any such projected cost savings, operating expense reductions and synergies);

(3) the net income (or loss) attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the calculation date, will be excluded for the period of four Fiscal Quarters for which Financial Statements have been delivered ending on or most recently prior to the calculation date;

(4) if any Indebtedness the incurrence of which is accounted for on a Pro Forma Basis bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the calculation date had been the applicable rate for the entire period (taking into account any hedging obligation applicable to such Indebtedness if such hedging obligation has a remaining term as at the calculation date in excess of 12 months);

Notwithstanding the foregoing, **each of** the Leo **Acquisition and the KBK** Acquisition shall be deemed to be a Permitted Acquisition.

"Permitted Indebtedness" means any Indebtedness of any Group Member that is permitted by Section 8.1.

"Permitted Investment" means any Investment of any Group Member that is permitted by Section 8.3.

"Permitted Investors" means, collectively, Parent and each other direct or indirect holder of Stock or Stock Equivalents in Holdings on the Closing Date (after giving effect to the Acquisition).

"Permitted Lien" means any Lien on or with respect to the property of any Group Member that is permitted by Section 8.2.

"Permitted Loan Retirement" means any transaction pursuant to which the Borrower (a) purchases all or any portion of the Term Loans with cash of the Borrower and its Restricted Subsidiaries (other than the proceeds of any Revolving Loans), as certified by a Responsible Officer of the Borrower, pursuant to one or more offers on terms and conditions (including the form of notice thereof) reasonably agreed to by the Borrower and the Administrative Agent (each, an "Offer") on a pro rata basis according to the principal amount of the Term Loans then held by the Term Loan Lenders and (b) substantially concurrent with such purchase, forgives all Indebtedness represented by such Term Loans purchased thereby as evidenced by a written instrument delivered to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent and made available to the Term Loan Lenders; provided, however, that (i) the Borrower shall have delivered a notice of each such Offer to the Administrative Agent and all Term Loan Lenders no later than noon (New York City time) at least five Business Days in advance of the proposed consummation date of such Offer in form and substance reasonably acceptable to the Administrative Agent, (ii) the aggregate principal amount of the Term Loans purchased and retired pursuant to such Offer shall be no less than $1,000,000 and (iii) both immediately prior to and after giving effect to such transaction, no Default or Event of Default shall have occurred or be continuing; provided, further, that any Permitted Loan Retirement may be consummated on a non-pro-rata basis.

"Permitted Refinancing" means Indebtedness incurred (including by means of the extension or renewal of existing Indebtedness) to refinance, refund, extend, defease, discharge, renew or replace Permitted Indebtedness that (a) has an aggregate outstanding principal amount not greater than the aggregate principal amount of such Permitted Indebtedness outstanding at the time of such refinancing or extension plus the amount of any premiums, make-whole amounts or penalties and accrued and unpaid interest paid thereon and fees (including any closing fees and original issue discount) and expenses, in each case associated with such refinancing, refunding, extension, defeasance, discharge, renewal or replacement, (b) has a Weighted Average Life to Maturity (measured as of the date of such refinancing or extension) and maturity no shorter than that of such Permitted Indebtedness (other than with respect of Permitted Indebtedness incurred in reliance on Section 8.1(c) and other than customary bridge loans with a maturity date of not longer than one year, provided that any loans, notes, securities or other Indebtedness which are exchanged for or otherwise replace such bridge loans shall be subject to the requirements of this clause (b)), (c) [reserved], (d) is not secured by any property or any Lien other than those securing such Permitted Indebtedness and (e) is otherwise on terms (but excluding terms relating to interest rate margin, fees, discounts, rate floors and optional prepayment, redemption or subordination) (i) no less favorable to the Group Members, taken as a whole, than those of such Permitted Indebtedness or (ii) reflect market terms and conditions (taken as a whole) at the time of incurrence or issuance (as determined by the Borrower); provided, however, that, notwithstanding the foregoing, (x) the terms of

"Reinvestment Prepayment Date" means, with respect to any portion of any Net Cash Proceeds of any Sale or Property Loss Event, the earliest of (a) the 365th day after the completion of the portion of such Sale or Property Loss Event corresponding to such Net Cash Proceeds, or, to the extent the Borrower or any Subsidiary shall have entered into a binding commitment to make Permitted Reinvestments with such Net Cash Proceeds within such 365-day period, the 180th day following the entering into of such commitment and (b) the date that is 5 Business Days after the date on which the Borrower shall have notified the Administrative Agent of the Borrower's determination not to make Permitted Reinvestments with such Net Cash Proceeds.

"Related Person" means, with respect to any Person, each Affiliate of such Person and each director, officer, employee, agent, trustee, representative, attorney, accountant and each insurance, environmental, legal, financial and other advisor (including those retained in connection with the satisfaction or attempted satisfaction of any condition set forth in Article III) and other consultants and agents of or to such Person or any of its Affiliates, together with, if such Person is the Administrative Agent, each other Person or individual designated, nominated or otherwise mandated by or helping the Administrative Agent pursuant to and in accordance with Section 10.4 or any comparable provision of any Loan Document.

"Related Transactions" means, collectively, the consummation of the Acquisition, the consummation of the Equity Contribution, the consummation of the Leo Acquisition and the Transactions.

"Release" means any release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material into or through the environment.

"Remedial Action" means all actions required to (a) clean up, remove, treat or in any other way address any Hazardous Material in the indoor or outdoor environment, (b) prevent or minimize any Release so that a Hazardous Material does not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment or (c) perform pre-remedial studies and investigations and post-remedial monitoring and care with respect to any Hazardous Material.

"Renewal Rights Agreement" means the Renewal Rights, Assignment and Amendment Agreement dated as of September 1, 2016 and amended as of March 31, 2018, among the Borrower, Care Providers Insurance Services, LLC, American Collectors Insurance, LLC, AIG, and National Union Fire Insurance Company of Pittsburgh, PA.

"Replacement Loans" has the meaning specified in Section 11.1(d).

"Repricing Transaction" means (a) any prepayment or repayment of the Initial Term Loans ~~or~~**, the First Amendment Incremental Term Loans or the** Delayed-Draw Term Loans with the proceeds of, or any conversion of the Initial Term Loans ~~or~~**, the First Amendment Incremental Term Loans or the** Delayed-Draw Term Loans into, any new or replacement tranche of term loans (including any Replacement Loans) bearing interest at All-In Yield less than All-In Yield applicable to the Initial Term Loans ~~or~~**, the First Amendment Incremental Term Loans or the** Delayed-Draw Term Loans (determined consistent with generally accepted financial practice) and (b) any amendment to the Term Loan Facility that directly or indirectly reduces the All-In Yield applicable to the Initial Term Loans ~~or~~**, the First Amendment Incremental Term Loans or the** Delayed-Draw Term Loans; provided that the primary purpose of such prepayment, repayment, conversion or amendment was to reduce the All-In Yield applicable to ~~such~~**the** Initial Term Loans ~~or~~**, the First Amendment Incremental Term Loans or the** Delayed-Draw Term Loans; provided, further, that in no event shall any prepayments, repayments, "Tax Returns" has the meaning specified in Section 4.8.

"Taxes" has the meaning specified in Section 2.17(a).

"Term Creditor" means each Term Loan Lender, each other holder of a Term Loan Obligation and, to the extent its claims arise in connection with the Term Loan Facility, each other Indemnitee.

"Term Loan Commitment" means, with respect to each Term Loan Lender, its Initial Term Loan Commitment, Delayed-Draw Term Loan Commitment, Incremental Term Loan Commitment and Extended/Modified Term Commitment.

"Term Loan Facility" means the Initial Term Loan Facility, the Delayed-Draw Term Loan Facility, the Incremental Term Loan Facility and the Extended/Modified Facility in respect of Extended/Modified Term Loans.

"Term Loan Lender" means each Lender that has a Term Loan Commitment or that holds a Term Loan.

"Term Loan Maturity Date" means May 11, 2024.

"Termination Date" means the means the first date on which (A) the Commitments have expired or terminated, (B) all Loans, all L/C Reimbursement Obligations and all other Obligations (including Obligations arising under Secured Hedging Agreements) that the Administrative Agent has been notified in writing are then due and payable by the holder of such Obligation have been paid and satisfied in full and (C) cash collateral with respect to all contingent Obligations has been deposited (or, in the case of any L/C Obligation, a back-up letter of credit has been issued and delivered to the Administrative Agent, or in the case of contingent Obligations arising under Secured Hedging Agreements, any other arrangements satisfactory to the applicable Secured Hedging Counterparty shall have been made) in amounts and on terms and conditions and with parties satisfactory to the Administrative Agent (or, in the case of contingent Obligations arising under Secured Hedging Agreements, satisfactory to the applicable Secured Hedging Counterparty).

"Term Loan Obligations" means all Obligations arising (a) under or in respect of the Initial Term Loan Facility, the Delayed-Draw Term Loan Facility, the Incremental Term Loan Facility and the Extended/Modified Facility in respect of Extended/Modified Term Loans, and (b) under any Secured Hedging Agreement that are not Revolving Credit Obligations.

"Term Loans" means the Initial Term Loans, the Delayed-Draw Term Loans, the Incremental Term Loans **(including the First Amendment Incremental Term Loans)** and the Extended/Modified Term Loans.

"Title IV Plan" means a pension plan subject to Title IV of ERISA, other than a Multiemployer Plan, to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

"Trademarks" means all rights, title and interests (and all related IP Ancillary Rights) arising under any Requirement of Law in trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers and, in each case, all goodwill associated therewith, all registrations and recordations thereof and all applications in connection therewith.

(b) The Borrower promises to repay the Initial Term Loans on the Term Loan Maturity Date and, after giving effect to any prepayments applied thereto under Section 2.7 or 2.12, shall also repay the principal amount of the Initial Term Loans in consecutive quarterly installments on the last day of March, June, September and December of each year commencing on September 30, 2018, each of such quarterly installments to be in an amount equal to 0.25% of the original principal amount of the Initial Term Loans outstanding on the Closing Date; provided, however, that the final installment shall be due and payable on the Term Loan Maturity Date, if not sooner paid in full, and shall be in an amount equal to the entire remaining unpaid principal balance of the Initial Term Loans.

