

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

FORM 10-Q

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

For the period ended September 30, 2013

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**

(State or other jurisdiction of  
incorporation or organization)

**94-2708455**

(I.R.S. Employer  
Identification No.)

**80 South Main Street,  
Hanover, New Hampshire**

(Address of principal executive offices)

**03755-2053**

(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of October 28, 2013, 6,176,739 common shares with a par value of \$1.00 per share were outstanding (which includes 95,630 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 SHEET**

(Millions, except share amounts)	September 30, 2013	December 31, 2012
<b>Assets</b>	<b>Unaudited</b>	
Fixed maturity investments, at fair value	\$ 4,914.0	\$ 5,196.2
Short-term investments, at amortized cost (which approximates fair value)	648.0	630.6
Common equity securities, at fair value	1,110.7	1,029.7
Convertible fixed maturity investments, at fair value	84.8	127.4
Other long-term investments	300.0	294.2
Total investments	7,057.5	7,278.1
Cash (restricted: \$74.4 and \$249.8)	411.0	462.4
Reinsurance recoverable on unpaid losses	416.0	429.1
Reinsurance recoverable on paid losses	18.8	17.9
Insurance and reinsurance premiums receivable	684.9	556.3
Funds held by ceding companies	101.1	127.4
Investments in unconsolidated affiliates	331.7	387.9
Deferred acquisition costs	188.2	195.3
Deferred tax asset	555.5	569.6
Ceded unearned insurance and reinsurance premiums	116.4	91.8
Accrued investment income	33.7	45.9
Accounts receivable on unsettled investment sales	38.2	3.9
Other assets	397.3	503.0
Assets held for sale	1,957.2	2,226.8
<b>Total assets</b>	<b>\$ 12,307.5</b>	<b>\$ 12,895.4</b>
<b>Liabilities</b>		
Loss and loss adjustment expense reserves	\$ 3,108.1	\$ 3,168.9
Unearned insurance and reinsurance premiums	1,010.3	924.1
Variable annuity benefit guarantee	143.7	441.5
Debt	676.3	751.2
Deferred tax liability	329.6	341.3
Accrued incentive compensation	161.6	159.0
Ceded reinsurance payable	153.6	116.5
Funds held under reinsurance treaties	89.1	43.7
Accounts payable on unsettled investment purchases	28.1	11.4
Other liabilities	362.7	452.8
Liabilities held for sale	1,957.2	2,226.8
<b>Total liabilities</b>	<b>8,020.3</b>	<b>8,637.2</b>
<b>Equity</b>		
<b>White Mountains' common shareholders' equity</b>		
White Mountains' common shares at \$1 par value per share - authorized 50,000,000 shares; issued and outstanding 6,176,739 and 6,290,964 shares	6.2	6.3
Paid-in surplus	1,040.4	1,050.9
Retained earnings	2,684.4	2,542.7
Accumulated other comprehensive income, after tax:		
Equity in net unrealized (losses) gains from investments in unconsolidated affiliates	(23.5)	57.7
Net unrealized foreign currency translation gains	93.5	85.7
Pension liability and other	(11.0)	(11.5)
<b>Total White Mountains' common shareholders' equity</b>	<b>3,790.0</b>	<b>3,731.8</b>
<b>Non-controlling interests</b>		
Non-controlling interest - OneBeacon Ltd.	263.3	251.4
Non-controlling interest - SIG Preference Shares	250.0	250.0
Non-controlling interest - HG Global	16.6	16.6
Non-controlling interest - BAM	(80.7)	(36.0)
Non-controlling interest - other	48.0	44.4
<b>Total non-controlling interests</b>	<b>497.2</b>	<b>526.4</b>
<b>Total equity</b>	<b>4,287.2</b>	<b>4,258.2</b>
<b>Total liabilities and equity</b>	<b>\$ 12,307.5</b>	<b>\$ 12,895.4</b>

See Notes to Consolidated Financial Statements



**WHITE MOUNTAINS INSURANCE GROUP, LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**Unaudited**

(Millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Earned insurance and reinsurance premiums	\$ 500.4	\$ 536.8	\$ 1,493.3	\$ 1,545.3
Net investment income	27.3	37.6	84.5	119.8
Net realized and unrealized investment gains	28.2	72.7	66.1	123.2
Other revenue	18.2	50.3	46.9	81.0
Total revenues	<u>574.1</u>	<u>697.4</u>	<u>1,690.8</u>	<u>1,869.3</u>
<b>Expenses:</b>				
Loss and loss adjustment expenses	278.3	308.1	797.2	821.7
Insurance and reinsurance acquisition expenses	106.7	107.6	281.0	326.2
Other underwriting expenses	80.4	76.6	244.0	228.4
General and administrative expenses	41.5	58.7	125.5	146.3
Interest expense on debt	11.9	11.3	32.4	33.1
Total expenses	<u>518.8</u>	<u>562.3</u>	<u>1,480.1</u>	<u>1,555.7</u>
<b>Pre-tax income from continuing operations</b>	<b>55.3</b>	<b>135.1</b>	<b>210.7</b>	<b>313.6</b>
Income tax expense	(8.2)	(47.8)	(49.2)	(85.3)
<b>Net income from continuing operations</b>	<b>47.1</b>	<b>87.3</b>	<b>161.5</b>	<b>228.3</b>
Loss from sale of discontinued operations, net of tax	—	(91.0)	—	(91.0)
Net income (loss) from discontinued operations, net of tax	.4	(15.8)	4.8	(24.5)
<b>Income (loss) before equity in earnings of unconsolidated affiliates</b>	<b>47.5</b>	<b>(19.5)</b>	<b>166.3</b>	<b>112.8</b>
Equity in earnings of unconsolidated affiliates, net of tax	8.6	7.7	24.9	24.4
<b>Net income (loss)</b>	<b>56.1</b>	<b>(11.8)</b>	<b>191.2</b>	<b>137.2</b>
Net loss attributable to non-controlling interests	1.1	30.9	12.7	2.0
<b>Net income attributable to White Mountains' common shareholders</b>	<b>57.2</b>	<b>19.1</b>	<b>203.9</b>	<b>139.2</b>
<b>Other comprehensive income, net of tax:</b>				
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates	(7.2)	32.3	(81.2)	59.3
Change in foreign currency translation and other	46.6	39.6	8.4	33.3
<b>Comprehensive income</b>	<b>96.6</b>	<b>91.0</b>	<b>131.1</b>	<b>231.8</b>
Comprehensive (income) loss attributable to non-controlling interests	(.1)	.4	(.1)	.4
<b>Comprehensive income attributable to White Mountains' common shareholders</b>	<b>\$ 96.5</b>	<b>\$ 91.4</b>	<b>\$ 131.0</b>	<b>\$ 232.2</b>
<b>Income (loss) per share attributable to White Mountains' common shareholders</b>				
<b>Basic income (loss) per share</b>				
Continuing operations	\$ 9.20	\$ 19.11	\$ 32.05	\$ 36.96
Discontinued operations	.06	(16.21)	.78	(16.77)
Total consolidated operations	<u>\$ 9.26</u>	<u>\$ 2.90</u>	<u>\$ 32.83</u>	<u>\$ 20.19</u>
<b>Diluted income (loss) per share</b>				
Continuing operations	\$ 9.20	\$ 19.11	\$ 32.05	\$ 36.96
Discontinued operations	.06	(16.21)	.78	(16.77)
Total consolidated operations	<u>\$ 9.26</u>	<u>\$ 2.90</u>	<u>\$ 32.83</u>	<u>\$ 20.19</u>
<b>Dividends declared per White Mountains' common share</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1.00</b>	<b>\$ 1.00</b>

See Notes to Consolidated Financial Statements

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

(Millions)	White Mountains' Common Shareholders' Equity					
	Common shares and paid-in surplus	Retained earnings	AOCl, after tax	Total	Non-controlling interest	Total Equity
<b>Balance at January 1, 2013</b>	\$ 1,057.2	\$ 2,542.7	\$ 131.9	\$ 3,731.8	\$ 526.4	\$ 4,258.2
Net income (loss)	—	203.9	—	203.9	(12.7)	191.2
Net change in unrealized losses from investments in unconsolidated affiliates	—	—	(81.2)	(81.2)	—	(81.2)
Net change in foreign currency translation	—	—	7.8	7.8	—	7.8
Net change in pension liability and other accumulated comprehensive items	—	—	.5	.5	0.1	.6
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>203.9</b>	<b>(72.9)</b>	<b>131.0</b>	<b>(12.6)</b>	<b>118.4</b>
Dividends declared on common shares	—	(6.2)	—	(6.2)	—	(6.2)
Dividends to non-controlling interests	—	—	—	—	(25.1)	(25.1)
Repurchases and retirements of common shares	(23.8)	(56.0)	—	(79.8)	—	(79.8)
Issuances of common shares	1.0	—	—	1.0	—	1.0
Net contributions from non-controlling interests	—	—	—	—	7.7	7.7
Amortization of restricted share awards	12.2	—	—	12.2	.8	13.0
<b>Balance at September 30, 2013</b>	<b>\$ 1,046.6</b>	<b>\$ 2,684.4</b>	<b>\$ 59.0</b>	<b>\$ 3,790.0</b>	<b>\$ 497.2</b>	<b>\$ 4,287.2</b>

(Millions)	White Mountains' Common Shareholders' Equity					
	Common shares and paid-in surplus	Retained earnings	AOCl, after tax	Total	Non-controlling interest	Total Equity
<b>Balance at January 1, 2012</b>	\$ 1,261.3	\$ 2,789.7	\$ 36.7	\$ 4,087.7	\$ 580.2	\$ 4,667.9
Net income (loss)	—	139.2	—	139.2	(2.0)	137.2
Net change in unrealized gains from investments in unconsolidated affiliates	—	—	59.3	59.3	—	59.3
Net change in foreign currency translation	—	—	34.7	34.7	—	34.7
Net change in pension liability and other accumulated comprehensive items	—	—	(1.0)	(1.0)	(.4)	(1.4)
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>139.2</b>	<b>93.0</b>	<b>232.2</b>	<b>(2.4)</b>	<b>229.8</b>
Dividends declared on common shares	—	(6.6)	—	(6.6)	—	(6.6)
Dividends to non-controlling interests	—	—	—	—	(24.5)	(24.5)
Repurchases and retirements of common shares	(172.6)	(344.9)	—	(517.5)	—	(517.5)
Issuances of common shares	5.8	—	—	5.8	—	5.8
Net contributions from non-controlling interests	—	—	—	—	13.0	13.0
Amortization of restricted share awards	9.9	—	—	9.9	.6	10.5
Allocation of fair value of net assets acquired to noncontrolling interests	\$ (2.2)	\$ —	\$ —	\$ (2.2)	\$ 2.2	\$ —
<b>Balance at September 30, 2012</b>	<b>\$ 1,102.2</b>	<b>\$ 2,577.4</b>	<b>\$ 129.7</b>	<b>\$ 3,809.3</b>	<b>\$ 569.1</b>	<b>\$ 4,378.4</b>