(c) The Borrower promises to repay the Delayed-Draw Term Loans on the Term Loan Maturity Date and, after giving effect to any prepayments applied thereto under Section 2.7 or 2.12, shall also repay the principal amount of each Delayed-Draw Term Loan in consecutive quarterly installments on the last day of March, June, September and December of each year commencing on the first scheduled installment date occurring at least one full fiscal quarter after the funding of such Delayed-Draw Term Loan, each of such quarterly installments to be equal to 0.25% of the original principal amount of such Delayed-Draw Term Loan; provided, however, that the final installment shall be due and payable on the Term Loan Maturity Date, if not sooner paid in full, and shall be in an amount equal to the entire remaining unpaid principal balance of all Delayed-Draw Term Loans; provided, further, that if any Delayed-Draw Term Loans are borrowed after any repayment is made on the Initial Term Loans pursuant to Section 2.6(a), the payment due with respect to the Initial Term Loans or the Delayed-Draw Term Loans, as applicable, shall be adjusted in an amount equal to the amount required so that the Delayed-Draw Term Loans and the Initial Term Loans shall be fungible.

(d) The Borrower promises to repay the First Amendment Incremental Term Loans on the Term Loan Maturity Date and, after giving effect to any prepayments applied thereto under Section 2.7 or 2.12, shall also repay the principal amount of the First Amendment Incremental Term Loans in consecutive quarterly installments on the last day of March, June, September and December of each year, commencing on March 31, 2019, each of such quarterly installments to be in an amount equal to 0.25% of the original principal amount of the First Amendment Incremental Term Loans outstanding on the First Amendment Effective Date; provided, however, that the final installment shall be due and payable on the Term Loan Maturity Date, if not sooner paid in full, and shall be in an amount equal to the entire remaining unpaid principal balance of the First Amendment Incremental Term Loans.

Section 2.7 Optional Prepayments. The Borrower may prepay the outstanding principal amount of any Loan in whole or in part at any time without premium or penalty, in each case together with (except in the case of partial prepayments of the Revolving Loan without a permanent reduction of the Revolving Credit Commitment) (a) any accrued interest that may be owing pursuant to Section 2.9, (b) any breakage costs that may be owing pursuant to Section 2.16(a) after giving effect to such prepayment and (c) with respect to the Initial **Term Loans, First Amendment Incremental** Term Loans or Delayed-Draw Term Loans only, the premium set forth in Section 2.11(e); provided, however, that each partial prepayment that is not of the entire outstanding amount under any Facility shall be in an aggregate amount that is an integral multiple of $100,000.

Section 2.8 Mandatory Prepayments. (a) Excess Cash Flow. The Borrower shall pay or cause to be paid to the Administrative Agent, within 5 Business Days after the last date Financial Statements can be delivered pursuant to Section 6.1(c) for any Fiscal Year (the "ECF Payment Date"), beginning with the Fiscal Year ending December 31, 2019, an amount equal to 50% of Excess Cash Flow for such Fiscal Year; provided, however, that in the event that the Consolidated Total Leverage Ratio of the Group Members in effect as of the last day of such Fiscal Year is equal to or less than 3.50:1.00, but greater than 3.00:1.00, such percentage shall be reduced to 25%; provided, further, that in the event that

(i) Except as otherwise contemplated by this Agreement or provided in, or intended with respect to, any amendment with respect to Replacement Loans, any Incremental Amendment or any Extension/Modification Amendment (provided, that such Replacement Loans, Incremental Amendment or Extension/Modification Amendment may not provide that the applicable tranche of Term Loans receive a greater than pro rata portion of mandatory prepayments of Term Loans pursuant to Section 2.8 than would otherwise be permitted by this Agreement), each prepayment of Term Loans pursuant to this Section 2.8 shall be applied ratably to the Initial Term Loans ~~and~~, Delayed-Draw Term Loans**, First Amendment Incremental Term Loans and** then outstanding and each tranche of Term Loans then outstanding that is *pari passu* in right of payment and with respect to security with the Obligations that are secured on a first lien basis.

Section 2.9 Interest. (a) Rate. All Loans and the outstanding amount of all other Obligations (other than pursuant to Secured Hedging Agreements) shall bear interest, in the case of Loans, on the unpaid principal amount thereof from the date such Loans are made and, in the case of such other Obligations, from the date such other Obligations are due and payable until, in all cases, paid in full, except as otherwise provided in clause (c) below, as follows: (i) in the case of Base Rate Loans, at a rate *per annum* equal to the sum of the Base Rate and the Applicable Margin, each as in effect from time to time, (ii) in the case of Eurodollar Rate Loans, at a rate *per annum* equal to the sum of the Eurodollar Rate and the Applicable Margin, each as in effect for the applicable Interest Period, and (iii) in the case of other Obligations, at a rate *per annum* equal to the sum of the Base Rate and the Applicable Margin for Revolving Loans that are Base Rate Loans, each as in effect from time to time.

(b) Payments. Interest accrued shall be payable in arrears (i) if accrued on the principal amount of any Loan, (A) at maturity (whether by acceleration or otherwise), (B) if such Loan is a Term Loan, upon the payment or prepayment of the principal amount on which such interest has accrued and (C)(1) if such Loan is a Base Rate Loan (including a Swingline Loan), on the last day of each calendar quarter commencing on the first such day following the making of such Loan and (2) if such Loan is a Eurodollar Rate Loan, on the last day of each Interest Period applicable to such Loan and, if applicable, on each date during such Interest Period occurring every 3 months from the first day of such Interest Period, and (ii) if accrued on any other Obligation, on demand from and after the time such Obligation is due and payable (whether by acceleration or otherwise).

(c) Default Interest. Notwithstanding the rates of interest specified in clause (a) above or elsewhere in any Loan Document, effective immediately upon (A) the occurrence of an Event of Default under Section 9.1(a) or (d)(ii) or (B) the delivery of a notice by the Required Lenders, or the Administrative Agent at the direction of the Required Lenders, to the Borrower upon the occurrence and during the continuance of any other Event of Default and, in each case, for as long as such Event of Default shall be continuing, the principal balance of all Obligations (including any Obligation that bears interest by reference to the rate applicable to any other Obligation but excluding Obligations under Secured Hedging Agreements) shall bear interest at the Default Rate; provided that no amount shall accrue pursuant to this Section 2.9(c) on any amount payable to a Defaulting Lender so long as such Lender is a Defaulting Lender.

(d) Savings Clause. Anything herein to the contrary notwithstanding, the obligations of the Borrower hereunder shall be subject to the limitation that payments of interest shall not be required, for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by the respective Lender would be contrary to the provisions of any law applicable to such Lender limiting the highest rate of interest which may be lawfully contracted for, charged or received by such Lender, and in such event the Borrower shall pay such Lender interest at the highest rate permitted by applicable law ("Maximum Lawful Rate"); provided, however, that if at any time thereafter the rate of interest payable hereunder is less than the maximum undrawn face amount thereof payable in arrears (A) on the last day of each calendar quarter and (B) on the Revolving Credit Termination Date, (iii) to the Administrative Agent for the benefit of such L/C Issuer, customary fees upon the issuance, amendment or extension of such Letters of Credit at the prevailing rates, payable in arrears in each case (A) on the last day of each calendar quarter and (B) on the Revolving Credit Termination Date and (iv) to the Administrative Agent, for the benefit of such Letter of Credit Issue, a fronting fee of 0.25% *per annum* multiplied by the face amount of each such Letter of Credit (excluding any portion thereof that is attributable to unreimbursed L/C Reimbursement Obligations) payable in arrears (A) on the last day of each calendar quarter and (B) on the Revolving Credit Termination Date; provided, however, that the fee payable under the foregoing clause (ii) shall be increased by 2% *per annum* and shall be payable, in addition to being payable on any date it is otherwise required to be paid hereunder, on demand effective immediately upon (x) the occurrence of any Event of Default under Section 9.1(a) or (d)(ii) or (y) the delivery of a notice by the Required Lenders, or the Administrative Agent at the direction of the Required Lenders, to the Borrower during the continuance of any other Event of Default and, in each case, for as long as such Event of Default shall be continuing (it being agreed that any delivery of any notice of election by the Administrative Agent or the Required Lenders to impose the default rate of interest under Section 2.9(c)(B) shall be deemed to be the delivery of a notice under this clause (y) to impose an increase of the fee payable under this Section 2.11(b).

(c) Delayed-Draw Fees. The Borrower agrees to pay to the Administrative Agent for the benefit the Delayed-Draw Term Loan Lenders according to their Pro Rata Shares for the period beginning on the Closing Date and ending on the Delayed-Draw Expiration Date, a commitment fee of 1.00% *per annum* of the average daily unused portion of the Delayed-Draw Term Loan Commitment, (the "Delayed-Draw Commitment Fee") payable in arrears (A) on the last day of each calendar quarter and (B) on the Delayed-Draw Expiration Date

(d) Additional Fees. The Borrower shall pay to (i) the Administrative Agent and its Related Persons, as applicable, their respective reasonable and customary fees and expenses in connection with any payments made pursuant to Section 2.16(a) (Breakage Costs) and (ii) the Administrative Agent, for its own account, the administration fee described in the Fee Letter, at the times and in the amounts set forth therein.

(e) Prepayment Premium. In the event that, prior to the date that is 12 months after the Closing Date, the Borrower (i) prepays, repays, refinances, substitutes or replaces any Initial **Term Loans, First Amendment Incremental** Term Loans or Delayed-Draw Term Loans in connection with a Repricing Transaction or (ii) in connection with any Repricing Transaction referred to in clause (b) of the definition of such term, the Borrower causes any Lender to assign its Term Loans pursuant to Section 2.18, the Borrower shall pay to the Administrative Agent, for the ratable account of each of the applicable Term Loan Lenders, (A) in the case of clause (i), a premium of 1.00% of the aggregate principal amount of ~~the~~**such** Term Loans so prepaid, repaid, refinanced, substituted or replaced and (B) in the case of clause (ii), a fee equal to 1.00% of the aggregate principal amount of ~~the~~**such** Term Loans that are the subject of such Repricing Transaction and that are required to be assigned by any Term Loan Lender pursuant to Section 2.18(a)(v) as a result of, or in connection with, such Term Loan Lender not agreeing or otherwise consenting to any amendment referred to in clause (b) of the definition of Repricing Transaction. All such amounts shall be due and payable on the date of effectiveness of such Repricing Transaction.

Section 2.12 Application of Payments. (a) Application of Voluntary Prepayments. Unless otherwise provided in this Section 2.12 or elsewhere in any Loan Document, all payments and any other amounts received by the Administrative Agent from or for the benefit of the Borrower pursuant to Section 2.7 shall be applied to repay the Obligations the Borrower designates; provided that all prepayments pursuant to this Section 2.12(a) that are to be applied to the Term Loans shall be applied pro rata between the Initial **Term Loans, the First Amendment Incremental** Term Loans and the Delayed-Draw Term Loans (if any) based on the then outstanding principal balances thereof.

(b) Application of Mandatory Prepayments. Subject to the provisions of clause (c) below with respect to the application of payments after the exercise of remedies provided for in Section 9.2, any payment made by the Borrower to an Agent pursuant to Section 2.8 or any other prepayment of the Obligations required to be applied in accordance with this clause (b) shall be applied:

(i) in the case of Sections 2.8(a), 2.8(b) and 2.8(c), first, to repay the next eight remaining installments of the Term Loans in forward order of maturity and thereafter to repay ratably the remaining ~~principal balance~~**installments** of the Term Loans until paid in full, second, to repay the outstanding principal balance of the Revolving Loans and Swingline Loans without a corresponding permanent reduction in the Revolving Credit Commitments until paid in full, and third, to provide cash collateral for the L/C Obligations to the extent and in the manner provided in Section 9.3, and then, any excess shall be retained by the Borrower; and

(ii) in the case of Section 2.8(d), first, to the repay the outstanding principal balance of the Swingline Loans until paid in full, second, to repay the outstanding principal balance of the Revolving Loans without a corresponding permanent reduction in the Revolving Credit Commitments until paid in full and third, to provide cash collateral for the L/C Obligations to the extent and in the manner provided in Section 9.3.

All prepayments pursuant to this Section 2.12(b) that are to be applied to the Term Loans shall be applied pro rata between the Initial Term Loans**, the First Amendment Incremental Term Loans** and the Delayed-Draw Term Loans~~ (if any)~~.

(c) Application of Payments. After the exercise of remedies provided for in Section 9.2 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 9.2), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

first, to Obligations in respect of any cost or expense reimbursements or indemnities then due to the Administrative Agent;

second, to pay Obligations in respect of any cost or expense reimbursements or indemnities then due to the Lenders and the L/C Issuers;

third, to payment of all accrued unpaid interest on the Loans and fees owed to the Administrative Agent, the Lenders and L/C Issuers;

fourth, to payment of principal of the Loans and L/C Reimbursement Obligations then due and payable until paid in full, and to provide cash collateral for unmatured L/C Obligations to the extent described in Section 9.3 and to any Secured Hedging Agreement;

fifth, to the ratable payment of all other Obligations owing to the Lenders then due and payable; and

sixth, any remainder shall be for the account of and paid to the Borrower or to whomsoever shall be lawfully entitled thereto.

SECOND AMENDMENT dated as of April 1, 2019 (this "Amendment"), among NSM INSURANCE GROUP, LLC, a Delaware limited liability company (the "Borrower"), NSM INSURANCE HOLDCO, LLC, a Delaware limited liability company ("Holdings"), the other LOAN PARTIES party hereto, ARES CAPITAL CORPORATION, a Maryland corporation ("Ares"), as administrative agent (in such capacity, the "Administrative Agent"), and the LENDERS party hereto.

WHEREAS, reference is made to the Credit Agreement, dated as of May 11, 2018, as amended by the First Amendment, dated as of December 3, 2018 (the "Existing Credit Agreement"), among the Borrower, Holdings, the Lenders party thereto (the "Existing Lenders"), the L/C Issuers party thereto and the Administrative Agent;

WHEREAS, reference is also made to the Unit Purchase Agreement dated as of April 1, 2019 (the "Embrace Acquisition Agreement"), by and among Care Providers Insurance Services, LLC, a Texas limited liability company (the "Buyer"), Cleverland Holdings LLC, an Ohio limited liability company (the "Acquired Company"), and the sellers and the seller representative party thereto, pursuant to which the Buyer will acquire all of the outstanding membership interests of the Acquired Company (the "Embrace Acquisition");

WHEREAS, in connection with the Embrace Acquisition, the Borrower has requested that, on the Second Amendment Effective Date (as defined below), (a) the Lenders party hereto and set forth on Schedule I hereto (collectively, the "Incremental Term Loan Lenders") provide to the Borrower Incremental Term Loan Commitments in an aggregate amount equal to $20,400,000 (such Incremental Term Loan Commitments, the "Incremental Term Loan Commitments") to make Incremental Term Loans thereunder (such Incremental Term Loans, the "Incremental Term Loans"), the proceeds of which shall be used to finance a portion of the consideration payable for the Embrace Acquisition and to pay fees and expenses in connection with the Embrace Acquisition and this Amendment (the incurrence of the Incremental Term Loans, the consummation of the Embrace Acquisition and such payment of fees and expenses is collectively referred to as the "Second Amendment Transactions"), and (b) the Administrative Agent and the Required Lenders agree to amend the Existing Credit Agreement as set forth in this Amendment (the Existing Credit Agreement, as amended hereby, the "Amended Credit Agreement"; the Existing Credit Agreement and the Amended Credit Agreement are collectively referred to as the "Credit Agreement");

WHEREAS, each Incremental Term Loan Lender is willing to extend an Incremental Term Loan Commitment and make an Incremental Term Loan in the principal amount set forth opposite its name on Schedule I hereto, and the Administrative Agent and the Existing Lenders party hereto, constituting the Required Lenders, are willing to agree to the proposed amendments set forth herein, in each case on the terms and subject to the conditions set forth herein; and

WHEREAS, capitalized terms used and not defined herein shall have such meanings ascribed thereto in the Existing Credit Agreement or the Amended Credit Agreement, as the context implies.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Incremental Term Loans.

(a) Subject to the terms and conditions set forth herein, each Incremental Term Loan Lender agrees, severally and not jointly, to make Incremental Term Loans in Dollars to the Borrower on the Second Amendment Effective Date in a principal amount equal to the amount set forth opposite the name of such Incremental Term Loan Lender on Schedule I hereto. Amounts paid or prepaid in respect of the Incremental Term Loans may not be reborrowed.

(b) The terms of the Incremental Term Loans shall be as set forth in the Amended Credit Agreement. Notwithstanding anything to the contrary in the Credit Agreement, the Incremental Term Loans shall initially be Eurodollar Rate Loans that have an Interest Period equal to the remaining duration of the Interest Period then applicable to the Term Loans outstanding on the Second Amendment Effective Date, and thereafter may be converted or continued as set forth in Section 2.10 of the Amended Credit Agreement.

(c) On the Second Amendment Effective Date, each Lender shall, promptly after the satisfaction of the conditions set forth in Section 3 hereof, make available to the Administrative Agent at its address referred to in Section 11.11 of the Amended Credit Agreement, in immediately available funds, such Lender's Pro Rata Share of the Borrowing of the Incremental Term Loans requested in the Borrowing Notice referred to in Section 3(f), and upon receipt thereof the Administrative Agent shall make the same available, in immediately available funds, to the Borrower. The parties hereto agree that the provisions of Sections 2.2(a), 2.2(b) and 3.2 of the Credit Agreement and, to the extent not consistent with this Amendment, the provisions of Section 2.19 of the Credit Agreement shall not apply to the making of the Incremental Term Loans.

(d) The Incremental Term Loan Commitments shall automatically terminate on the earlier of (i) the making of the Incremental Term Loans on the Second Amendment Effective Date and (ii) 5:00 p.m., New York City time, on April 1, 2019.

(e) Pursuant to Section 2.19 of the Credit Agreement and the definition of "Term Loans" in the Credit Agreement, the Incremental Term Loans shall be Term Loans for all purposes under the Credit Agreement and each other Loan Document. Without limiting the generality of the foregoing, (i) the Incremental Term Loans (A) shall constitute Obligations and have all of the benefits thereof and (B) shall be secured by the Liens granted to the Administrative Agent for the benefit of the Secured Parties under the Credit Agreement or any other Loan Document, and (ii) each Incremental Term Loan Lender shall have all of the rights, remedies, privileges and protections applicable to the Lenders under the Credit Agreement and the other Loan Documents. For the avoidance of doubt, the Incremental Term Loans are being incurred in reliance on clause (c) of the definition of "Incremental Cap" under the Amended Credit Agreement.

SECTION 2. Amendments to Existing Credit Agreement. Effective on the Second Amendment Effective Date, the Existing Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the blackline changed pages attached as Exhibit A hereto.

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective on the first date (the "Second Amendment Effective Date") on which the following conditions are satisfied:

(a) Amendment. The Administrative Agent shall have received from Holdings, the Borrower, each other Loan Party, each Incremental Term Lender and the Existing Lenders representing the Required Lenders either (i) a counterpart of this Amendment signed on behalf of such party or

(ii) evidence satisfactory to the Administrative Agent (which may include a facsimile transmission) that such party has signed a counterpart of this Amendment.

(b) Fees and Expenses. All reasonable and reasonably documented out-of-pocket costs and expenses payable to the Lenders under the Loan Documents and the fees payable under that certain Fee Letter dated April 1, 2019, between the Borrower and Ares, shall have been (or shall be substantially concurrently with the making of the Incremental Term Loans hereunder) paid to the extent then due; provided that, with respect to such costs and expenses, an invoice shall have been provided to the Borrower at least one Business Day prior to the Second Amendment Effective Date.

(c) Secretary's Certificates and Good Standing Certificates. The Administrative Agent shall (A) have received (i) a certificate of each Loan Party, each dated the Second Amendment Effective Date and executed by a secretary, assistant secretary or other Responsible Officer thereof, which shall certify that (1) attached thereto is a true and complete copy of the certificate or articles of incorporation, formation or organization (or equivalent) of such Loan Party certified by the relevant authority of its jurisdiction of organization, (2) the certificate or articles of incorporation, formation or organization (or equivalent) of such Loan Party attached thereto have not been amended (except as attached thereto) since the date reflected thereon, (3) attached thereto is a true and correct copy of the by-laws or operating, management, partnership or similar agreement of such Loan Party, together with all amendments thereto as of the Second Amendment Effective Date, and such by-laws or operating, management, partnership or similar agreement are in full force and effect as of the Second Amendment Effective Date and (4) attached thereto is a true and complete copy of the resolutions or written consent, as applicable, of its board of directors, board of managers, sole member or other applicable governing body authorizing the execution and delivery of this Amendment, which resolutions or consent have not been modified, rescinded or amended (other than as attached thereto) and are in full force and effect, and (B) identify by name and title and bear the signatures of the officers, managers, or directors or authorized signatories of such Loan Party authorized to sign this Amendment and (ii) a good standing (or equivalent) certificate as of a recent date for each Loan Party from the relevant authority of its jurisdiction of organization (to the extent applicable in such jurisdiction).