See Notes to Consolidated Financial Statements

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

(Millions)	Nine Months Ended	
	September 30,	
	2013	2012
<b>Cash flows from operations:</b>		
Net income	\$ 191.2	\$ 137.2
Charges (credits) to reconcile net income to net cash (used for) provided from operations:		
Net realized and unrealized investment gains	(66.1)	(123.2)
Deferred income tax expense	5.4	50.4
Net (income) loss from discontinued operations	(4.8)	24.5
Net loss on sale of discontinued operation	—	91.0
Gain on sale of subsidiary - Essentia	(23.0)	—
Excess of fair value of acquired net assets over cost - American Fuji	(6.9)	—
Undistributed equity in earnings from unconsolidated affiliates, net of tax	(24.9)	(24.4)
Other operating items:		
Net change in loss and loss adjustment expense reserves	(95.1)	(241.6)
Net change in reinsurance recoverable on paid and unpaid losses	15.5	98.1
Net change in unearned insurance and reinsurance premiums	91.2	206.6
Net change in variable annuity benefit guarantee liabilities	(297.8)	(96.1)
Net change in variable annuity benefit guarantee derivative instruments	6.8	48.3
Net change in deferred acquisition costs	7.6	(21.9)
Net change in funds held by ceding companies	36.0	5.3
Net change in ceded unearned premiums	(30.6)	(22.1)
Net change in funds held under reinsurance treaties	44.8	1.9
Net change in insurance and reinsurance premiums receivable	(143.8)	(206.9)
Net change in ceded reinsurance payable	53.2	31.5
Net change in restricted cash	175.4	111.8
Net change in other assets and liabilities, net	88.6	(43.4)
Net cash provided from operations - continuing operations	22.7	27.0
Net cash used for operations - discontinued operations	(93.5)	(155.6)
<b>Net cash used for operations</b>	<b>(70.8)</b>	<b>(128.6)</b>
<b>Cash flows from investing activities:</b>		
Net change in short-term investments	(9.9)	(127.3)
Sales of fixed maturity and convertible fixed maturity investments	3,350.9	4,918.8
Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments	380.0	408.7
Sales of common equity securities	412.5	99.7
Distributions and redemptions of other long-term investments	36.6	20.9
Sales of consolidated and unconsolidated affiliates, net of cash sold	31.3	9.8
Funding of operational cash flows for discontinued operations	(93.5)	(155.6)
Purchases of other long-term investments	(31.7)	(28.8)
Purchases of common equity securities	(357.6)	(284.2)
Purchases of fixed maturity and convertible fixed maturity investments	(3,403.8)	(4,239.0)
Purchases of consolidated and unconsolidated affiliates, net of cash acquired	(9.2)	—
Net change in unsettled investment purchases and sales	(17.8)	(149.5)
Net acquisitions of property and equipment	(10.4)	(1.5)
Net cash provided from investing activities - continuing operations	277.4	472.0
Net cash provided from investing activities - discontinued operations	93.5	155.6
<b>Net cash provided from investing activities</b>	<b>370.9</b>	<b>627.6</b>
<b>Cash flows from financing activities:</b>		
Draw down of revolving line of credit	150.0	—
Repayment of revolving line of credit	(225.0)	—
Payments on capital lease obligation	(4.0)	—
Cash dividends paid to the Company's common shareholders	(6.2)	(6.6)
Cash dividends paid to OneBeacon Ltd.'s non-controlling common shareholders	(14.9)	(14.9)
Cash dividends paid on SIG Preference Shares	(9.4)	(9.4)
Common shares repurchased	(79.8)	(517.5)
Capital contributions from non-controlling interest of consolidated LPs	1.6	—
Redemptions paid to non-controlling interest of consolidated LPs	(7)	—
Purchase of interest rate cap	(9.9)	—

Collateral provided by interest rate cap counterparties	9.7	—
Capital contributions from BAM members	11.5	—
Net cash used for financing activities - continuing operations	(177.1)	(548.4)
Net cash (used for) provided from financing activities - discontinued operations	—	—
<b>Net cash used for financing activities</b>	<b>(177.1)</b>	<b>(548.4)</b>
<b>Effect of exchange rate changes on cash</b>	<b>1.0</b>	<b>3.0</b>
<b>Net change in cash during the period</b>	<b>124.0</b>	<b>(46.4)</b>
Cash reclassified from assets held for sale (cash sold of \$0 and \$3.5)	—	2.0
Cash balances at beginning of period (excludes restricted cash balances of \$249.8 and \$453.5)	212.6	251.9
<b>Cash balances at end of period (excludes restricted cash balances of \$74.4 and \$341.7)</b>	<b>\$ 336.6</b>	<b>\$ 207.5</b>
<b>Supplemental cash flows information:</b>		
Interest paid	\$ (32.0)	\$ (21.4)
Net income tax payments to national governments	\$ (1.5)	\$ (6.5)

See Notes to Consolidated Financial Statements



**Note 1. Summary of Significant Accounting Policies**

**Basis of Presentation**

These interim consolidated financial statements include the accounts of White Mountains Insurance Group, Ltd. (the “Company” or the “Registrant”) and its subsidiaries (collectively, with the Company, “White Mountains”) and have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its property and casualty insurance and reinsurance subsidiaries and affiliates. The Company’s headquarters is located at 14 Wesley 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. White Mountains’ reportable segments are OneBeacon, Sirius Group, HG Global/BAM and Other Operations.

The OneBeacon segment consists of OneBeacon Insurance Group, Ltd. (“OneBeacon Ltd.”), an exempted Bermuda limited liability company that owns a family of property and casualty insurance companies (collectively, “OneBeacon”). OneBeacon is a specialty property and casualty insurance writer that offers a wide range of insurance products in the United States through independent agencies, regional and national brokers, wholesalers and managing general agencies. During the third quarter of 2013, OneBeacon formed Split Rock Insurance, Ltd. (“Split Rock”), a Bermuda-based reinsurance company, to reinsure certain of its risks. As of both September 30, 2013 and December 31, 2012, White Mountains owned 75.2% of OneBeacon Ltd.’s outstanding common shares.

As discussed further in **Note 2**, OneBeacon entered into a definitive agreement to sell its runoff business in October 2012 (the “Runoff Transaction”) and sold its AutoOne Insurance business (“AutoOne”) in February 2012. Accordingly, the runoff business and AutoOne are presented as discontinued operations. Assets and liabilities associated with the runoff business as of September 30, 2013 and December 31, 2012 have been presented as held for sale in the financial statements. Prior year income statement and cash flow amounts have been reclassified to conform to the current year’s presentation. (See **Note 15** for discontinued operations.)

The Sirius Group segment consists of Sirius International Insurance Group, Ltd., an exempted Bermuda limited liability company, and its subsidiaries (collectively, “Sirius Group”). Sirius Group provides insurance and reinsurance products for property, accident and health, aviation and space, trade credit, marine, agriculture and certain other exposures on a worldwide basis through its primary subsidiaries, Sirius International Insurance Corporation (“Sirius International”), Sirius America Insurance Company (“Sirius America”) and Lloyds Syndicate 1945 (“Syndicate 1945”). Sirius Group also specializes in the acquisition and management of runoff insurance and reinsurance companies both in the United States and internationally through its White Mountains Solutions division (“WM Solutions”).

The HG Global/BAM segment consists of White Mountains’ investment in HG Global Ltd. (“HG Global”) and the consolidated results of Build America Mutual Assurance Company (“BAM”). During the third quarter of 2012, White Mountains capitalized HG Global with approximately \$600 million to fund the start-up of BAM. BAM is a municipal bond insurer domiciled in New York that was established to provide insurance on bonds issued to support essential U.S. public purposes such as schools, utilities, core governmental functions and existing transportation facilities. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of \$503 million of surplus notes issued by BAM (the “BAM Surplus Notes”). HG Global, through its wholly-owned subsidiary, HG Re Ltd. (“HG Re”), also provides 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. As of both September 30, 2013 and December 31, 2012, White Mountains owned 97.3% of HG Global’s preferred equity and 88.7% of its common equity. White Mountains does not have an ownership interest in BAM, which is a mutual insurance company owned by its members. However, GAAP requires White Mountains to consolidate BAM’s results in its financial statements. BAM’s results are attributed to non-controlling interests.

White Mountains’ Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC (“WM Advisors”), White Mountains’ variable annuity reinsurance business, White Mountains Life Reinsurance (Bermuda) Ltd. (“WM Life Re”), which is in runoff, as well as various other entities not included in other segments. Prior to 2012, the Other Operations segment also included the consolidated results of the Tuckerman Capital, LP fund (“Tuckerman Fund I”). On December 31, 2011, Tuckerman Fund I was dissolved and all of the net assets of the fund were distributed to the owners of the fund, of which White Mountains owned approximately 94%. In conjunction with the dissolution, White Mountains received a portion of the shares of Hamer, LLC (“Hamer”) and Bri-Mar Manufacturing, LLC (“Bri-Mar”), two small manufacturing companies. Prior to the dissolution, Tuckerman Fund I was consolidated within White Mountains’ financial statements. The consolidated results of Hamer and Bri-Mar are included in the Other Operations segment from January 1, 2012 through September 30, 2012, from which point these companies were no longer consolidated by White Mountains.

White Mountains' discontinued operations consist of OneBeacon's runoff business and AutoOne. The OneBeacon runoff business included assets and liabilities that were principally related to non-specialty commercial lines and certain other runoff business that it no longer writes, including nearly all of its asbestos and environmental reserves. AutoOne was formed by OneBeacon in 2001 to provide products and services to automobile assigned risk markets primarily in New York and New Jersey.

All significant intercompany transactions have been eliminated in consolidation. These interim financial statements include all adjustments considered necessary by management to fairly present 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 2012 Annual Report on Form 10-K.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation. Refer to the Company's 2012 Annual Report on Form 10-K for a complete discussion regarding White Mountains' significant accounting policies.

#### *Non-controlling Interests*

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

The percentage of the non-controlling shareholders' ownership interest in OneBeacon Ltd. at both September 30, 2013 and December 31, 2012 was 24.8%.

In July 2012, HG Global was capitalized with \$594.5 million from White Mountains and \$14.5 million from certain management personnel of BAM, the latter of which is included in non-controlling interest. Upon closing, certain BAM management personnel also received additional common and preferred shares of HG Global that resulted in a \$2.2 million allocation of the carrying value of White Mountains' investment in HG Global to the non-controlling interest, which was recorded as an adjustment to paid-in surplus in White Mountains' consolidated statement of changes in equity.

White Mountains is required to consolidate BAM in its GAAP financial statements. However, since BAM is a mutual insurance company that is owned by its members, BAM's results do not affect White Mountains' common shareholders' equity as they are attributable to non-controlling interests. For the three and nine months ended September 30, 2013, BAM reported \$11.4 million and \$52.4 million in after-tax losses that have been allocated to non-controlling interest.

In May 2007, Sirius International Group, Ltd. ("SIG"), an intermediate holding company of Sirius Group, issued \$250 million non-cumulative perpetual preference shares, with a \$1,000 per share liquidation preference (the "SIG Preference Shares"), and received \$245.7 million of proceeds, net of \$4.3 million of issuance costs and commissions. SIG Preference Shares and dividends thereon are included in non-controlling interest on the balance sheet and on the statement of income and comprehensive income. The SIG Preference Shares have an initial fixed annual dividend rate of 7.506%. In June 2017, the fixed rate will move to a floating rate equal to the greater of (i) 7.506% and (ii) 3-month LIBOR plus 320 bps. In July 2013, SIG executed a 5-year forward LIBOR cap (the "Interest Rate Cap") for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period. The Interest Rate Cap fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The Interest Rate Cap is recorded in other assets at fair value. Changes in fair value are recorded in other revenue.

At September 30, 2013 and December 31, 2012, the non-controlling equity interest in White Mountains' consolidated limited partnerships was \$45.1 million and \$41.5 million. At September 30, 2013 and December 31, 2012, the non-controlling equity interest in A.W.G. Dewar Inc, a subsidiary of OneBeacon, was \$2.9 million and \$2.8 million. On September 30, 2013, Sirius Group purchased the remaining 25.0% ownership in one of its subsidiaries, Passage2Health Limited, and now owns 100.0%. At December 31, 2012, the non-controlling equity interest in Passage2Health Limited was \$0.2 million.

## Recently Adopted Changes in Accounting Principles

### *Policy Acquisition Costs*

On January 1, 2012, White Mountains adopted ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* (ASC 944). The new standard changes the types of policy acquisition costs that are eligible for deferral. Specifically, the new guidance limits deferrable costs to those that are incremental direct costs of contract acquisition and certain costs related to acquisition activities performed by the insurer, such as underwriting, policy issuance and processing, medical and inspection costs and sales force contract selling. The ASU defines incremental direct costs as those costs that result directly from and were essential to the contract acquisition and would not have been incurred absent the acquisition. Accordingly, under the new guidance, deferrable acquisition costs are limited to costs related to successful contract acquisitions. Acquisition costs that are not eligible for deferral are to be charged to expense in the period incurred.

White Mountains adopted ASU 2010-26 prospectively. Upon adoption, certain acquisition costs, primarily a portion of the profit sharing commissions associated with OneBeacon's collector car and boat business, no longer met the criteria for deferral. During the year ended December 31, 2012, White Mountains recognized \$5.6 million of expense related to such previously deferrable acquisition costs that, if White Mountains had adopted ASU 2010-26 retrospectively, would have been recognized during 2011.

### *Fair Value Measurements*

On January 1, 2012, White Mountains adopted ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements* in U.S. GAAP and IFRS. The ASU clarifies existing guidance with respect to the concepts of highest and best use and valuation premise and measuring instruments classified within a reporting entity's shareholders' equity. The ASU also clarifies disclosure requirements, requiring disclosure of quantitative information about unobservable inputs used in Level 3 fair value measurements. The ASU also amends existing guidance. In circumstances where a reporting entity manages a portfolio of financial assets and liabilities based on the net market and counterparty credit risk exposures, the ASU permits determination of the fair value of those instruments to be based on the net risk exposure. In addition, the ASU permits the application of premiums or discounts to be applied in a fair value measurement to the extent that market participants would consider them in valuing the financial instruments. The ASU also expands the required disclosures for Level 3 measurements, requiring that reporting entities provide a narrative description of the sensitivity of Level 3 fair value measurements to changes in unobservable inputs and the interrelationships between those inputs, if any. As a result of adopting ASU 2011-04, White Mountains expanded its fair value disclosures. (See **Note 5**.)

### *Offsetting Assets and Liabilities*

Effective January 1, 2013, White Mountains adopted ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities* (ASC 210) and ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. The new guidance expands the required disclosures in circumstances where either balances have been offset or the right of offset exists to make it easier for financial statement users to evaluate the effect or potential effect of netting arrangements on a reporting entity's financial position. White Mountains is party to master netting arrangements in connection with derivative instruments held by WM Life Re and Sirius International. As a result of adoption, White Mountains has expanded its disclosures to present the gross amounts of assets and liabilities subject to master netting arrangements along with any related collateral amounts.

## Recently Issued Accounting Pronouncements

### *Unrecognized Tax Benefits*

On July 18, 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASC 740). The new ASU requires balance sheet presentation of an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss ("NOL") carryforward or tax credit carryforward rather than as a liability. The exception is in circumstances where a carryforward is not available to settle the additional taxes that might arise upon disallowance of the tax position under the tax law of the applicable jurisdiction. Prior to the issuance of ASU 2013-11, the guidance for unrecognized tax benefits under ASC 740 did not provide explicit guidance on whether an entity should present an unrecognized tax benefit as a liability or as a reduction of NOL carryforwards or other tax credits. In circumstances where an NOL carryforward is not available to offset settlement of any additional taxes arising from a disallowed tax position, the unrecognized tax benefit should be presented as a liability. The new guidance becomes effective for fiscal periods beginning on or after December 15, 2013 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective adoption is allowed. White Mountains does not expect adoption to significantly affect its balance sheet.

## **Note 2. Significant Transactions**

### **Sale of Essentia Insurance Company**

Effective January 1, 2013, OneBeacon completed the sale of Essentia Insurance Company (“Essentia”), an indirect wholly-owned subsidiary which wrote collector car and boat business, to Markel Corporation. Concurrently therewith, OneBeacon and Hagerty Insurance Agency (“Hagerty”) terminated their underwriting arrangement with respect to the collector car and boat business. OneBeacon recognized a pre-tax gain on sale of \$23.0 million (\$15.0 million after tax) in the first quarter of 2013. The business associated with this agreement generated net written premiums of \$52.5 million and \$145.8 million for the three and nine months ended September 30, 2012, or 15.7% of OneBeacon's net written premiums for both periods.

### **WM Solutions**

In the first quarter of 2013, WM Solutions acquired American Fuji Fire and Marine Insurance Company (“American Fuji”), an American International Group, Inc. (“AIG”) runoff subsidiary. The transaction resulted in a gain of \$6.9 million recorded in other revenue.

### **Sale of OneBeacon Runoff Business**

On October 17, 2012, one of OneBeacon’s indirect wholly-owned subsidiaries, OneBeacon Insurance Group LLC, entered into a definitive agreement with Trebuchet US Holdings, Inc. (“Trebuchet”), a wholly-owned subsidiary of Armour Group Holdings Limited (together with Trebuchet, “Armour”), to sell its runoff business. Pursuant to the terms of the agreement, at closing OneBeacon will transfer to Trebuchet all of the issued and outstanding shares of common stock of certain legal entities that will contain the assets, liabilities (including gross and ceded loss reserves) and capital supporting the runoff business as well as certain elements of the runoff business infrastructure, including staff and office space. The transaction is subject to regulatory approval and is expected to close in the second quarter of 2014. As a result of the agreement, the OneBeacon runoff business is reported as discontinued operations (see **Note 15**).

### **Sale of AutoOne**

On February 22, 2012, OneBeacon completed the sale of AutoOne to Interboro Holdings, Inc. (“Interboro”). OneBeacon formed AutoOne in 2001 to provide products and services to automobile assigned risk markets primarily in New York and New Jersey. OneBeacon transferred to the buyer AutoOne Insurance Company (“AOIC”) and AutoOne Select Insurance Company (“AOSIC”), which contained the assets, liabilities (including loss reserves and unearned premiums), and the capital of the AutoOne business, and transferred substantially all of the AutoOne infrastructure including systems and office space as well as certain staff. As a result of the sale, AutoOne is reported as discontinued operations (see **Note 15**).

### **Common Shares Repurchased and Retired**

During the past several years, White Mountains’ 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. As of September 30, 2013, White Mountains may repurchase an additional 545,496 shares under these board authorizations. In addition, from time to time White Mountains has also repurchased its common shares through tender offers that were separately approved by its board of directors.

During the three months ended September 30, 2013, no shares were repurchased. During the nine months ended September 30, 2013, the Company repurchased 141,535 common shares for \$79.8 million at an average share price of \$564, which were comprised of 140,000 common shares repurchased under the board authorization and 1,535 common shares repurchased pursuant to employee benefit plans. Shares repurchased pursuant to employee benefit plans do not fall under the board authorizations referred to above.

During the three months ended September 30, 2012, the Company repurchased 50,000 common shares under the board authorization for \$26.4 million at an average share price of \$528. During the nine months ended September 30, 2012, the Company repurchased 1,037,191 common shares for \$517.4 million at an average share price of \$499, which were comprised of (1) 217,801 common shares repurchased under the board authorization for \$107.6 million at an average share price of \$494; (2) 816,829 common shares repurchased through a fixed-price tender offer for \$408.6 million at a share price of \$500; and (3) 2,561 common shares repurchased pursuant to employee benefit plans.

**Note 3. Loss and Loss Adjustment Expense Reserves**

The following table summarizes the loss and loss adjustment expense (“LAE”) reserve activities of White Mountains’ insurance and reinsurance subsidiaries for the three and nine months ended September 30, 2013 and 2012:

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Gross beginning balance	\$ 3,057.9	\$ 5,329.8	\$ 3,168.9	\$ 5,702.3
Less beginning reinsurance recoverable on unpaid losses	(388.6)	(2,369.4)	(429.1)	(2,507.3)
Net loss and LAE reserves	2,669.3	2,960.4	2,739.8	3,195.0
Less: Beginning net loss and LAE reserves for OneBeacon’s runoff business <sup>(1)</sup>	—	(296.0)	—	(384.1)
Loss and LAE reserves acquired - American Fuji	—	—	21.3	—
Loss and LAE incurred relating to:				
Current year losses	289.9	318.2	822.8	842.9
Prior year losses	(11.6)	(10.1)	(25.6)	(21.2)
Total incurred losses and LAE	278.3	308.1	797.2	821.7
Accretion of fair value adjustment to loss and LAE reserves	.2	1.1	1.5	9.4
Foreign currency translation adjustment to loss and LAE reserves	12.3	12.0	(1.9)	11.7
Loss and LAE paid relating to:				
Current year losses	(90.0)	(101.1)	(209.9)	(223.9)
Prior year losses	(178.0)	(181.5)	(655.9)	(726.8)
Total loss and LAE payments	(268.0)	(282.6)	(865.8)	(950.7)
Net ending balance	2,692.1	2,703.0	2,692.1	2,703.0
Plus ending reinsurance recoverable on unpaid losses	416.0	356.8	416.0	356.8
Gross ending balance	\$ 3,108.1	\$ 3,059.8	\$ 3,108.1	\$ 3,059.8

<sup>(1)</sup> Loss and LAE reserve balances for OneBeacon’s run-off business prior to September 30, 2012 were not classified as held for sale. Adjustment is to present loss and LAE reserve activities from continuing operations.

*Loss and LAE incurred relating to prior year losses for the three and nine months ended September 30, 2013*

During the three and nine months ended September 30, 2013, White Mountains experienced \$11.6 million and \$25.6 million of net favorable loss reserve development.

For the three months ended September 30, 2013, OneBeacon had net unfavorable loss reserve development of \$3.8 million primarily driven by its property and entertainment businesses. For the nine months ended September 30, 2013, OneBeacon had net favorable loss reserve development of \$0.1 million. For the three and nine months ended September 30, 2013, Sirius Group had net favorable loss reserve development of \$15.4 million and \$25.5 million primarily due to decreases in property loss reserves, mostly from recent underwriting years, in addition to reductions in loss reserves for the Japan earthquake.

*Loss and LAE incurred relating to prior year losses for the three and nine months ended September 30, 2012*

During the three and nine months ended September 30, 2012, White Mountains experienced \$10.1 million and \$21.2 million of net favorable loss reserve development.

For the three and nine months ended September 30, 2012, OneBeacon had net favorable loss reserve development of \$2.3 million and \$7.6 million primarily related to professional liability lines, multiple peril liability lines and other general liability lines.

For the three and nine months ended September 30, 2012, Sirius Group had net favorable loss reserve development of \$7.8 million and \$13.6 million. With the completion of a ground-up asbestos reserve study in the third quarter of 2012, Sirius Group increased asbestos loss reserves by \$33.0 million and \$45.0 million in the three and nine months ended September 30, 2012. These increases were more than offset by reductions in liability and property loss reserves.

#### *Fair value adjustment to loss and LAE reserves*

In connection with purchase accounting for acquisitions, White Mountains is required to adjust loss and LAE reserves and the related reinsurance recoverables to fair value on their respective acquired balance sheets. The net reduction to loss and LAE reserves is being recognized through an income statement charge ratably with and over the period the claims are settled.

White Mountains recognized \$0.2 million and \$1.5 million of such charges, recorded as loss and LAE for the three and nine months ended September 30, 2013, and \$1.1 million and \$9.4 million for the three and nine months ended September 30, 2012. Accretion of fair value adjustment to losses and LAE reserves increased by \$5.0 million in the first quarter of 2012 due to the acceleration of the amortization of the purchase accounting established for the acquisition of Scandinavian Reinsurance Company, Ltd. ("Scandinavian Re"). This acceleration was a result of a final settlement and commutation of Scandinavian Re's multi-year retrocessional Casualty Aggregate Stop Loss Agreement with St. Paul Fire & Marine Insurance Company. As of September 30, 2013, the remaining pre-tax un-accreted adjustment was \$4.2 million.

#### **Note 4. Third Party Reinsurance**

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

#### **OneBeacon**

At September 30, 2013, OneBeacon had \$5.9 million of reinsurance recoverables on paid losses and \$80.2 million of reinsurance recoverables on unpaid losses. Reinsurance contracts do not relieve OneBeacon of its obligation to its policyholders. OneBeacon is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. OneBeacon monitors the financial strength of its reinsurers on an ongoing basis. Uncollectible amounts historically have not been significant. As of September 30, 2013, greater than 90% of reinsurance recoverables on paid and unpaid losses are from reinsurers with an A.M. Best Company ("A.M. Best") rating of A (Excellent, which is the third highest of 16 financial strength ratings) or better.

The following table provides a listing of OneBeacon's largest reinsurance recoverable amounts by reinsurer, the percentage of total recoverables and the reinsurers' A.M. Best Rating. The reinsurance balances associated with the runoff business are included in discontinued operations (see **Note 15**).