(d) Opinion of Counsel to Loan Parties. The Administrative Agent shall have received customary legal opinions, dated the Second Amendment Effective Date, of Cravath, Swaine & Moore LLP, in its capacity as special New York counsel for the Loan Parties and Richards, Layton & Finger, PA, in its capacity as special Delaware counsel for the Loan Parties.

(e) Embrace Acquisition/Equity Contribution. The Embrace Acquisition shall have been (or substantially concurrently with the making of the Incremental Term Loans hereunder will be) consummated on the terms and conditions set forth in the Embrace Acquisition Agreement. Parent and certain management investors shall have made (or substantially concurrently with the borrowing of the Incremental Term Loans hereunder will make) a contribution of cash equity to Holdings in an aggregate amount not less than $58.8 million.

(f) Notice of Borrowing. The Administrative Agent shall have received, not later than 1:00 p.m. (New York time) on the third Business Day prior to the Second Amendment Effective Date, an executed Notice of Borrowing, provided that such Notice of Borrowing (i) may be conditioned on the consummation of the Embrace Acquisition on the date specified therein as the date of borrowing of the Incremental Term Loans, (ii) shall be consistent with the second sentence of Section 2(b) hereof and (iii) shall not require any representations or warranties to be set forth therein.

(g) Officer's Certificate. The Administrative Agent shall have received an executed certificate of a Responsible Officer of the Borrower, dated the Second Amendment Effective Date, to the effect that (i) the conditions precedent in paragraph (e) of this Section 3 shall have been satisfied, (ii) the representations and warranties set forth in Section 4 hereof are true and correct and (iii) the Consolidated Total Leverage Ratio as of December 31, 2018, calculated on a Pro Forma Basis after giving effect to the Second Amendment Transactions (including the effectiveness of the amendments contemplated by Section 2 hereof), does not exceed 4.10:1.00.

(h) Solvency. The Administrative Agent shall have received a solvency certificate in the form of Exhibit J to the Existing Credit Agreement from the chief financial officer (or other officer with equivalent duties) of the Borrower, dated as of the Second Amendment Effective Date.

(i) KYC. To the extent requested by the Administrative Agent not less than ten (10) days prior to the Second Amendment Effective Date, the Administrative Agent shall have received all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act.

SECTION 4. Representations and Warranties. The Borrower, on behalf of itself and the other Loan Parties, represents and warrants to the Administrative Agent and each Lender party hereto that (a) after giving effect to this Amendment and the Second Amendment Transactions, the Specified Representations in the Amended Credit Agreement are true and correct in all material respects as of the Second Amendment Effective Date or, to the extent that any such representation and warranty specifically refers to a given date or period, it is true and correct in all material respects as of such date or for such period, provided that, for purposes of this clause (a), the reference in Section 4.6 of the Amended Credit Agreement to the "Related Transactions" shall be deemed, *mutatis mutandis*, to refer to the Second Amendment Transactions, and (b) after giving effect to this Amendment and the Second Amendment Transactions, no Default or Event of Default has occurred and is continuing as of the Second Amendment Effective Date.

SECTION 5. Reaffirmation. Each of the Loan Parties, as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which such Loan Party grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (a) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party (after giving effect hereto) and (b) to the extent such Loan Party granted liens on or security interests in any of its property pursuant to any such Loan Document as security, for or otherwise guaranteed, the Obligations under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. Each of the Loan Parties hereby acknowledges that each of the Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. Except as expressly set forth herein, the execution of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations.

SECTION 6. Miscellaneous.

(a) This Amendment may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Amendment by facsimile transmission or Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof.

(b) The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

(c) The captions and headings of this Amendment are for convenience of reference only and shall not affect the interpretation of this Amendment.

(d) Except as expressly provided by this Amendment, all of the terms and provisions of the Credit Agreement and the other Loan Documents remain in full force and effect. The amendments contained herein shall not be construed as a waiver or amendment of any other provision of the Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein or a consent to any further or future action on the part of any Loan Party that would require the waiver or consent of the Lenders.

(e) This Amendment constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties or any of them with respect to the subject matter hereof.

(f) This Amendment shall be deemed to be a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. On and after the date hereof, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(g) This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

NSM INSURANCE HOLDCO, LLC, as Holdings

By: ________________________
Name: William McKernan
Title: President

NSM INSURANCE GROUP, LLC, as the Borrower

By: ________________________
Name: William McKernan
Title: President

AMERICAN COLLECTORS INSURANCE LLC, as a Guarantor

By: ________________________
Name: William McKernan
Title: President

CARE PROVIDERS INSURANCE SERVICES, LLC, as a Guarantor

By: ________________________
Name: William McKernan
Title: President

ARES CAPITAL CORPORATION, individually and as the Administrative Agent

By:______________________________
Name: Scott Lem
Title: Authorized Signatory

ARES CENTRE STREET PARTNERSHIP, L.P.
By: Ares Centre Street GP, Inc., as general partner

By: ______________________
Name: Scott Lem
Title: Authorized Signatory

NATIONWIDE MUTUAL INSURANCE COMPANY
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Scott Lem
Title: Authorized Signatory

NATIONWIDE LIFE INSURANCE COMPANY
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Scott Lem
Title: Authorized Signatory

GREAT AMERICAN LIFE INSURANCE COMPANY
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Scott Lem
Title: Authorized Signatory

FEDERAL INSURANCE COMPANY
By: Ares Capital Management LLC, its investment manager

By: ______________________
Name: Scott Lem
Title: Authorized Signatory

GREAT AMERICAN INSURANCE COMPANY
By: Ares Capital Management LLC, its investment manager

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

ARES CREDIT STRATEGIES INSURANCE DEDICATED FUND SERIES OF SALI MULTI-SERIES FUND, L.P.
By: Ares Management LLC, its investment subadvisor
By: Ares Capital Management LLC, as subadvisor

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

AN CREDIT STRATEGIES FUND, L.P.
By: Ares Capital Management LLC, its investment manager

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

ARES EUROPEAN CREDIT STRATEGIES FUND VIII (BUMA), L.P.
By: Ares Management Limited, its investment manager
By: Ares Capital Management LLC, its subadvisor

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

ARES ND CSF HOLDINGS LLC
By: Ares Capital Management LLC, as servicer

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

ARES JASPER FUND HOLDINGS, LLC
By: Ares Capital Management LLC, as servicer

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

ADF I HOLDINGS LLC
By: Ares Capital Management LLC, as servicer

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

AC AMERICAN FIXED INCOME IV, L.P.
By: Ares Capital Management LLC, its investment manager

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

BOWHEAD IMC L.P.
By: Ares Capital Management LLC, its investment manager

By: ______________________________
Name: Scott Lem
Title: Authorized Signatory

AO MIDDLE MARKET CREDIT L.P.
By: OCM Middle Market Credit G.P. Inc., as general partner

By: ____________________
Name: K. Patel
Title: Director

By: ____________________
Name: Jeremy Ehrlich
Title: Director

SCHEDULE I

Incremental Term Loan Commitments

Incremental Term Lender	Incremental Term Loan Commitment
ARES CAPITAL CORPORATION	$4,551,256.39
ARES CENTRE STREET PARTNERSHIP, L.P.	$706,782.80
AO MIDDLE MARKET CREDIT L.P.	$3,842,865.78
AC AMERICAN FIXED INCOME IV, L.P.	$4,345,804.45
FEDERAL INSURANCE COMPANY	$825,470.17
NATIONWIDE LIFE INSURANCE COMPANY	$122,244.83
NATIONWIDE MUTUAL INSURANCE COMPANY	$183,367.24
GREAT AMERICAN INSURANCE COMPANY	$153,194.89
GREAT AMERICAN LIFE INSURANCE COMPANY	$459,584.66
ARES CREDIT STRATEGIES INSURANCE DEDICATED FUND SERIES OF SALI MULTI-SERIES FUND, L.P.	$147,979.36
ARES ND CSF HOLDINGS LLC	$818,215.45
ADF I HOLDINGS LLC	$651,038.99
BOWHEAD IMC L.P.	$742,720.84
AN CREDIT STRATEGIES FUND, L.P.	$689,327.34
ARES EUROPEAN CREDIT STRATEGIES FUND VIII (BUMA), L.P.	$53,267.52
ARES JASPER FUND HOLDINGS, LLC	$2,106,879.29
TOTAL	$20,400,000.00

EXHIBIT A

AMENDMENTS TO CREDIT AGREEMENT

[Attached]

~~EXECUTION VERSION~~

CREDIT AGREEMENT

Dated as of May 11, ~~2018,~~
~~as amended by First Amendment to Credit Agreement, dated as of December 3,~~ 2018,

among

NSM INSURANCE GROUP, LLC, as the Borrower,

NSM INSURANCE HOLDCO, LLC, as Holdings,

ARES CAPITAL CORPORATION, as Administrative Agent,

and

THE LENDERS AND L/C ISSUERS PARTY HERETO FROM TIME TO TIME

♦ ♦ ♦

ARES CAPITAL MANAGEMENT LLC,
as Sole Bookrunner
and
Sole Lead Arranger

and

LAKE FOREST BANK & TRUST COMPANY, N.A.,
as Documentation Agent

This CREDIT AGREEMENT, dated as of May 11, 2018, ~~as amended as of on the First Amendment Effective Date,~~ is entered into among NSM INSURANCE GROUP, LLC, a Delaware limited liability company (the "Borrower"), NSM INSURANCE HOLDCO, LLC, a Delaware limited liability company ("Holdings"), the LENDERS, the L/C ISSUERS and ARES CAPITAL CORPORATION ("Ares"), as administrative agent for the Lenders and the L/C Issuers (in such capacity, together with its successors and permitted assigns in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower has requested, and the Lenders (as this and other capitalized terms used in these preliminary statements are defined in Section 1.1 below) have agreed, that (a) the Lenders make Initial Term Loans on the Closing Date to the Borrower in an aggregate amount equal to $100,000,000, (b) the Lenders commit to making Delayed-Draw Term Loans in an aggregate principal amount equal to $51,000,000 and (c) the Lenders provide the Revolving Credit Facility in an aggregate amount of $10,000,000, including the letter of credit subfacility, in each case on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Borrower will use the proceeds of the Initial Term Loans, the Delayed-Draw Term Loans and the Initial Revolving Borrowing, if any, to (i) consummate the Refinancing, (ii) finance the Leo Acquisition and (iii) pay the fees and expenses incurred in connection with the transactions contemplated hereby; and

WHEREAS, on the Closing Date, White Mountains Catskill Holdings, Inc., a Delaware corporation (the "Buyer"), a wholly owned subsidiary of White Mountains Insurance Group, Ltd., a Bermuda exempted limited liability company, will purchase certain Stock and Stock Equivalents in Holdings from the Sellers (the "Acquisition") pursuant to the terms of the Acquisition Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS, INTERPRETATION AND ACCOUNTING TERMS

Section 1.1 Defined Terms. As used in this Agreement, the following terms have the following meanings:

"Acceptable Intercreditor Agreement" means (i) any intercreditor or subordination agreement or arrangement (which may take the form of a "waterfall" or similar provision), as applicable, the terms of which are consistent with market terms (as determined by the Borrower and the Administrative Agent in good faith) governing arrangements for the sharing and/or subordination of Liens and/or arrangements relating to the distribution of payments, as applicable, at the time the relevant intercreditor or subordination agreement or arrangement is proposed to be established in light of the type of Indebtedness subject thereto or (ii) any other intercreditor or subordination agreement or arrangement (which may take the form of a "waterfall" or similar provision), as applicable, the terms of which are reasonably acceptable to the Borrower and the Administrative Agent.