<b>(Millions)</b>	<b>Balance at September 30, 2013</b>	<b>% of Total</b>	<b>A.M. Best Rating<sup>(1)</sup></b>
Hannover Ruckversich	<b>\$10.3</b>	12%	A+
Munich Reinsurance America	<b>6.6</b>	8%	A+
Platinum Underwriters	<b>5.6</b>	7%	A
Hartford Steam Boiler	<b>4.8</b>	6%	A++
Swiss Reinsurance America Corp	<b>4.6</b>	5%	A+

<sup>(1)</sup> A.M. Best ratings as detailed above are: "A++" (Superior, which is the highest of sixteen financial strength ratings), "A+" (Superior, which is the second highest of sixteen financial strength ratings) and "A" (Excellent, which is the third highest of sixteen financial strength ratings).

Effective May 1, 2013, OneBeacon renewed its property catastrophe reinsurance program through April 30, 2014. The program provides coverage for OneBeacon's property business as well as certain acts of terrorism. Under the program, the first \$20.0 million of losses resulting from any single catastrophe are retained and the next \$130.0 million of losses resulting from the catastrophe are reinsured in three layers, although OneBeacon retains a co-participation of 50% of losses from \$20.0 million to \$30.0 million, 10% of losses from \$30.0 million to \$70.0 million, and 5% of losses from \$70.0 million to \$150.0 million. Any loss above \$150.0 million would be retained in full. In the event of a catastrophe, OneBeacon's property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.

## Sirius Group

At September 30, 2013, Sirius Group had \$12.9 million of reinsurance recoverables on paid losses and \$335.8 million of reinsurance recoverables on unpaid losses that will become recoverable if claims are paid in accordance with current reserve estimates. Because retrocessional reinsurance contracts do not relieve Sirius Group of its obligation to its insureds, the collectability of balances due from Sirius Group's reinsurers is critical to its financial strength. Sirius Group monitors the financial strength and ratings of retrocessionaires on an ongoing basis.

The following table provides a listing of Sirius Group's largest reinsurance recoverable amounts by reinsurer, the percentage of total recoverables and the reinsurers' A.M. Best Rating.

(Millions)	Balance at September 30, 2013	% of Total	A.M. Best Rating <sup>(1)</sup>	% Collateralized
Berkshire Hathaway	\$56.0	16%	A++	—%
Swiss Re Group	31.3	9%	A+	1%
Olympus Reinsurance Company <sup>(2)</sup>	23.0	7%	NR-5	100%
Lloyds of London <sup>(3)</sup>	17.5	5%	A	10%
GIC of India	14.7	4%	A-	1%

<sup>(1)</sup> A.M. Best ratings as detailed above are: "A++" (Superior, which is the highest of sixteen financial strength ratings), "A+" (Superior, which is the second highest of sixteen financial strength ratings), "A" (Excellent, which is the third highest of sixteen financial strength ratings), "A-" (Excellent, which is the fourth highest of sixteen financial strength ratings) and "NR-5" (Not formally followed).

<sup>(2)</sup> Non-U.S. insurance entity. The balance is fully collateralized through trust agreements or funds held.

<sup>(3)</sup> Represents the total of reinsurance recoverables due to Sirius Group from all Lloyds Syndicates.

## Note 5. Investment Securities

White Mountains' invested assets consist of securities and other long-term investments held for general investment purposes. The portfolio of investment securities includes short-term investments, fixed maturity investments, convertible fixed maturity investments and equity securities which are all classified as trading securities. Trading securities are reported at fair value as of the balance sheet date. Realized and unrealized investment gains and losses on trading securities are reported in pre-tax revenues. White Mountains' investments in debt securities, including mortgage-backed and asset-backed securities, are generally valued using industry standard pricing models. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed 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 and 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 money market funds, certificates of deposit and other securities which, at the time of purchase, mature or become available for use within one year. Short-term investments are carried at amortized or accreted cost, which approximated fair value as of September 30, 2013 and December 31, 2012.

Other long-term investments primarily comprise White Mountains' investments in hedge funds and private equity funds.

**Net Investment Income**

Pre-tax net investment income for the three and nine months ended September 30, 2013 and 2012 consisted of the following:

<b>Millions</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Investment income:				
Fixed maturity investments	\$ 25.1	\$ 33.0	\$ 76.3	\$ 105.1
Short-term investments	1.1	.5	2.9	2.3
Common equity securities	4.4	4.8	14.0	13.8
Convertible fixed maturity investments	.7	2.0	2.1	5.9
Other long-term investments	1.2	.7	2.7	2.2
Interest on funds held under reinsurance treaties	—	—	.2	—
Total investment income	32.5	41.0	98.2	129.3
Less third-party investment expenses	(5.2)	(3.4)	(13.7)	(9.5)
Net investment income, pre-tax	\$ 27.3	\$ 37.6	\$ 84.5	\$ 119.8

**Net Realized and Unrealized Investment Gains and Losses**

Net realized and unrealized investment gains and losses for the three and nine months ended September 30, 2013 and 2012 consisted of the following:

<b>Millions</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net realized investment gains, pre-tax	\$ 11.7	\$ 23.7	\$ 60.2	\$ 40.5
Net unrealized investment gains, pre-tax	16.5	49.0	5.9	82.7
Net realized and unrealized investment gains, pre-tax	28.2	72.7	66.1	123.2
Income tax expense attributable to net realized and unrealized investment gains	(1.2)	(12.3)	(2.5)	(28.3)
Net realized and unrealized investment gains, after tax	\$ 27.0	\$ 60.4	\$ 63.6	\$ 94.9



Net realized investment gains (losses)

Net realized investment gains (losses) for the three and nine months ended September 30, 2013 and 2012 consisted of the following:

Millions	Three Months Ended			Three Months Ended		
	September 30, 2013			September 30, 2012		
	Net realized gains (losses)	Net foreign exchange gains (losses)	Total net realized gains (losses) reflected in earnings	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains (losses) reflected in earnings
Fixed maturity investments	\$ (9.1)	\$ (.3)	\$ (9.4)	\$ 32.2	\$ (3.2)	\$ 29.0
Short-term investments	—	(.6)	(.6)	—	(3.4)	(3.4)
Common equity securities	23.5	(3.0)	20.5	3.9	—	3.9
Convertible fixed maturity investments	(.2)	—	(.2)	1.1	—	1.1
Other long-term investments	(1.1)	3.0	1.9	(6.0)	(1.2)	(7.2)
Forward contracts	(.5)	—	(.5)	.3	—	.3
Net realized investment gains (losses), pre-tax	<b>12.6</b>	<b>(.9)</b>	<b>11.7</b>	31.5	(7.8)	23.7
Income tax expense attributable to net realized investment (losses) gains	<b>(.4)</b>	<b>.4</b>	—	(9.4)	2.0	(7.4)
Net realized investment gains (losses), after tax	<b>\$ 12.2</b>	<b>\$ (.5)</b>	<b>\$ 11.7</b>	<b>\$ 22.1</b>	<b>\$ (5.8)</b>	<b>\$ 16.3</b>

Millions	Nine Months Ended			Nine Months Ended		
	September 30, 2013			September 30, 2012		
	Net realized gains (losses)	Net foreign exchange gains (losses)	Total net realized gains (losses) reflected in earnings	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains (losses) reflected in earnings
Fixed maturity investments	\$ 12.9	\$ (14.4)	\$ (1.5)	\$ 73.5	\$ (4.0)	\$ 69.5
Short-term investments	.2	—	.2	—	(3.9)	(3.9)
Common equity securities	60.7	(3.0)	57.7	(2.2)	—	(2.2)
Convertible fixed maturity investments	(.7)	—	(.7)	3.2	—	3.2
Other long-term investments	4.8	—	4.8	(24.8)	(1.6)	(26.4)
Forward contracts	(.3)	—	(.3)	.3	—	.3
Net realized investment gains (losses), pre-tax	<b>77.6</b>	<b>(17.4)</b>	<b>60.2</b>	50.0	(9.5)	40.5
Income tax expense attributable to net realized investment (losses) gains	<b>(17.8)</b>	<b>5.1</b>	<b>(12.7)</b>	(15.3)	2.5	(12.8)
Net realized investment gains (losses), after tax	<b>\$ 59.8</b>	<b>\$ (12.3)</b>	<b>\$ 47.5</b>	<b>\$ 34.7</b>	<b>\$ (7.0)</b>	<b>\$ 27.7</b>

Net unrealized investment gains (losses)

The following table summarizes net unrealized investment gains (losses) for the three and nine months ended September 30, 2013 and 2012:

Millions	Three Months Ended			Three Months Ended		
	September 30, 2013			September 30, 2012		
	Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total net unrealized gains (losses) reflected in earnings	Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	\$ 9.3	\$ (30.5)	\$ (21.2)	\$ 27.2	\$ (40.6)	\$ (13.4)
Short-term investments	—	.1	.1	—	.1	.1
Common equity securities	35.6	(2.0)	33.6	65.1	(.1)	65.0
Convertible fixed maturity investments	2.4	(.1)	2.3	(.6)	—	(.6)
Other long-term investments	3.1	(1.4)	1.7	1.6	(3.7)	(2.1)
Forward contracts	—	—	—	—	—	—
Net unrealized investment gains (losses), pre-tax	<b>50.4</b>	<b>(33.9)</b>	<b>16.5</b>	93.3	(44.3)	49.0
Income tax expense attributable to net unrealized investment (losses) gains	<b>(8.6)</b>	<b>7.4</b>	<b>(1.2)</b>	(16.7)	11.8	(4.9)
Net unrealized investment gains (losses), after tax	<b>\$ 41.8</b>	<b>\$ (26.5)</b>	<b>\$ 15.3</b>	\$ 76.6	\$ (32.5)	\$ 44.1

Millions	Nine Months Ended			Nine Months Ended		
	September 30, 2013			September 30, 2012		
	Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total net unrealized gains (losses) reflected in earnings	Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	\$ (94.8)	\$ 6.2	\$ (88.6)	\$ 35.5	\$ (36.9)	\$ (1.4)
Short-term investments	—	—	—	—	.1	.1
Common equity securities	85.2	(1.0)	84.2	71.5	(.1)	71.4
Convertible fixed maturity investments	(.5)	—	(.5)	(2.9)	—	(2.9)
Other long-term investments	7.6	3.2	10.8	18.2	(2.7)	15.5
Forward contracts	—	—	—	—	—	—
Net unrealized investment gains (losses), pre-tax	<b>(2.5)</b>	<b>8.4</b>	<b>5.9</b>	122.3	(39.6)	82.7
Income tax expense attributable to net unrealized investment (losses) gains	<b>13.1</b>	<b>(2.9)</b>	<b>10.2</b>	(25.9)	10.4	(15.5)
Net unrealized investment gains (losses), after tax	<b>\$ 10.6</b>	<b>\$ 5.5</b>	<b>\$ 16.1</b>	\$ 96.4	\$ (29.2)	\$ 67.2

The following table summarizes the amount of total pre-tax gains included in earnings attributable to unrealized investment gains for Level 3 investments for the three and nine months ended September 30, 2013 and 2012:

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Fixed maturity investments	\$ (2.2)	\$ (1.0)	\$ (2.4)	\$ 7.3
Common equity securities	(.7)	.8	—	1.8
Other long-term investments	.9	2.9	8.7	11.3
Total unrealized investment gains, pre-tax - Level 3 investments	<b>\$ (2.0)</b>	<b>\$ 2.7</b>	<b>\$ 6.3</b>	<b>\$ 20.4</b>

## Investment Holdings

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of White Mountains' fixed maturity investments as of September 30, 2013 and December 31, 2012 were as follows:

Millions	September 30, 2013				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
U.S. Government and agency obligations	\$ 390.8	\$ .6	\$ (.8)	\$ (2.4)	\$ 388.2
Debt securities issued by corporations	2,303.1	48.5	(12.7)	(21.7)	2,317.2
Municipal obligations	5.3	.5	(.3)	—	5.5
Mortgage-backed and asset-backed securities	1,931.2	2.8	(12.4)	(5.8)	1,915.8
Foreign government, agency and provincial obligations	452.7	4.0	(7.6)	(6.3)	442.8
Preferred stocks	79.9	4.5	—	(.2)	84.2
Total fixed maturity investments including assets held for sale	<u>\$ 5,163.0</u>	<u>\$ 60.9</u>	<u>\$ (33.8)</u>	<u>\$ (36.4)</u>	<u>\$ 5,153.7</u>
Fixed maturity investments reclassified to assets held for sale related to the Runoff Transaction					(239.7)
Total fixed maturity investments					<u>\$ 4,914.0</u>

Millions	December 31, 2012				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
U.S. Government and agency obligations	\$ 440.4	\$ 1.0	\$ (.1)	\$ (1.2)	\$ 440.1
Debt securities issued by corporations	2,321.4	88.3	(1.6)	(23.0)	2,385.1
Municipal obligations	5.3	—	(.1)	—	5.2
Mortgage-backed and asset-backed securities	2,081.0	25.1	(1.1)	(9.4)	2,095.6
Foreign government, agency and provincial obligations	526.6	6.9	(3.0)	(8.6)	521.9
Preferred stocks	79.9	6.7	—	(.2)	86.4
Total fixed maturity investments including assets held for sale	<u>\$ 5,454.6</u>	<u>\$ 128.0</u>	<u>\$ (5.9)</u>	<u>\$ (42.4)</u>	<u>\$ 5,534.3</u>
Fixed maturity investments reclassified to assets held for sale related to the Runoff Transaction					(338.1)
Total fixed maturity investments					<u>\$ 5,196.2</u>

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of White Mountains' common equity securities, convertible fixed maturities and other long-term investments as of September 30, 2013 and December 31, 2012 were as follows:

Millions	September 30, 2013				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	\$ 881.5	\$ 233.8	\$ (3.5)	\$ (1.1)	\$ <b>1,110.7</b>
Convertible fixed maturity investments	\$ 79.7	\$ 5.8	\$ (.6)	\$ (.1)	\$ <b>84.8</b>
Other long-term investments	\$ 252.6	\$ 77.8	\$ (27.4)	\$ (3.0)	\$ <b>300.0</b>

  

Millions	December 31, 2012				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency losses	Carrying value
Common equity securities	\$ 895.2	\$ 143.4	\$ (8.8)	\$ (.1)	\$ 1,029.7
Convertible fixed maturity investments	\$ 121.7	\$ 6.1	\$ (.4)	\$ —	\$ 127.4
Other long-term investments	\$ 257.2	\$ 65.9	\$ (22.8)	\$ (6.1)	\$ 294.2

### Hedge Funds and Private Equity Funds

White Mountains holds investments in hedge funds and private equity funds, which are included in other long-term investments. The fair value of these investments has been estimated using the net asset value of the funds. At September 30, 2013, White Mountains held investments in 15 hedge funds and 39 private equity funds. The largest investment in a single fund was \$16.7 million at September 30, 2013. The following table summarizes investments in hedge funds and private equity interests by investment objective and sector at September 30, 2013 and December 31, 2012:

Millions	September 30, 2013		December 31, 2012	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
<b>Hedge funds</b>				
Long/short equity	\$ 61.4	\$ —	\$ 60.3	\$ —
Long/short credit & distressed	22.0	—	22.7	—
Long diversified strategies	1.6	—	1.7	—
Long/short equity REIT	16.7	—	16.0	—
Long/short equity activist	15.3	—	13.6	—
Long bank loan	.2	—	.3	—
Total hedge funds	117.2	—	114.6	—
<b>Private equity funds</b>				
Multi-sector	26.6	7.2	23.3	5.4
Energy infrastructure & services	45.5	13.4	36.3	15.6
Distressed residential real estate	9.4	—	15.8	—
Real estate	9.4	3.3	11.6	3.3
Private equity secondaries	9.6	3.1	10.5	3.1
International multi-sector, Europe	4.3	4.9	5.1	5.0
Manufacturing/Industrial	12.7	15.5	9.9	29.1
Healthcare	7.0	2.8	4.3	5.4
International multi-sector, Asia	—	2.7	.4	2.7
Insurance	2.4	41.3	3.0	41.3
Aerospace/Defense/Government	4.5	20.5	2.8	22.2
Venture capital	1.6	.3	2.2	.3
Total private equity funds	133.0	115.0	125.2	133.4
Total hedge and private equity funds included in other long-term investments <sup>(1)</sup>	\$ 250.2	\$ 115.0	\$ 239.8	\$ 133.4

<sup>(1)</sup> Excludes carrying value of \$26.9 and \$35.0 at September 30, 2013 and December 31, 2012 associated with hedge funds and private equity funds accounted for using the equity method.

Redemption of investments in certain 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.

The following summarizes the September 30, 2013 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

Millions Redemption frequency	Notice Period				Total
	30-59 days notice	60-89 days notice	90-119 days notice	120+ days notice	
Monthly	\$ —	\$ —	\$ —	\$ 5.6	\$ 5.6
Quarterly	28.5	29.2	10.8	9.4	77.9
Semi-annual	—	23.2	—	—	23.2
Annual	1.6	—	8.7	.2	10.5
Total	\$ 30.1	\$ 52.4	\$ 19.5	\$ 15.2	\$ 117.2

Certain of the hedge fund investments in which White Mountains is invested are no longer active and are in the process of disposing of their underlying investments. Distributions from such funds are remitted to investors as the fund's underlying investments are liquidated. At September 30, 2013, distributions of \$2.5 million were outstanding from these investments. The actual amount of the final distribution remittances remain subject to market fluctuations. The date at which such remittances will be received is not determinable at September 30, 2013.

White Mountains has also submitted redemption requests for certain of its investments in active hedge funds. At September 30, 2013, redemptions of \$2.1 million are outstanding and are subject to market fluctuations. The date at which such redemptions will be received is not determinable at September 30, 2013. Redemptions are recorded as receivables when the investment is no longer subject to market fluctuations.

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 provide an option to extend the lock-up period at either the sole discretion of the fund manager or upon agreement between the fund and the investors.

At September 30, 2013, investments in private equity funds were subject to lock-up periods as follows:

Millions	1-3 years	3 – 5 years	5 – 10 years	>10 years	Total
Private Equity Funds — expected lock-up period remaining	\$16.3	\$33.3	\$69.5	\$13.9	\$133.0

#### Fair value measurements at September 30, 2013

White Mountains' invested assets that are measured at fair value include fixed maturity investments, common and preferred equity securities, convertible fixed maturity securities and other long-term investments, such as interests in hedge funds and private equity funds. Fair value measurements reflect management's best estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements fall into a hierarchy with three levels based on the nature of the inputs. Fair value measurements based on quoted prices in active markets for identical assets are at the top of the hierarchy ("Level 1"), followed by fair value measurements based on observable inputs that do not meet the criteria for Level 1, including quoted prices in inactive markets and quoted prices in active markets for similar, but not identical instruments ("Level 2"). Measurements based on unobservable inputs, including a reporting entity's estimates of the assumptions that market participants would use are at the bottom of the hierarchy ("Level 3").

White Mountains uses quoted market prices or other observable inputs to determine fair value for the vast majority of its investment portfolio. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, common equities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs consist of fixed maturity investments including corporate debt, state and other governmental debt, convertible fixed maturity securities and mortgage and asset-backed securities. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Level 3 fair value estimates based upon unobservable inputs include White Mountains' investments in hedge funds and private equity funds, as well as investments in certain debt and equity securities where quoted market prices are unavailable. White Mountains uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, White Mountains uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services used by White Mountains have indicated that if no observable inputs are available for a security, they will not provide a price. In those circumstances, White Mountains estimates the fair value using industry standard pricing models and observable inputs such as benchmark interest rates, matrix pricing, market comparables, broker quotes, issuer spreads, bids, offers, credit rating, prepayment speeds and other relevant inputs. White Mountains performs procedures to validate the market prices obtained from the outside pricing sources. Such procedures, which cover substantially all of its fixed maturity investments include, but are not limited to, evaluation of model pricing methodologies and review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from different independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices, and review of assumptions utilized by the pricing service for selected 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 \$1.0 million from the expected price based on these procedures are considered outliers. In circumstances where the results of White Mountains' review process do not appear to support the market price provided by the pricing services, White Mountains challenges the price. If White Mountains cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question. The fair values of such securities are considered to be Level 3 measurements.

White Mountains' investments in debt securities are generally valued using matrix and other pricing models. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed 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 or accreted prospectively over the remaining economic life.

White Mountains employs a number of procedures to assess the reasonableness of the fair value measurements for its other long-term investments, including obtaining and reviewing the audited annual financial statements of each hedge fund and private equity fund and periodically discussing each fund's pricing with the fund manager. However, since the fund managers do not provide sufficient information to evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable. Accordingly, the fair values of White Mountains' investments in hedge funds and private equity funds have been classified as Level 3 measurements. The fair value of White Mountains' investments in hedge funds and private equity funds has been determined using net asset value.

In addition to the investments described above, White Mountains has \$81.1 million and \$79.7 million of investment-related liabilities recorded at fair value and included in other liabilities as of September 30, 2013 and December 31, 2012. These liabilities relate to securities that have been sold short by limited partnerships in which White Mountains has investments and is required to consolidate under GAAP. All of the liabilities included have a Level 1 designation.

The following tables summarize White Mountains' fair value measurements for investments at September 30, 2013 and December 31, 2012, by level:

Millions	September 30, 2013			
	Fair value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	\$ 388.2	\$ 321.3	\$ 66.9	\$ —
Debt securities issued by corporations:				
Consumer	690.2	—	690.2	—
Financials	427.0	—	427.0	—
Communications	273.8	—	273.8	—
Industrial	284.2	—	284.2	—
Energy	162.6	—	162.6	—
Utilities	178.5	—	178.5	—
Basic Materials	200.7	—	200.7	—
Technology	94.2	—	94.2	—
Other	6.0	—	6.0	—
Total debt securities issued by corporations:	2,317.2	—	2,317.2	—
Mortgage-backed and asset-backed securities	1,915.8	—	1,806.5	109.3
Foreign government, agency and provincial obligations	442.8	46.0	396.8	—
Preferred stocks	84.2	—	13.5	70.7
Municipal obligations	5.5	—	5.5	—
Total fixed maturity investments <sup>(1)</sup>	5,153.7	367.3	4,606.4	180.0
Short-term investments	648.0	628.6	19.4	—
Common equity securities:				
Financials	326.4	289.6	—	36.8
Consumer	290.9	290.9	—	—
Basic materials	63.7	63.7	—	—
Energy	82.6	82.6	—	—
Industrial	90.5	90.5	—	—
Technology	60.8	60.8	—	—
Communications	63.7	63.7	—	—
Utilities	35.5	35.5	—	—
Other	96.6	25.9	70.7	—
Total common equity securities	1,110.7	1,003.2	70.7	36.8
Convertible fixed maturity investments	84.8	—	84.8	—
Other long-term investments <sup>(2)</sup>	273.2	—	—	273.2
Total investments	\$ 7,270.4	\$ 1,999.1	\$ 4,781.3	\$ 490.0

<sup>(1)</sup> Carrying value includes \$239.7 that is classified as assets held for sale relating to discontinued operations.

<sup>(2)</sup> Excludes carrying value of \$26.9 associated with other long-term investment limited partnerships accounted for using the equity method and \$(0.1) related to forward contracts.