"Acquisition" has the meaning specified in the recitals.

"Acquisition Agreement" means the Unit Purchase Agreement, dated as of March 31, 2018, by and among the Sellers, Holdings, the Buyer, Parent and ABRY Partners VIII, L.P., a Delaware limited partnership, solely in its capacity as the Seller Representative (as defined therein).

such Indebtedness or commitments in respect thereof, and shall not include customary consent fees paid generally to consenting lenders.

"Applicable Margin" means (a) with respect to the Initial Term Loans, First Amendment Incremental Term Loans, **Second Amendment Incremental Term Loans,** Delayed-Draw Term Loans, Revolving Loans and Swingline Loans, (i) from the Closing Date until the third Business Day following the date of the delivery of the financial statements pursuant to Section 6.1(b) for the Fiscal Quarter ending June 30, 2018, 4.50% *per annum* in the case of Eurodollar Rate Loans and 3.50% in the case of Base Rate Loans and (ii) thereafter, as set forth in the table below, from and after the third Business Day after the date on which the Administrative Agent shall have received the applicable financial statements pursuant to Section 6.1(b) or 6.1(c) and the Compliance Certificate pursuant to Section 6.1(d) calculating the Consolidated Total Leverage Ratio with respect to the period of four consecutive Fiscal Quarters ended on the last day of such Fiscal Quarter and (b) with respect to Loans of any other tranche, the rate per annum specified in the Incremental Amendment, the Extension/Modification Amendment or in any amendment with respect to Replacement Loans, as the case may be, establishing Loans of such tranche.

Pricing Level	**Consolidated Total Leverage Ratio**	**Applicable Margin for Eurodollar Rate Loans**	**Applicable Margin for Base Rate Loans**
I	> 4.50:1.00	4.75%	3.75%
II	≤ 4.50:1.00 but > 3.50:1.00	4.50%	3.50%
III	≤ 3.50:1.00	4.25%	3.25%

At any time the Borrower has not submitted to the Administrative Agent the applicable financial statements as and when required under Section 6.1(b) and 6.1(c) and the Compliance Certificate as and when required under Section 6.1(d), the Applicable Margin shall be determined based on the rates set forth in Pricing Level I. Within one Business Day of receipt of the applicable information under Section 6.1(b), 6.1(c) and 6.1(d), the Administrative Agent shall give the Borrower and each Lender facsimile or telephonic notice (confirmed in writing) of the Applicable Margin in effect from such date. In the event that any financial statement or Compliance Certificate delivered pursuant to Section 6.1(b), 6.1(c) or 6.1(d) is determined to be inaccurate, and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an "Applicable Period") than the Applicable Margin applied for such Applicable Period, then, if such determination of inaccuracy occurs prior to the repayment in full of the Loans and termination of the Commitments, (x) the Borrower shall as promptly as reasonably practicable following such determination deliver to the Administrative Agent correct financial statements and the related Compliance Certificate required by Section 6.1(b), 6.1(c) and 6.1(d) for such Applicable Period, (y) the Applicable Margin for such Applicable Period shall be determined as if the Consolidated Total Leverage Ratio were determined based on the amounts set forth in such correct financial statements and certificate and (z) the Borrower shall promptly (and in any event within ten Business Days) following delivery of such corrected financial statements and certificate pay to the Administrative Agent the accrued additional interest owing as a result of such increased Applicable Margin for such Applicable Period.

"Approved Fund" means, with respect to any Lender, any Person (other than a natural Person) that (a) is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (b) is advised or managed by (i)

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Electronic Transmission" means each document, instruction, authorization, file, information and any other communication transmitted, posted or otherwise made or communicated by e-mail or E-Fax, or otherwise to or from an E-System or other equivalent service.

"Eligible Assignee" means (a) any Lender, (b) any commercial bank, insurance company, or finance company, financial institution, any fund that invests in loans or any other "accredited investor" (as defined in Regulation D of the Securities Act), (c) any Affiliate of any Lender, (d) any Approved Fund of any Lender and (e) to the extent permitted under Section 11.2, any Affiliated Lender; provided that in any event, "Eligible Assignee" shall not include (i) any natural person or (ii) any Disqualified Lender.

"Eligible Equity Proceeds" means (i) the cash proceeds received by the Borrower or any of its Restricted Subsidiaries after the Closing Date from any sale or issuance of any Stock or Stock Equivalents (other than Disqualified Stock) by the Borrower, Holdings or any parent thereof or from any equity contributions in respect of Stock or Stock Equivalents (other than Disqualified Stock) of the Borrower, Holdings or any parent thereof plus the fair market value (as reasonably determined by the Borrower) of other property received by the Borrower or any of its Restricted Subsidiaries as a capital contribution in respect of any Stock or Stock Equivalents (other than Disqualified Stock) or in return for any issuance of Stock or Stock Equivalents (other than Disqualified Stock), to the extent such cash proceeds, equity contributions or other property are actually received by, the Borrower or any of its Restricted Subsidiaries (or, if only a portion thereof is so contributed and received, to the extent of such portion) plus (ii) the aggregate principal amount of any Indebtedness (including any Disqualified Stock) of the Borrower or any Restricted Subsidiary issued after the Closing Date (other than Indebtedness or such Disqualified Stock issued to the Borrower or any Restricted Subsidiary), which has been converted into or exchanged for Stock or Stock Equivalents (other than Disqualified Stock) of the Borrower or any Restricted Subsidiary or for Stock or Stock Equivalents of Holdings or any parent thereof, together with the aggregate amount of any cash or Cash Equivalents and the fair market value (as reasonably determined by the Borrower) of any other assets received by the Borrower or such Restricted Subsidiary upon such exchange or conversion.

"Embrace Acquisition" has the meaning specified in the Second Amendment.

"Environmental Laws" means all Requirements of Law and Permits imposing liability or standards of conduct for or relating to the regulation and protection of human health and safety from Hazardous Materials and/or protection of the environment and natural resources, including CERCLA, the SWDA, the Hazardous Materials Transportation Act (49 U.S.C. §§ 5101 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.), the Toxic Substances Control Act (15 U.S.C.

(g) the All-In Yield (and the components thereof) applicable to such Indebtedness shall be determined by the Borrower and the holders of such Indebtedness; provided that, with respect to such Indebtedness which is *pari passu* with the Initial Term Loans in right of payment and with respect to security, if the All-In Yield applicable to such Indebtedness shall exceed the All-In Yield at such time on the Initial Term Loans by more than 0.50% (any such excess, the "Yield Differential") the then Applicable Margin then in effect for the existing Initial Term Loans, First **Amendment Incremental Term Loans, Second** Amendment Incremental Term Loans and Delayed-Draw Term Loans, as applicable, shall automatically be increased by the Yield Differential, effective upon the issuance or incurrence, as applicable, of such Indebtedness; provided, further, that any increase in All-In Yield applicable to any Initial Term Loan, First **Amendment Incremental Term Loan, Second** Amendment Incremental Term Loan or Delayed-Draw Term Loan, as applicable, due to the application or imposition of an Base Rate or Eurodollar Rate "floor" on any such Indebtedness may, at the election of the Borrower, be effected through an increase in Base Rate or Eurodollar Rate "floor" applicable to such Initial Term Loans, First **Amendment Incremental Term Loans, Second** Amendment Incremental Term Loans or Delayed-Draw Term Loans;

(h) except as otherwise permitted herein, the terms of such Indebtedness (excluding, to the extent applicable, pricing, interest rate margin, fees, discounts, rate floors and optional prepayment or redemption terms, all of which shall be determined by the Borrower), (x) are substantially identical to, or are not materially more restrictive on the Borrower and its Restricted Subsidiaries (as determined by the Borrower), when taken as a whole, than those applicable to the then-existing Term Loans (except for covenants or other provisions applicable only to periods after the Term Loan Maturity Date) or (y) otherwise reasonably acceptable to the Administrative Agent; and

(i) at the time of the incurrence of such Indebtedness, except as provided in Section 1.3, no Event of Default shall exist.

"Incremental Facility" means any Incremental Term Loan Facility and any Incremental Revolving Loan Facility.

"Incremental Facility Closing Date" shall have the meaning specified in Section 2.19(f).

"Incremental Loans" means the Incremental Revolving Loans and the Incremental Term Loans.

"Incremental Revolving Credit Commitment" shall have the meaning specified in Section 2.19(a).

"Incremental Revolving Loan" means any Revolving Loan made by a Revolving Credit Lender pursuant to its Incremental Revolving Credit Commitment.

"Incremental Term Loan" means any Term Loan made by a Term Loan Lender pursuant to its Incremental Term Loan Commitment.

"Incremental Term Loan Commitment" shall have the meaning specified in Section 2.19(a).

"Incremental Term Loan Maturity Date" means the date that an Incremental Term Loan is originally scheduled to mature.