Millions	December 31, 2012			
	Fair value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	\$ 440.1	\$ 369.1	\$ 71.0	\$ —
Debt securities issued by corporations:				
Consumer	727.1	—	727.1	—
Financials	401.4	1.0	400.4	—
Industrial	330.8	—	330.8	—
Communications	276.1	—	276.1	—
Utilities	204.2	—	204.2	—
Basic materials	189.1	—	189.1	—
Energy	181.5	—	181.5	—
Technology	54.0	—	54.0	—
Other	20.9	—	20.9	—
Total debt securities issued by corporations:	2,385.1	1.0	2,384.1	—
Mortgage-backed and asset-backed securities	2,095.6	—	2,073.5	22.1
Foreign government, agency and provincial obligations	521.9	52.1	469.8	—
Preferred stocks	86.4	—	15.6	70.8
Municipal obligations	5.2	—	5.2	—
Total fixed maturity investments <sup>(1)</sup>	5,534.3	422.2	5,019.2	92.9
Short-term investments	630.6	630.6	—	—
Common equity securities:				
Financials	324.5	286.3	.9	37.3
Consumer	255.6	255.6	—	—
Basic materials	103.3	103.3	—	—
Energy	101.0	101.0	—	—
Industrial	41.9	41.9	—	—
Technology	55.0	55.0	—	—
Utilities	43.6	43.4	.2	—
Communications	35.2	35.2	—	—
Other	69.6	11.2	58.4	—
Total common equity securities	1,029.7	932.9	59.5	37.3
Convertible fixed maturity investments	127.4	—	127.4	—
Other long-term investments <sup>(2)</sup>	259.3	—	—	259.3
Total investments	\$ 7,581.3	\$ 1,985.7	\$ 5,206.1	\$ 389.5

<sup>(1)</sup> Carrying value includes \$338.1 that is classified as assets held for sale relating to discontinued operations.

<sup>(2)</sup> Excludes carrying value of \$35.0 associated with other long-term investment limited partnerships accounted for using the equity method and \$(0.1) related to currency forward contracts.



### Debt securities issued by corporations

The following table summarizes the ratings of the corporate debt securities held in White Mountains' investment portfolio as of September 30, 2013 and December 31, 2012:

Millions	Fair Value at	
	September 30, 2013	December 31, 2012
AAA	\$ —	\$ —
AA	216.8	193.4
A	1,074.6	1,061.0
BBB	1,012.8	1,116.9
BB	6.9	7.0
Other	6.1	6.8
Debt securities issued by corporations <sup>(1)</sup>	\$ 2,317.2	\$ 2,385.1

<sup>(1)</sup> Credit ratings are assigned based on the following hierarchy: 1) Standard and Poor's Financial Services LLC ("Standard & Poor's") and 2) Moody's Investor Service ("Moody's").

### Mortgage-backed, Asset-backed Securities

White Mountains purchases commercial and residential mortgage-backed securities with the goal of maximizing risk adjusted returns in the context of a diversified portfolio. White Mountains' non-agency commercial mortgage-backed portfolio ("CMBS") is generally short-term and structurally senior, with more than 25 points of subordination on average for both fixed rate CMBS and floating rate CMBS as of September 30, 2013. In general, subordination represents the percentage principal loss on the underlying collateral that would be absorbed by other securities lower in the capital structure before the more senior security incurs a loss. White Mountains believes these levels of protection will mitigate the risk of loss tied to the refinancing challenges facing the commercial real estate market. As of September 30, 2013, on average less than 1% of the underlying loans were reported as non-performing for all non-agency CMBS held by White Mountains. White Mountains is not an originator of residential mortgage loans. White Mountains' investments in hedge funds and private equity funds contain negligible amounts of sub-prime mortgage-backed securities at September 30, 2013. White Mountains considers sub-prime mortgage-backed securities as those that have underlying loan pools that exhibit weak credit characteristics, or those that are issued from dedicated sub-prime shelves or dedicated second-lien shelf registrations (i.e., White Mountains considers investments backed primarily by second-liens to be sub-prime risks regardless of credit scores or other metrics).

White Mountains categorizes mortgage-backed securities as "non-prime" (also called "Alt A" or "A-") if they are backed by collateral that has overall credit quality between prime and sub-prime based on White Mountains' review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. White Mountains' non-agency residential mortgage-backed portfolio is generally moderate-term and structurally senior. White Mountains does not own any collateralized loan obligations.

The following table summarizes mortgage and asset-backed securities as of September 30, 2013 and December 31, 2012:

Millions	September 30, 2013			December 31, 2012		
	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
<b>Mortgage-backed securities:</b>						
Agency:						
GNMA	\$ 567.0	\$ 479.7	\$ 87.3	\$ 1,013.4	\$ 1,013.4	\$ —
FNMA	59.8	59.8	—	74.6	74.6	—
FHLMC	40.0	40.0	—	55.8	55.8	—
Total Agency <sup>(1)</sup>	666.8	579.5	87.3	1,143.8	1,143.8	—
Non-agency:						
Residential	130.6	130.6	—	160.6	160.6	—
Commercial	296.4	296.4	—	334.1	334.1	—
Total Non-agency	427.0	427.0	—	494.7	494.7	—
Total mortgage-backed securities	1,093.8	1,006.5	87.3	1,638.5	1,638.5	—
<b>Other asset-backed securities:</b>						
Credit card receivables	299.1	299.1	—	173.5	151.4	22.1
Vehicle receivables	287.5	287.5	—	233.2	233.2	—
Other	235.4	213.4	22.0	50.4	50.4	—
Total other asset-backed securities	822.0	800.0	22.0	457.1	435.0	22.1
<b>Total mortgage and asset-backed securities</b>	<b>\$ 1,915.8</b>	<b>\$ 1,806.5</b>	<b>\$ 109.3</b>	<b>\$ 2,095.6</b>	<b>\$ 2,073.5</b>	<b>\$ 22.1</b>

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

#### Non-agency Mortgage-backed Securities

The security issuance years of White Mountains' investments in non-agency RMBS and non-agency CMBS securities as of September 30, 2013 are as follows:

Millions	Fair Value	Security Issuance Year								
		2004	2005	2006	2007	2008	2010	2011	2012	2013
Non-agency RMBS	\$ 130.6	\$ 12.6	\$ 29.8	\$ 10.7	\$ 3.0	\$ —	\$ 38.6	\$ —	\$ —	\$ 35.9
Non-agency CMBS	296.4	—	—	8.7	11.5	30.8	12.1	34.6	116.3	82.4
<b>Total</b>	<b>\$ 427.0</b>	<b>\$ 12.6</b>	<b>\$ 29.8</b>	<b>\$ 19.4</b>	<b>\$ 14.5</b>	<b>\$ 30.8</b>	<b>\$ 50.7</b>	<b>\$ 34.6</b>	<b>\$ 116.3</b>	<b>\$ 118.3</b>

#### Non-agency Residential Mortgage-backed Securities

The classification of the underlying collateral quality and the tranche levels of White Mountains' non-agency RMBS securities are as follows as of September 30, 2013:

Millions	Fair Value	Super Senior <sup>(1)</sup>	Senior <sup>(2)</sup>	Subordinate <sup>(3)</sup>
Prime	\$ 96.2	\$ 25.9	\$ 70.3	\$ —
Non-prime	26.0	—	26.0	—
Sub-prime	8.4	8.4	—	—
<b>Total</b>	<b>\$ 130.6</b>	<b>\$ 34.3</b>	<b>\$ 96.3</b>	<b>\$ —</b>

<sup>(1)</sup> At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated AAA by Standard & Poor's, Aaa by Moody's or AAA by Fitch and were senior to other AAA or Aaa bonds.

<sup>(2)</sup> At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated AAA by Standard & Poor's, Aaa by Moody's or AAA by Fitch and were senior to non-AAA or non-Aaa bonds.

<sup>(3)</sup> At issuance, Subordinate were not rated AAA by Standard & Poor's, Aaa by Moody's or AAA by Fitch and were junior to AAA or Aaa bonds.

*Non-agency Commercial Mortgage-backed Securities*

The amount of fixed and floating rate securities and their tranche levels of White Mountains' non-agency CMBS securities are as follows as of September 30, 2013:

Millions	Fair Value	Super Senior <sup>(1)</sup>	Senior <sup>(2)</sup>	Subordinate <sup>(3)</sup>
Fixed rate CMBS	\$ 193.5	\$ 120.5	\$ 55.5	\$ 17.5
Floating rate CMBS	102.9	11.5	32.2	59.2
<b>Total</b>	<b>\$ 296.4</b>	<b>\$ 132.0</b>	<b>\$ 87.7</b>	<b>\$ 76.7</b>

<sup>(1)</sup> At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated AAA by Standard & Poor's, Aaa by Moody's or AAA by Fitch and were senior to other AAA or Aaa bonds.

<sup>(2)</sup> At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated AAA by Standard & Poor's, Aaa by Moody's or AAA by Fitch and were senior to non-AAA or non-Aaa bonds.

<sup>(3)</sup> At issuance, Subordinate were not rated AAA by Standard & Poor's, Aaa by Moody's or AAA by Fitch and were junior to AAA or Aaa bonds.

**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, convertible fixed maturity investments and other long-term investments at September 30, 2013 and 2012 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 summarize the changes in White Mountains' fair value measurements by level for the nine months ended September 30, 2013 and 2012:

Millions	Level 1 Investments	Level 2 Investments	Level 3 Investments				Total
			Fixed Maturities	Common equity securities	Convertible fixed maturities	Other long-term investments	
Balance at January 1, 2013	\$ 1,355.1	\$ 5,206.1	\$ 92.9	\$ 37.3	\$ —	\$ 259.3	\$ 6,950.7
Total realized and unrealized gains (losses)	140.6	(70.7)	(3.3)	—	—	14.0	80.6
Foreign currency losses through OCI	1.4	17.5	.5	—	—	(.8)	18.6
Amortization/Accretion	(.9)	(39.7)	—	—	—	—	(40.6)
Purchases	735.9	3,014.7	32.4	.5	—	91.8	3,875.3
Sales	(877.9)	(3,309.7)	(.7)	—	—	(91.1)	(4,279.4)
Net change in investments related to purchases and sales of consolidated affiliates	14.5	2.7	—	—	—	—	17.2
Transfers in	1.8	32.1	90.3	—	—	—	124.2
Transfers out	—	(91.1)	(32.1)	(1.0)	—	—	(124.2)
Balance at September 30, 2013	\$ 1,370.5	\$ 4,761.9	\$ 180.0	\$ 36.8	\$ —	\$ 273.2	\$ 6,622.4

<sup>(1)</sup> Excludes carrying value of \$35.0 and \$26.9 at January 1, 2013 and September 30, 2013 associated with other long-term investments accounted for using the equity method and \$(0.1) and \$(0.1) at January 1, 2013 and September 30, 2013 related to forward contracts.

<sup>(2)</sup> Carrying value includes \$338.1 and \$239.7 at January 1, 2013 and September 30, 2013 that is classified as assets held for sale relating to discontinued operations.

<sup>(3)</sup> Excludes carrying value of \$630.6 and \$648.0 at January 1, 2013 and September 30, 2013 and realized and unrealized gains for the periods of \$0.2 associated with short-term investments.

<sup>(4)</sup> Excludes \$14.1 realized and unrealized losses associated with the Prospector Funds consolidation of investment-related liabilities.

Millions	Level 3 Investments						Total
	Level 1 Investments	Level 2 Investments	Fixed Maturities	Common equity securities	Convertible fixed maturities	Other long-term investments	
Balance at January 1, 2012	\$ 1,033.1	\$ 6,088.2	\$ 78.9	\$ 32.3	\$ —	\$ 268.3 <sup>(1)</sup>	\$ 7,500.8 <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>
Total realized and unrealized gains	61.7	58.8	8.4	11.4	—	(8.2)	132.1 <sup>(3)</sup>
Foreign currency gains through OCI	4.1	70.5	.7	.1	—	3.1	78.5
Amortization/Accretion	(.6)	(34.0)	(.7)	—	—	—	(35.3)
Purchases	891.1	3,823.7	144.3	2.5	—	40.6	4,902.2
Sales	(680.9)	(5,048.1)	(99.2)	(9.8)	—	(31.2)	(5,869.2)
Transfers in	—	56.9	—	—	—	—	56.9
Transfers out	—	—	(56.3)	(.6)	—	—	(56.9)
Balance at September 30, 2012	\$ 1,308.5	\$ 5,016.0	\$ 76.1	\$ 35.9	\$ —	\$ 272.6 <sup>(1)</sup>	\$ 6,709.1 <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

<sup>(1)</sup> Excludes carrying value of \$33.0 and \$34.0 at January 1, 2012 and September 30, 2012 associated with other long-term investment limited partnerships accounted for using the equity method.

<sup>(2)</sup> Carrying value includes \$111.8 that is classified as assets held for sale relating to discontinued operations.

<sup>(3)</sup> Excludes carrying value of \$846.0 and \$917.3 at January 1, 2012 and September 30, 2012 and realized and unrealized loss for the period of \$3.9 associated with short-term investments.

#### *Fair Value Measurements — transfers between levels - Nine-month period ended September 30, 2013 and 2012*

During the first nine months of 2013, two fixed income securities classified as Level 3 measurements in the prior period were recategorized as Level 2 measurements because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available at September 30, 2013. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of \$32.1 million for the period ended September 30, 2013.

During the first nine months of 2012, one fixed income security classified as a Level 3 measurement in the prior period was recategorized as a Level 2 measurement at September 30, 2012. This comprises “Transfers out” of Level 3 and “Transfers in” to Level 2 of \$56.3 million in fixed maturities for the period ended September 30, 2012.

During the first nine months of 2013, one fixed income security which had been classified as a Level 2 measurement at June 30, 2013 was recategorized as a Level 3 measurement at September 30, 2013. The security was priced with unobservable inputs and represents “Transfers out” of Level 2 and “Transfers in” to Level 3 of \$90.3 million for the period ended September 30, 2013. The fair value of this security was estimated using industry standard pricing methodology, in which management selected inputs using its best judgment. The security is considered to be Level 3 because the measurements are not directly observable. At September 30, 2013, the estimated fair value for this security determined using the industry standard pricing models was \$1.3 million less than the estimated fair value based upon quoted prices provided by a third party pricing vendor.

## Significant Unobservable Inputs

The following summarizes significant unobservable inputs used in estimating the fair value of investment securities classified within Level 3 other than hedge funds and private equity funds at September 30, 2013. The fair value of investments in hedge funds and private equity funds, which are classified within Level 3, are estimated using the net asset value of the funds.

Description	September 30, 2013				
	Fair Value	Rating <sup>(2)</sup>	Valuation Technique(s)	Unobservable Input	
Preferred Stock <sup>(1)</sup>	\$70.7	NR	Discounted cash flow	Discount yield	7.8%
Agency commercial mortgage-backed securities <sup>(1)</sup>	\$87.3	AA+	Discounted cash flow	Prepayment rate	5 CPJ <sup>(3)</sup>
				Swap spread	0.7%
Asset-backed securities <sup>(1)</sup>	\$22.0	AA+	Broker pricing	Broker quote	
Private equity security	\$36.8	NR	Multiple of GAAP book value	Book value multiple	

<sup>(1)</sup> As of September 30, 2013, asset type consists of one security.

<sup>(2)</sup> Credit ratings are assigned based on the following hierarchy: 1) Standard and Poor's and 2) Moody's

<sup>(3)</sup> CPJ refers to the market convention assumptions for prepayment and default vectors.

The assumed prepayment rate is a significant unobservable input used to estimate the fair value of investments in agency commercial mortgage-backed securities ("CMBS"). Generally for bonds priced at a premium, increases in prepayment speeds will result in a lower fair value.

## Note 6. Debt

White Mountains' debt outstanding as of September 30, 2013 and December 31, 2012 consisted of the following:

Millions	September 30, 2013	December 31, 2012
2012 OBH Senior Notes, at face value	\$ 275.0	\$ 275.0
Unamortized original issue discount	(.3)	(.3)
2012 OBH Senior Notes, carrying value	274.7	274.7
SIG Senior Notes, at face value	400.0	400.0
Unamortized original issue discount	(.5)	(.6)
SIG Senior Notes, carrying value	399.5	399.4
WTM Bank Facility	—	—
Previous WTM Bank Facility	—	75.0
Old Lyme Note	2.1	2.1
Total debt	\$ 676.3	\$ 751.2

### **WTM Bank Facility**

On August 14, 2013, White Mountains entered into a revolving credit facility with a syndicate of lenders administered by Wells Fargo Bank, N.A. which has a total commitment of \$425.0 million and has a maturity date of August 14, 2018 (the "WTM Bank Facility"). The WTM Bank Facility replaced White Mountains' previous revolving credit facility administered by Bank of America, N.A. which had a total commitment of \$375.0 million (the "Previous WTM Bank Facility"). As of September 30, 2013, the WTM Bank Facility was undrawn.

In December 2012, White Mountains borrowed \$150.0 million under the Previous WTM Bank Facility. White Mountains repaid \$75.0 million in December 2012 and the remaining balance of \$75.0 million in January 2013. During the nine months ended September 30, 2013, White Mountains also borrowed and repaid a total of \$150.0 million under the Previous WTM Bank Facility at a blended interest rate of 2.83%.

The WTM Bank Facility contains various affirmative, negative and financial covenants which White Mountains considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards. Failure to meet one or more of these covenants could result in an event of default, which ultimately could eliminate availability under these facilities and result in acceleration of principal repayment on any amounts outstanding.

### **Debt Covenants**

At September 30, 2013, White Mountains was in compliance with all debt covenants.

### **Note 7. 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 such that 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 Australia, Belgium, Canada, Germany, Gibraltar, Luxembourg, the Netherlands, Singapore, Sweden, Switzerland, the United Kingdom and the United States.

White Mountains' income tax expense related to pre-tax income from continuing operations for the three months ended September 30, 2013 and 2012 represented net effective tax rates of 14.8% and 35.4%. The net effective tax rates for the nine months ended September 30, 2013 and 2012 were 23.4% and 27.2%. The effective rate for the third quarter of 2012 was similar to the U.S. statutory rate of 35% due to tax benefits on losses generated in the United States offsetting the tax expenses on income generated in other jurisdictions. The effective tax rates for the three months ended September 30, 2013 and the nine months ended September 30, 2013 and 2012 were lower than the U.S. statutory rate of 35% due to income generated in jurisdictions other than the United States. In addition, the effective rate for the three and nine months ended September 30, 2013 reflects the benefit of a \$6.8 million release of a valuation allowance at OneBeacon related to the restructuring of a surplus note issued to a consolidated insurance reciprocal exchange.

In arriving at the effective tax rate for the three and nine months ended September 30, 2013 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, 2013 and 2012.

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. During the next twelve months, it is possible that certain planning strategies or projected earnings in certain subsidiaries may not be feasible to utilize the entire deferred tax asset, which could result in material changes to White Mountains' deferred tax assets and tax expense.

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 2005.

The IRS is conducting an examination of income tax returns for 2005 and 2006 for certain U.S. subsidiaries of OneBeacon. On January 5, 2011, OneBeacon received Form 4549-A (Income Tax Discrepancy Adjustments) from the IRS relating to the examination of tax years 2005 and 2006. The estimated total assessment, including interest and utilization of alternative minimum and foreign tax credit carryovers, is \$18.7 million. White Mountains disagrees with the adjustments proposed by the IRS and is defending its position. Although the timing of the resolution of these issues is uncertain, it is reasonably possible that the resolution could occur within the next twelve months. An estimate of the range of potential outcomes cannot be made at this time. When ultimately settled, White Mountains does not expect the resolution of this examination to result in a material change to its financial position.

On July 28, 2011, the IRS commenced an examination of the income tax returns for 2007, 2008 and 2009 for certain U.S. subsidiaries of OneBeacon. On July 17, 2013, OneBeacon received a revised Form 4549-A (Income Tax Discrepancy Adjustments) from the IRS relating to the examination of tax years 2007, 2008 and 2009. The estimated total assessment, including interest, utilization of alternative minimum and foreign tax credit carryovers and capital loss carrybacks, is \$64.5 million. However, \$60.2 million of the proposed adjustments relate to items for which the expense deduction has been disallowed in a year being examined, but ultimate deductibility is highly certain to occur in a later period. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of these deductions in the exam period would not affect the effective tax rate, but would accelerate the payment of cash to the taxing authority. White Mountains disagrees with the adjustments proposed by the IRS and is defending its position. Although the timing of the resolution of these issues is uncertain, it is reasonably possible that the resolution could occur within the next twelve months. An estimate of the range of potential outcomes cannot be made at this time. When ultimately settled, White Mountains does not expect the resolution of this examination to result in a material change to its financial position.

On September 2, 2013, the IRS commenced an examination of the income tax returns for 2010, 2011 and 2012 for certain U.S. subsidiaries of OneBeacon. When ultimately settled, White Mountains does not expect the resolution of this examination to result in a material change to its financial position.

On December 15, 2011, the IRS commenced an examination of the income tax returns for 2010 for certain U.S. subsidiaries of Answer Financial Inc. On June 3, 2013, White Mountains received the closing examination letter from the IRS. The adjustments on examination were not significant.

## **Note 8. Derivatives**

### **Variable Annuity Reinsurance**

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. At September 30, 2013 and December 31, 2012, the total guarantee value was approximately ¥217.1 billion (approximately \$2.2 billion at exchange rates on that date) and ¥230.0 billion (approximately \$2.7 billion at exchange rates on that date), respectively. The collective account values of the underlying variable annuities were approximately 98% and 87% of the guarantee value at September 30, 2013 and December 31, 2012, respectively.

The following table summarizes the pre-tax operating results of WM Life Re for the three and nine months ended September 30, 2013 and 2012.

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Fees, included in other revenue	\$ 6.2	\$ 8.1	\$ 19.2	\$ 24.1
Change in fair value of variable annuity liability, included in other revenue	49.1	(11.3)	289.3	89.4
Change in fair value of derivatives, included in other revenue	(63.1)	(11.0)	(308.4)	(122.0)
Foreign exchange, included in other revenue	.6	9.0	(13.9)	(6.4)
Other investment income and gains (losses)	.2	3.8	(5.2)	2.9
Total revenue	(7.0)	(1.4)	(19.0)	(12.0)
Change in fair value of variable annuity death benefit liabilities, included in other general and administrative expenses	1.3	.7	8.5	6.7
Death benefit claims paid, included in general and administrative expenses	(.2)	(1.5)	(1.6)	(4.9)
General and administrative expenses	(1.0)	(1.1)	(3.8)	(3.8)
Pre-tax loss	\$ (6.9)	\$ (3.3)	\$ (15.9)	\$ (14.0)

During the first six months of 2013, the ratio of annuitants' aggregate account values to the aggregate guarantee value provided by WM Life Re increased, and as a result, annuitants have been surrendering their policies at higher rates than WM Life Re has observed in the past. In response to this trend, WM Life Re adjusted the projected surrender assumptions used in the valuation of its variable annuity reinsurance liability slightly upward in the second quarter of 2013, which resulted in a gain of \$1.5 million.