"Incremental Revolving Loan Facility" means any Incremental Revolving Loans and the provisions herein related to such Incremental Revolving Loans.

fees and expenses incurred in connection with any strategic or new initiatives, and other business optimization expenses, not exceeding (with respect to such items reflected in Borrower's Financial Statements after the Closing Date), when combined with any add-backs pursuant to clauses (iii), (vii) and adjustments pursuant to clause (2) below, 25% of LTM EBITDA in any four Fiscal Quarter period (calculated prior to giving effect to any such add-backs),

(xiii) fees and expenses payable to Parent to the extent such payment is permitted under Section 8.9(h) or (i),

(xiv) all customary and reasonable deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness,

(xv) costs or expenses pursuant to any management equity plan, profits interest or stock option plan or any other Stock-based management or Stock-based employee benefit plan or any stock subscription, stockholders or partnership agreement,

(xvi) any non-cash rent expense, and

(xvii) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing LTM EBITDA or Consolidated Net Income of such Person in any period to the extent non-cash gains relating to such income were deducted during the four Fiscal Quarter period immediately preceding the date of such cash receipt in the calculation of LTM EBITDA of such Person for any previous period and not added back;

minus (c) the sum of, in each case to the extent included in the calculation of such Consolidated Net Income and without duplication,

(i) any credit for United States federal income taxes or other taxes measured by net income during such period,

(ii) any gain from extraordinary items during such period,

(iii) any aggregate net gain from the sale or other disposition of property (other than accounts receivable and inventory) out of the ordinary course of business by such person during such period,

(iv) any other non-cash gain, including any reversal of a charge referred to in clause (b)(vi) above by reason of a decrease in the value of any stock or stock equivalent during such period,

(v) any other cash payment during such period in respect of expenditures, charges and losses that have been added to LTM EBITDA of such Person pursuant to clause (b)(vi) above in any prior period, and

(vi) income during such period in connection with "earn-outs" and other deferred payments in connection with Permitted Acquisitions, to the extent required to be included in the calculation of Consolidated Net Income in accordance with GAAP;

all determined on a consolidated basis in accordance with GAAP; provided that for purposes of calculating LTM EBITDA of the Borrower for any period that includes any of the fiscal quarters ended ~~December 31, 2017,~~ March 31, 2018, June 30, ~~2018 and~~**2018,** September 30, **2018 and December 31,** 2018, LTM EBITDA of Holdings for such fiscal quarters shall be deemed to be $~~8,041,240, $10,490,450,~~

~~$13,537,349 and $10,177,674,~~**11,481,956, $14,372,450, $12,281,093 and $8,700,589,** respectively (such amounts, the "Deemed LTM EBITDA Amounts"), in each case, as may be subject to add-backs and adjustments as set forth in the following paragraph.

In addition, for purposes of calculating LTM EBITDA (except for the calculation of Excess Cash Flow):

(1) acquisitions that have been made by the Borrower or any of its Restricted Subsidiaries**,** including through mergers or consolidations, the acquisition of assets constituting a business unit, line of business or division of another Person or a facility, or any Person or any of its Restricted Subsidiaries acquired by the Borrower or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four Fiscal Quarter reference period or subsequent to such reference period and on or prior to the calculation date will be calculated on a Pro Forma Basis as if they had occurred on the first day of the four Fiscal Quarter reference period (such *pro forma* calculations shall be determined in good faith by the chief financial officer (or other financial officer) of the Borrower and based on assumptions believed by the Borrower to be reasonable at the time made**, it being understood that, in the case of any such acquisition comsummated on or prior to the Second Amendment Effective Date, the provisions of this clause (1) shall not apply with respect to the fiscal quarters ended March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018**);

(2) LTM EBITDA shall be increased by the amount of "run-rate" cost savings, operating expense reductions and synergies (including revenue synergies related to acquisitions consummated in the previous 12 months) projected by the Borrower in good faith to be realized as a result of specified actions that have been taken (or for which substantial steps have been taken) (calculated on a Pro Forma Basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the four Fiscal Quarter reference period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of such period), net of the amount of actual benefits realized during such period from such actions (such cost savings and synergies, "Specified Transaction Adjustments"); provided that (A) such Specified Transaction Adjustments are reasonably identifiable, quantifiable and factually supportable in the good faith judgment of the Borrower, and (B) such cost savings, operating expense reductions and synergies are expected to be realized no later than twelve (12) months after the date on which such action has been taken; provided, further that projected cost savings, operating expense reductions and synergies to be included in LTM EBITDA in any four Fiscal Quarter period shall not exceed (with respect to such items reflected in Borrower's Financial Statements after the Closing Date), when combined with any add-backs pursuant to clauses (iii), (vii) and (xii) above, 25% of LTM EBITDA (calculated prior to giving effect to any such projected cost savings, operating expense reductions and synergies);

(3) the net income (or loss) attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the calculation date, will be excluded for the period of four Fiscal Quarters for which Financial Statements have been delivered ending on or most recently prior to the calculation date;

(4) if any Indebtedness the incurrence of which is accounted for on a Pro Forma Basis bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the calculation date had been the applicable rate for the entire period (taking into account any hedging obligation applicable to such Indebtedness if such hedging obligation has a remaining term as at the calculation date in excess of 12 months);

(5) any unrealized currency translation gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized

(b) the Proposed Acquisition Target is in the same line of business as Borrower and its Restricted Subsidiaries (or a business permitted by Section 8.8);

(c) after giving effect to such Permitted Acquisition and any Indebtedness incurred, assumed or repaid in connection therewith and the use of the proceeds thereof, on a Pro Forma Basis, the Borrower's Consolidated Total Leverage Ratio as of the last day of the most recently ended Fiscal Quarter for which Financial Statements have been delivered shall not exceed the greater of (x) 5.00:1.00 and (y) the then applicable maximum Consolidated Total Leverage Ratio covenant set forth under Section 5.1 as of the last day of the most recently ended Fiscal Quarter for which Financial Statements have been delivered;

(d) [reserved];

(e) the Borrower and its Restricted Subsidiaries shall comply with all requirements of Section 7.10 with respect to any Restricted Subsidiary (and any assets of such Restricted Subsidiary) or assets acquired in such Proposed Acquisition, to the extent applicable, within the time periods specified therein;

(f) in the case of any Proposed Acquisition for which the LTM EBITDA for the Proposed Acquisition Target is more than \$3,000,000, the Required Lenders shall have received a quality of earnings report (to the extent such report has been prepared and is available to Borrower on or prior to the closing of such Proposed Acquisition);

(g) after giving effect to such Proposed Acquisition on a Pro Forma Basis, no Default or Event of Default shall have occurred and be continuing; and

(h) the aggregate amount of such purchases and acquisitions made in Persons that do not become Loan Parties or, in the case of a purchase or acquisition of assets (other than Stock), not owned by a Loan Party, shall not exceed, after giving Pro Forma Effect to such purchase or acquisition, the greater of (i) \$25,000,000 and (ii) an amount equal to the Equivalent Percentage of the amount set forth in clause (i) multiplied by Trailing EBITDA as of the applicable date of determination at such time; provided that (x) in the event that the Borrower or any Restricted Subsidiary makes one or more Investments pursuant to Section 8.3(d) in any Person that is or becomes a non-wholly-owned Restricted Subsidiary, and as a result of any subsequent Investment in such Person, such Person becomes a Loan Party, then all Investments in such Person made in reliance on Section 8.3(d) shall be deemed automatically at such time to no longer have been made in reliance on Section 8.3(d) but instead in reliance on Section 8.3(e)(iv) and (y) the limitation described in this clause (h) shall not apply to any acquisition or Investment to the extent (i) the consideration therefor is financed with the proceeds of sales of the Qualified Capital Stock of, or capital contributions in respect of Qualified Capital Stock to, the Borrower or any Restricted Subsidiary, in each case, that are not otherwise applied and other than (A) any Specified Equity Contribution, Cumulative Available Amount or Available Excluded Contribution Amount or (B) proceeds received from the sale of Qualified Capital Stock to, or contributions from, the Borrower or any Restricted Subsidiary and and/or (ii) the Person so acquired (or the Person owning the assets so acquired) becomes a Guarantor even though such Person is not otherwise required to become a Guarantor.

Notwithstanding the foregoing, each of the Leo Acquisition**, the KBK Acquisition** and the ~~KBK~~**Embrace** Acquisition shall be deemed to be a Permitted Acquisition.

"Permitted Indebtedness" means any Indebtedness of any Group Member that is permitted by Section 8.1.

Borrower shall have notified the Administrative Agent of the Borrower's determination not to make Permitted Reinvestments with such Net Cash Proceeds.

"Related Person" means, with respect to any Person, each Affiliate of such Person and each director, officer, employee, agent, trustee, representative, attorney, accountant and each insurance, environmental, legal, financial and other advisor (including those retained in connection with the satisfaction or attempted satisfaction of any condition set forth in Article III) and other consultants and agents of or to such Person or any of its Affiliates, together with, if such Person is the Administrative Agent, each other Person or individual designated, nominated or otherwise mandated by or helping the Administrative Agent pursuant to and in accordance with Section 10.4 or any comparable provision of any Loan Document.

"Related Transactions" means, collectively, the consummation of the Acquisition, the consummation of the Equity Contribution, the consummation of the Leo Acquisition and the Transactions.

"Release" means any release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material into or through the environment.

"Remedial Action" means all actions required to (a) clean up, remove, treat or in any other way address any Hazardous Material in the indoor or outdoor environment, (b) prevent or minimize any Release so that a Hazardous Material does not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment or (c) perform pre-remedial studies and investigations and post-remedial monitoring and care with respect to any Hazardous Material.

"Renewal Rights Agreement" means the Renewal Rights, Assignment and Amendment Agreement dated as of September 1, 2016 and amended as of March 31, 2018, among the Borrower, Care Providers Insurance Services, LLC, American Collectors Insurance, LLC, AIG, and National Union Fire Insurance Company of Pittsburgh, PA.

"Replacement Loans" has the meaning specified in Section 11.1(d).

"Repricing Transaction" means (a) any prepayment or repayment of the Initial Term Loans, the First Amendment Incremental Term Loans**, the Second Amendment Incremental Term Loans** or the Delayed-Draw Term Loans with the proceeds of, or any conversion of the Initial Term Loans, the First Amendment Incremental Term Loans**, the Second Amendment Incremental Term Loans** or the Delayed-Draw Term Loans into, any new or replacement tranche of term loans (including any Replacement Loans) bearing interest at All-In Yield less than All-In Yield applicable to the Initial Term Loans, the First Amendment Incremental Term Loans**, the Second Amendment Incremental Term Loans** or the Delayed-Draw Term Loans (determined consistent with generally accepted financial practice) and (b) any amendment to the Term Loan Facility that directly or indirectly reduces the All-In Yield applicable to the Initial Term Loans, the First **Amendment Incremental Term Loans, the Second** Amendment Incremental Term Loans or the Delayed-Draw Term Loans; provided that the primary purpose of such prepayment, repayment, conversion or amendment was to reduce the All-In Yield applicable to the Initial Term Loans, the First **Amendment Incremental Term Loans, the Second** Amendment Incremental Term Loans or the Delayed-Draw Term Loans; provided, further, that in no event shall any prepayments, repayments, conversions or amendments in connection with (i) a Qualifying IPO, (ii) a Change of Control or (iii) a material acquisition that is not a Permitted Acquisition constitute a Repricing Transaction.

"Revolving Credit Lender" means each Lender that has a Revolving Credit Commitment, holds a Revolving Loan or participates in any Swingline Loan or Letter of Credit.

"Revolving Credit Obligations" means all Obligations arising (a) under or with respect to the Revolving Credit Facility and (b) under any Secured Hedging Agreement that is provided by the Administrative Agent or any Affiliate thereof or by a Revolving Credit Lender.

"Revolving Credit Outstandings" means, at any time, the sum of, in each case to the extent outstanding at such time, (a) the aggregate principal amount of the Revolving Loans and Swingline Loans and (b) the L/C Obligations for all Letters of Credit.

"Revolving Credit Termination Date" shall mean the earliest of (a) the Scheduled Revolving Credit Termination Date, (b) the date of termination of the Revolving Credit Commitments pursuant to Section 2.5 or 9.2 and (c) the date on which the Obligations become due and payable pursuant to Section 9.2.

"Revolving Creditor" means each Revolving Credit Lender, the Swingline Lender, each L/C Issuer, and to the extent its claims arises in connection with the Revolving Credit Facility, each other Indemnitee and holder of a Revolving Credit Obligation of a Loan Party, including Secured Hedging Counterparties.

"Revolving Loan" has the meaning specified in Section 2.1(a).

"S&P" means Standard & Poor's Rating Services.

"Sale and Leaseback Transaction" means, with respect to any Person (the "obligor"), any Contractual Obligation or other arrangement with any other Person (the "counterparty") consisting of a lease by such obligor of any property that, directly or indirectly, has been or is to be Sold by the obligor to such counterparty or to any other Person to whom funds have been advanced by such counterparty based on a Lien on, or an assignment of, such property or any obligations of such obligor under such lease.

"Scheduled Maturity Date" means the later of the Scheduled Revolving Credit Termination Date, the Term Loan Maturity Date and each Incremental Term Loan Maturity Date.

"Scheduled Revolving Credit Termination Date" means May 11, 2023.

"Screen Rate" has the meaning specified in the definition of "Eurodollar Base Rate".

"Second Amendment" means the Second Amendment dated as of April 1, 2019, to this Agreement, among Holdings, the Borrower, the other Loan Parties party thereto, the Administrative Agent and the Lenders party thereto.

"Second Amendment Effective Date" means April 1, 2019.

"Second Amendment Incremental Term Loans" means the Incremental Term Loans provided pursuant to the Second Amendment.

"Secured Hedging Agreement" means any Hedging Agreement that (a) has been entered into with a Secured Hedging Counterparty, (b) in the case of a Hedging Agreement not entered into with or provided or arranged by the Administrative Agent or an Affiliate of the Administrative Agent, is

"Swingline Request" has the meaning specified in Section 2.3(b).

"Swingline Loan" has the meaning specified in Section 2.3(a).

"Tax Affiliate" means, Holdings, the Borrower and its Subsidiaries.

"Tax Returns" has the meaning specified in Section 4.8.

"Taxes" has the meaning specified in Section 2.17(a).

"Term Creditor" means each Term Loan Lender, each other holder of a Term Loan Obligation and, to the extent its claims arise in connection with the Term Loan Facility, each other Indemnitee.

"Term Loan Commitment" means, with respect to each Term Loan Lender, its Initial Term Loan Commitment, Delayed-Draw Term Loan Commitment, Incremental Term Loan Commitment and Extended/Modified Term Commitment.

"Term Loan Facility" means the Initial Term Loan Facility, the Delayed-Draw Term Loan Facility, the Incremental Term Loan Facility and the Extended/Modified Facility in respect of Extended/Modified Term Loans.

"Term Loan Lender" means each Lender that has a Term Loan Commitment or that holds a Term Loan.

"Term Loan Maturity Date" means May 11, 2024.

"Termination Date" means the means the first date on which (A) the Commitments have expired or terminated, (B) all Loans, all L/C Reimbursement Obligations and all other Obligations (including Obligations arising under Secured Hedging Agreements) that the Administrative Agent has been notified in writing are then due and payable by the holder of such Obligation have been paid and satisfied in full and (C) cash collateral with respect to all contingent Obligations has been deposited (or, in the case of any L/C Obligation, a back-up letter of credit has been issued and delivered to the Administrative Agent, or in the case of contingent Obligations arising under Secured Hedging Agreements, any other arrangements satisfactory to the applicable Secured Hedging Counterparty shall have been made) in amounts and on terms and conditions and with parties satisfactory to the Administrative Agent (or, in the case of contingent Obligations arising under Secured Hedging Agreements, satisfactory to the applicable Secured Hedging Counterparty).

"Term Loan Obligations" means all Obligations arising (a) under or in respect of the Initial Term Loan Facility, the Delayed-Draw Term Loan Facility, the Incremental Term Loan Facility and the Extended/Modified Facility in respect of Extended/Modified Term Loans, and (b) under any Secured Hedging Agreement that are not Revolving Credit Obligations.

"Term Loans" means the Initial Term Loans, the Delayed-Draw Term Loans, the Incremental Term Loans (including the First Amendment Incremental Term Loans **and the Second Amendment Incremental Term Loans**) and the Extended/Modified Term Loans.

"Title IV Plan" means a pension plan subject to Title IV of ERISA, other than a Multiemployer Plan, to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

outstanding principal amount of the Revolving Loans and Swingline Loans been equal to the Revolving Credit Commitments then in effect, in each case in the amount of such prepayment.

Section 2.6 Repayment of Loans. (a) The Borrower promises to repay the entire unpaid principal amount of the Revolving Loans and the Swingline Loans on the Scheduled Revolving Credit Termination Date.

(b) The Borrower promises to repay the Initial Term Loans on the Term Loan Maturity Date and, after giving effect to any prepayments applied thereto under Section 2.7 or 2.12, shall also repay the principal amount of the Initial Term Loans in consecutive quarterly installments on the last day of March, June, September and December of each year commencing on September 30, 2018, each of such quarterly installments to be in an amount equal to 0.25% of the original principal amount of the Initial Term Loans outstanding on the Closing Date; provided, however, that the final installment shall be due and payable on the Term Loan Maturity Date, if not sooner paid in full, and shall be in an amount equal to the entire remaining unpaid principal balance of the Initial Term Loans.

(c) The Borrower promises to repay the Delayed-Draw Term Loans on the Term Loan Maturity Date and, after giving effect to any prepayments applied thereto under Section 2.7 or 2.12, shall also repay the principal amount of each Delayed-Draw Term Loan in consecutive quarterly installments on the last day of March, June, September and December of each year commencing on the first scheduled installment date occurring at least one full fiscal quarter after the funding of such Delayed-Draw Term Loan, each of such quarterly installments to be equal to 0.25% of the original principal amount of such Delayed-Draw Term Loan; provided, however, that the final installment shall be due and payable on the Term Loan Maturity Date, if not sooner paid in full, and shall be in an amount equal to the entire remaining unpaid principal balance of all Delayed-Draw Term Loans; provided, further, that if any Delayed-Draw Term Loans are borrowed after any repayment is made on the Initial Term Loans pursuant to Section 2.6(a), the payment due with respect to the Initial Term Loans or the Delayed-Draw Term Loans, as applicable, shall be adjusted in an amount equal to the amount required so that the Delayed-Draw Term Loans and the Initial Term Loans shall be fungible.

(d) The Borrower promises to repay the First Amendment Incremental Term Loans on the Term Loan Maturity Date and, after giving effect to any prepayments applied thereto under Section 2.7 or 2.12, shall also repay the principal amount of the First Amendment Incremental Term Loans in consecutive quarterly installments on the last day of March, June, September and December of each year, commencing on March 31, 2019, each of such quarterly installments to be in an amount equal to 0.25% of the original principal amount of the First Amendment Incremental Term Loans outstanding on the First Amendment Effective Date; provided, however, that the final installment shall be due and payable on the Term Loan Maturity Date, if not sooner paid in full, and shall be in an amount equal to the entire remaining unpaid principal balance of the First Amendment Incremental Term Loans.

(e) The Borrower promises to repay the Second Amendment Incremental Term Loans on the Term Loan Maturity Date and, after giving effect to any prepayments applied thereto under Section 2.7 or 2.12, shall also repay the principal amount of the Second Amendment Incremental Term Loans in consecutive quarterly installments on the last day of March, June, September and December of each year, commencing on September 30, 2019, each of such quarterly installments to be in an amount equal to 0.25% of the original principal amount of the Second Amendment Incremental Term Loans outstanding on the Second Amendment Effective Date; provided, however, that the final installment shall be due and payable on the Term Loan Maturity Date, if not sooner paid in full, and shall be in an amount equal to the entire remaining unpaid principal balance of the Second Amendment Incremental Term Loans.

Section 2.7 Optional Prepayments. The Borrower may prepay the outstanding principal amount of any Loan in whole or in part at any time without premium or penalty, in each case together with (except in the case of partial prepayments of the Revolving Loan without a permanent reduction of the Revolving Credit Commitment) (a) any accrued interest that may be owing pursuant to Section 2.9, (b) any breakage costs that may be owing pursuant to Section 2.16(a) after giving effect to such prepayment and (c) with respect to the Initial Term Loans, First **Amendment Incremental Term Loans, Second** Amendment Incremental Term Loans or Delayed-Draw Term Loans only, the premium set forth in Section 2.11(e); provided, however, that each partial prepayment that is not of the entire outstanding amount under any Facility shall be in an aggregate amount that is an integral multiple of \$100,000.

Section 2.8 Mandatory Prepayments. (a) Excess Cash Flow. The Borrower shall pay or cause to be paid to the Administrative Agent, within 5 Business Days after the last date Financial Statements can be delivered pursuant to Section 6.1(c) for any Fiscal Year (the "ECF Payment Date"), beginning with the Fiscal Year ending December 31, 2019, an amount equal to 50% of Excess Cash Flow for such Fiscal Year; provided, however, that in the event that the Consolidated Total Leverage Ratio of the Group Members in effect as of the last day of such Fiscal Year is equal to or less than 3.50:1.00, but greater than 3.00:1.00, such percentage shall be reduced to 25%; provided, further, that in the event that the Consolidated Total Leverage Ratio of the Group Members in effect as of the last day of such Fiscal Year is equal to or less than 3.00:1.00, such percentage shall be reduced to 0%; provided, further, that (x) voluntary prepayments of the Term Loans, Replacement Loans or Incremental Equivalent Debt that is secured on a *pari passu* basis with the Initial Term Loans made during such Fiscal Year or prior to the ECF Payment Date (calculated on a Dollar Equivalent basis and without duplication of any amounts deducted in the calculation of Excess Cash Flow in any prior Fiscal Year), (y) voluntary prepayments of the Revolving Loans made during such Fiscal Year or prior to the ECF Payment Date (without duplication of any amounts deducted in the calculation of Excess Cash Flow in any prior Fiscal Year) to the extent accompanied by an equal permanent reduction in the Revolving Credit Commitments and (z) the amount of any reduction in the outstanding amount of any Term Loans resulting from any assignment made in accordance with Section 11.2(h) prior to the date such payment is due and, in each case under this clause (z), based upon the actual amount of cash paid by the Borrower and any of its Restricted Subsidiaries in connection with the relevant assignment, in each case, excluding any such optional prepayments made during such Fiscal Year that reduced the amount required to be prepaid pursuant to this Section 2.8(a) in the prior Fiscal Year, in each case shall reduce on a dollar-for-dollar basis the amount otherwise required to be prepaid; provided, further, that if at the time that any such prepayment would be required, the Borrower or any Restricted Subsidiary is required to prepay or offer to repurchase any Indebtedness that is secured on a *pari passu* basis with the Initial Term Loans pursuant to the terms of the documentation governing such Indebtedness (such Indebtedness required to be so prepaid or offered to be so repurchased, "Other Applicable Indebtedness") with any portion of the amount otherwise required to be prepaid, then the Borrower may apply such portion of the amount otherwise required to be prepaid on a pro rata basis (determined on the basis of the aggregate outstanding principal amount of the Term Loans and the relevant Other Applicable Indebtedness at such time; provided, that the portion of such amount otherwise required to be prepaid allocated to the Other Applicable Indebtedness shall not exceed the amount of such amount otherwise required to be prepaid required to be allocated to the Other Applicable Indebtedness pursuant to the terms thereof, and the remaining amount, if any, of such amount otherwise required to be prepaid shall be allocated to the Term Loans in accordance with the terms hereof) to the prepayment of the Term Loans and to the prepayment or repurchase of the relevant Other Applicable Indebtedness, and the amount of prepayment of the Term Loans that would have otherwise been required pursuant to this Section 2.8(a) shall be reduced accordingly; provided, further, that to the extent the holders of the Other Applicable Indebtedness decline to have such Indebtedness prepaid or repurchased, the declined amount shall promptly (and in any event within 10 Business Days after the date of such rejection) be applied to prepay the Term Loans in accordance with the terms hereof.

with a Sale, which refinancing or Sale shall not be consummated or shall otherwise be delayed) and all amounts subject to such notice shall be due and payable on the Prepayment Date (except as otherwise provided in the last sentence of this Section 2.8(h)). Upon receipt by the Administrative Agent of such notice, the Administrative Agent shall immediately give notice to each Lender of the prepayment, the Prepayment Date and of such Lender's Pro Rata Share of the prepayment. Each Lender may elect (in its sole discretion) to decline all (but not less than all) of its Pro Rata Share of any mandatory prepayment (other than a mandatory prepayment pursuant to Section 2.8(d)) by giving notice of such election in writing to the Administrative Agent by 11:00 a.m. (New York time), on the date that is one Business Day after the date of such Lender's receipt of notice from the Administrative Agent regarding such prepayment. If a Lender fails to deliver a notice of election declining receipt of its Pro Rata Share of such mandatory prepayment to the Administrative Agent within the time frame specified above, any such failure will be deemed to constitute an acceptance of such Lender's Pro Rata Share of the total amount of such mandatory prepayment of Term Loans. Upon receipt by the Administrative Agent of such notice, the Administrative Agent shall immediately notify the Borrower of such election. Any amount so declined by any Lender shall be retained by the Borrower and its Restricted Subsidiaries or applied by the Borrower or any of the Restricted Subsidiaries in any manner permitted under the terms of this Agreement.

(i) Except as otherwise contemplated by this Agreement or provided in, or intended with respect to, any amendment with respect to Replacement Loans, any Incremental Amendment or any Extension/Modification Amendment (provided, that such Replacement Loans, Incremental Amendment or Extension/Modification Amendment may not provide that the applicable tranche of Term Loans receive a greater than pro rata portion of mandatory prepayments of Term Loans pursuant to Section 2.8 than would otherwise be permitted by this Agreement), each prepayment of Term Loans pursuant to this Section 2.8 shall be applied ratably to the Initial Term Loans, Delayed-Draw Term Loans, First Amendment Incremental Term Loans and **Second Amendment Incremental Term Loans** then outstanding and each tranche of Term Loans then outstanding that is *pari passu* in right of payment and with respect to security with the Obligations that are secured on a first lien basis.

Section 2.9 Interest. (a) Rate. All Loans and the outstanding amount of all other Obligations (other than pursuant to Secured Hedging Agreements) shall bear interest, in the case of Loans, on the unpaid principal amount thereof from the date such Loans are made and, in the case of such other Obligations, from the date such other Obligations are due and payable until, in all cases, paid in full, except as otherwise provided in clause (c) below, as follows: (i) in the case of Base Rate Loans, at a rate *per annum* equal to the sum of the Base Rate and the Applicable Margin, each as in effect from time to time, (ii) in the case of Eurodollar Rate Loans, at a rate *per annum* equal to the sum of the Eurodollar Rate and the Applicable Margin, each as in effect for the applicable Interest Period, and (iii) in the case of other Obligations, at a rate *per annum* equal to the sum of the Base Rate and the Applicable Margin for Revolving Loans that are Base Rate Loans, each as in effect from time to time.

(b) Payments. Interest accrued shall be payable in arrears (i) if accrued on the principal amount of any Loan, (A) at maturity (whether by acceleration or otherwise), (B) if such Loan is a Term Loan, upon the payment or prepayment of the principal amount on which such interest has accrued and (C)(1) if such Loan is a Base Rate Loan (including a Swingline Loan), on the last day of each calendar quarter commencing on the first such day following the making of such Loan and (2) if such Loan is a Eurodollar Rate Loan, on the last day of each Interest Period applicable to such Loan and, if applicable, on each date during such Interest Period occurring every 3 months from the first day of such Interest Period, and (ii) if accrued on any other Obligation, on demand from and after the time such Obligation is due and payable (whether by acceleration or otherwise).

(e) Prepayment Premium. In the event that, prior to the date that is 12 months after the Closing Date, the Borrower (i) prepays, repays, refinances, substitutes or replaces any Initial Term Loans, First **Amendment Incremental Term Loans, Second** Amendment Incremental Term Loans or Delayed-Draw Term Loans in connection with a Repricing Transaction or (ii) in connection with any Repricing Transaction referred to in clause (b) of the definition of such term, the Borrower causes any Lender to assign its Term Loans pursuant to Section 2.18, the Borrower shall pay to the Administrative Agent, for the ratable account of each of the applicable Term Loan Lenders, (A) in the case of clause (i), a premium of 1.00% of the aggregate principal amount of such Term Loans so prepaid, repaid, refinanced, substituted or replaced and (B) in the case of clause (ii), a fee equal to 1.00% of the aggregate principal amount of such Term Loans that are the subject of such Repricing Transaction and that are required to be assigned by any Term Loan Lender pursuant to Section 2.18(a)(v) as a result of, or in connection with, such Term Loan Lender not agreeing or otherwise consenting to any amendment referred to in clause (b) of the definition of Repricing Transaction. All such amounts shall be due and payable on the date of effectiveness of such Repricing Transaction.

Section 2.12 Application of Payments. (a) Application of Voluntary Prepayments. Unless otherwise provided in this Section 2.12 or elsewhere in any Loan Document, all payments and any other amounts received by the Administrative Agent from or for the benefit of the Borrower pursuant to Section 2.7 shall be applied to repay the Obligations the Borrower designates; provided that all prepayments pursuant to this Section 2.12(a) that are to be applied to the Term Loans shall be applied pro rata between the Initial Term Loans, the First **Amendment Incremental Term Loans, the Second** Amendment Incremental Term Loans and the Delayed-Draw Term Loans (if any) based on the then outstanding principal balances thereof.

(b) Application of Mandatory Prepayments. Subject to the provisions of clause (c) below with respect to the application of payments after the exercise of remedies provided for in Section 9.2, any payment made by the Borrower to an Agent pursuant to Section 2.8 or any other prepayment of the Obligations required to be applied in accordance with this clause (b) shall be applied:

(i) in the case of Sections 2.8(a), 2.8(b) and 2.8(c), first, to repay the next eight remaining installments of the Term Loans in forward order of maturity and thereafter to repay ratably the remaining installments of the Term Loans until paid in full, second, to repay the outstanding principal balance of the Revolving Loans and Swingline Loans without a corresponding permanent reduction in the Revolving Credit Commitments until paid in full, and third, to provide cash collateral for the L/C Obligations to the extent and in the manner provided in Section 9.3, and then, any excess shall be retained by the Borrower; and

(ii) in the case of Section 2.8(d), first, to the repay the outstanding principal balance of the Swingline Loans until paid in full, second, to repay the outstanding principal balance of the Revolving Loans without a corresponding permanent reduction in the Revolving Credit Commitments until paid in full and third, to provide cash collateral for the L/C Obligations to the extent and in the manner provided in Section 9.3.

All prepayments pursuant to this Section 2.12(b) that are to be applied to the Term Loans shall be applied pro rata between the Initial Term Loans, the First **Amendment Incremental Term Loans, the Second** Amendment Incremental Term Loans and the Delayed-Draw Term Loans.

(c) Application of Payments. After the exercise of remedies provided for in Section 9.2 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 9.2), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

Exhibit 31.1

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, G. Manning Rountree, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2019
By:

/s/ G. Manning Rountree
Chief Executive Officer
(Principal Executive Officer)

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Reid T. Campbell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2019
By:

/s/ Reid T. Campbell
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**PRINCIPAL EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd. (the “Company”), for the period ending March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, G. Manning Rountree, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ G. Manning Rountree
Chief Executive Officer
(Principal Executive Officer)

May 6, 2019

Exhibit 32.2

**PRINCIPAL FINANCIAL OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd. (the "Company"), for the period ending March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Reid T. Campbell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,

- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Reid T. Campbell

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

May 6, 2019