The following summarizes realized and unrealized derivative gains (losses) recognized in other revenue for the three and nine months ended September 30, 2013 and 2012 and the carrying values, included in other assets, at September 30, 2013 and December 31, 2012 by type of instrument:

Millions	Three Months Ended		Nine Months Ended		Carrying Value	
	September 30,		September 30,		As of	
	2013	2012	2013	2012	September 30, 2013	December 31, 2012
Fixed income/interest rate	\$ (24.1)	\$ (22.6)	\$ (97.4)	\$ (73.1)	\$ 102.4	\$ 27.1
Foreign exchange	(28.5)	6.5	(144.5)	(21.0)	(7.1)	52.8
Equity	(10.5)	5.1	(66.5)	(27.9)	(3.8)	18.4
Total	\$ (63.1)	\$ (11.0)	\$ (308.4)	\$ (122.0)	\$ 91.5	\$ 98.3

The following tables summarize the changes in White Mountains' variable annuity reinsurance liabilities and derivative instruments for the three and nine months ended September 30, 2013 and 2012:

Millions	Three Months Ended September 30, 2013				
	Variable Annuity (Liabilities)	Derivative Instruments			Total
	Level 3	Level 3 <sup>(1)</sup>	Level 2 <sup>(1)(2)</sup>	Level 1 <sup>(3)</sup>	
Beginning of period	\$ (194.1)	\$ 126.5	\$ 18.2	\$ (3.4)	\$ 141.3
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	50.4 <sup>(4)</sup>	(24.1)	(28.5)	(10.5)	(63.1)
Transfers in	—	—	—	—	—
Sales/settlements	—	—	3.2	10.1	13.3
End of period	\$ (143.7)	\$ 102.4	\$ (7.1)	\$ (3.8)	\$ 91.5

  

Millions	Nine Months Ended September 30, 2013				
	Variable Annuity (Liabilities)	Derivative Instruments			Total
	Level 3	Level 3 <sup>(1)</sup>	Level 2 <sup>(1)(2)</sup>	Level 1 <sup>(3)</sup>	
Beginning of period	\$ (441.5)	\$ 140.5	\$ (20.5)	\$ (21.7)	\$ 98.3
Purchases	—	59.3	—	—	59.3
Realized and unrealized gains (losses)	297.8 <sup>(4)</sup>	(97.4)	(144.5)	(66.5)	(308.4)
Transfers in	—	—	—	—	—
Sales/settlements	—	—	157.9	84.4	242.3
End of period	\$ (143.7)	\$ 102.4	\$ (7.1)	\$ (3.8)	\$ 91.5



Millions	Three Months Ended September 30, 2012				
	Variable Annuity (Liabilities)	Derivative Instruments			Total
	Level 3	Level 3 <sup>(1)</sup>	Level 2 <sup>(1)(2)</sup>	Level 1 <sup>(3)</sup>	
Beginning of period	\$ (661.8)	\$ 213.0	\$ 61.0	\$ (23.7)	\$ 250.3
Purchases	—	—	—	—	—
Realized and unrealized (losses) gains	(10.6) <sup>(4)</sup>	6.7	(15.3)	(2.4)	(11.0)
Transfers in	—	—	—	—	—
Sales/settlements	—	(6.7)	(12.5)	22.0	2.8
End of period	\$ (672.4)	\$ 213.0	\$ 33.2	\$ (4.1)	\$ 242.1

  

Millions	Nine Months Ended September 30, 2012				
	Variable Annuity (Liabilities)	Derivative Instruments			Total
	Level 3	Level 3 <sup>(1)</sup>	Level 2 <sup>(1)(2)</sup>	Level 1 <sup>(3)</sup>	
Beginning of period	\$ (768.5)	\$ 247.1	\$ 39.2	\$ 4.1	\$ 290.4
Purchases	—	6.1	—	—	6.1
Realized and unrealized gains (losses)	96.1 <sup>(4)</sup>	(24.1)	(71.8)	(26.1)	(122.0)
Transfers in	—	—	—	—	—
Sales/settlements	—	(16.1)	65.8	17.9	67.6
End of period	\$ (672.4)	\$ 213.0	\$ 33.2	\$ (4.1)	\$ 242.1

<sup>(1)</sup> Consists of over-the-counter instruments.

<sup>(2)</sup> Consists of interest rate swaps, total return swaps, foreign currency forward contracts, and bond forwards. Fair value measurement based upon bid/ask pricing quotes for similar instruments that are actively traded, where available. Swaps for which an active market does not exist have been priced using observable inputs including the swap curve and the underlying bond index.

<sup>(3)</sup> Consists of exchange traded equity index, foreign currency and interest rate futures. Fair value measurements based upon quoted prices for identical instruments that are actively traded.

<sup>(4)</sup> Includes \$(1.3) and \$(8.5) for the three and nine months ended September 30, 2013 and \$(0.7) and \$(6.7) for the three and nine months ended September 30, 2012 related to the change in the fair value of variable annuity death benefit liabilities, which are included in general and administrative expenses.

In addition to derivative instruments, WM Life Re held cash, short-term and fixed maturity investments posted as collateral to its variable annuity reinsurance counterparties. The total collateral comprises the following:

Millions	September 30, 2013	December 31, 2012	September 30, 2012
Cash	\$ 74.4	\$ 249.8	\$ 341.7
Short-term investments	15.8	5.1	14.6
Fixed maturity investments	24.6	138.7	121.2
Total	\$ 114.8	\$ 393.6	\$ 477.5

Collateral in the form of fixed maturity securities consists of Government of Japan Bonds, which are recorded at fair value. Collateral in the form of short-term investments consists of money-market instruments, carried at amortized cost, which approximates fair value.

All of White Mountains' variable annuity reinsurance liabilities were classified as Level 3 measurements at September 30, 2013 and 2012. The fair value of White Mountains' variable annuity reinsurance liabilities are estimated using actuarial and capital market assumptions related to the projected discounted cash flows over the term of the reinsurance agreement. Actuarial assumptions regarding future policyholder behavior, including surrender and lapse rates, are generally unobservable inputs and significantly impact the fair value estimates. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates as well as the variations in actuarial assumptions regarding policyholder behavior may result in significant fluctuations in the fair value estimates. Generally, the liabilities associated with these guarantees increase with declines in the equity markets, interest rates and currencies against the Japanese yen, as well as with increases in market volatilities. White Mountains uses derivative instruments, including put options, interest rate swaps, total return swaps on bond and equity indices and forwards and futures contracts on major equity indices, currency pairs and government bonds, to mitigate the risks associated with changes in the fair value of the reinsured variable annuity guarantees. The types of inputs used to estimate the fair value of these derivative instruments, with the exception of actuarial assumptions regarding policyholder behavior and risk margins, are generally the same as those used to estimate the fair value of variable annuity liabilities.

The following summarizes quantitative information about significant unobservable inputs associated with the fair value estimates for variable annuity reinsurance liabilities and derivative instruments that have been classified as Level 3 measurements:

(\$ in Millions)	September 30, 2013				
	Fair Value	Valuation Technique(s)	Unobservable Input	Range	Weighted Average
Variable annuity benefit guarantee liabilities	\$ 143.7	Discounted cash flows	Surrenders		
			1 year	0.3% - 10.8%	2.4%
			2 year	0.2% - 8.7%	2.6%
			3 year	0.1% - 6.6%	1.9%
			Mortality	0.0% - 5.3%	1.0%
			Foreign exchange volatilities		
			1 year	11.2% - 13.5%	12.0%
			2 year	12.3% - 14.5%	13.2%
			3 year	13.8% - 17.6%	14.7%
			Index volatilities		
			1 year	15.6% - 19.6%	16.6%
			2 year	17.6% - 21.4%	19.0%
			3 year	19.6% - 22.4%	21.3%
Foreign exchange options	\$ 57.8	Counterparty valuations, adjusted for unwind quote discount	Adjustment to counterparty valuations	0.1% - 3.2%	2.1%
Equity index options	\$ 44.6	Counterparty valuations, adjusted for unwind quote discount	Adjustment to counterparty valuations	1.7% - 3.0%	2.6%

WM Life Re enters into both over-the-counter (“OTC”) and exchange traded derivative instruments to economically hedge the liability from the variable annuity benefit guarantee. In the case of OTC derivatives, WM Life Re has exposure to credit risk for amounts that are uncollateralized by counterparties. WM Life Re’s internal risk management guidelines establish net counterparty exposure thresholds that take into account OTC counterparties’ credit ratings. The OTC derivative contracts are subject to restrictions on liquidation of the instruments and distribution of proceeds under collateral agreements.

In the case of exchange traded instruments, WM Life Re has exposure to credit risk for amounts uncollateralized by margin balances. WM Life Re has entered into master netting agreements with certain of its counterparties whereby the collateral provided (held) is calculated on a net basis. The following summarizes amounts offset under master netting agreements:

Millions	September 30, 2013			December 31, 2012		
	Gross asset amounts before offsets <sup>(1)</sup>	Gross liability amounts offset under master netting arrangements	Net amounts recognized in Other Assets	Gross asset amounts before offsets <sup>(1)</sup>	Gross liability amounts offset under master netting arrangements	Net amounts recognized in Other Assets
Interest rate contracts						
OTC	\$ .2	\$ (13.1)	\$ (12.9)	\$ 52.6	\$ (26.9)	\$ 25.7
Exchange traded	.7	(3.2)	(2.5)	1.6	(.2)	1.4
Foreign exchange contracts						
OTC	80.7	(10.1)	70.6	87.8	(34.4)	53.4
Exchange traded	.7	(.3)	0.4	.8	(1.4)	(.6)
Equity contracts						
OTC	44.6	(6.9)	37.7	63.6	(22.9)	40.7
Exchange traded	.6	(2.4)	(1.8)	.1	(22.4)	(22.3)
Total <sup>(2)</sup>	\$ 127.5	\$ (36.0)	\$ 91.5	\$ 206.5	\$ (108.2)	\$ 98.3

<sup>(1)</sup> Amount equal to fair value of instrument as recognized in other assets.

<sup>(2)</sup> All derivative instruments held by WM Life Re are subject to master netting arrangements.

The following summarizes the value, collateral held or provided by WM Life Re and net exposure to credit losses on OTC and exchange traded derivative instruments by counterparty recorded within other assets:

September 30, 2013										
Millions	Net amount of assets reflected in Balance Sheet	Collateral provided to counterparty - Cash	Collateral provided to counter-party - Financial Instruments	Net amount of exposure after effect of collateral provided	Excess collateral provided to counter-party- Cash	Excess collateral provided - Financial Instruments	Counter-party collateral held by WMLife Re - Cash	Net amount of exposure to counter-party	Standard & Poor's Rating <sup>(1)</sup>	
Bank of America	\$ 43.1	\$ —	\$ —	\$ 43.1	\$ —	\$ —	\$ —	\$ 43.1	A	
Barclays	2.6	—	—	2.6	—	—	—	2.6	A	
JP Morgan	12.5	—	—	12.5	19.4	—	—	31.9	A +	
Royal Bank of Scotland	18.3	—	—	18.3	—	—	—	18.3	A	
Nomura	(4.3)	3.6	.7	—	—	23.8	—	23.8	BBB +	
Goldman Sachs	—	—	—	—	—	—	—	—	A -	
Citigroup - OTC	23.1	—	—	23.1	2.4	—	—	25.5	A	
Citigroup - Exchange Traded	(3.8)	3.8	—	—	19.8	—	—	19.8	A	
<b>Total</b>	<b>\$ 91.5</b>	<b>\$ 7.4</b>	<b>\$ .7</b>	<b>\$ 99.6</b>	<b>\$ 41.6</b>	<b>\$ 23.8</b>	<b>\$ —</b>	<b>\$ 165.0</b>		

December 31, 2012										
Millions	Net amount of assets reflected in Balance Sheet	Collateral provided to counter-party - Cash	Collateral provided to counter-party - Financial Instruments	Net amount of exposure after effect of collateral provided	Excess collateral provided to counter-party- Cash	Excess collateral provided - Financial Instruments	Counter-party collateral held by WMLife Re- Cash	Net amount of exposure to counter-party	Standard & Poor's Rating <sup>(1)</sup>	
Bank of America	\$ 78.5	\$ —	—	\$ 78.5	\$ —	\$ —	\$ 30.6	\$ 47.9	A	
Barclays	11.6	—	—	11.6	—	—	—	11.6	A +	
JP Morgan	(22.8)	22.8	—	—	32.8	—	—	32.8	A +	
Royal Bank of Scotland	33.6	—	—	33.6	—	—	—	33.6	A	
Nomura	(.9)	.9	—	—	.8	28.0	—	28.8	BBB +	
Goldman Sachs	(.1)	.1	—	—	3.1	—	—	3.1	A -	
Citigroup - OTC	19.9	—	—	19.9	30.8	—	—	50.7	A	
Citigroup - Exchange Traded	(21.5)	21.5	—	—	13.6	—	—	13.6	A	
<b>Total</b>	<b>\$ 98.3</b>	<b>\$ 45.3</b>	<b>\$ —</b>	<b>\$ 143.6</b>	<b>\$ 81.1</b>	<b>\$ 28.0</b>	<b>\$ 30.6</b>	<b>\$ 222.1</b>		

<sup>(1)</sup> Standard & Poor's ratings as detailed above are: "A+" (Strong, which is the fifth highest of twenty-one creditworthiness ratings), "A" (Strong, which is the sixth highest of twenty-one creditworthiness ratings), "A-" (Strong, which is the seventh highest of twenty-one creditworthiness ratings) and "BBB+" (Adequate, which is the eighth highest of twenty-one creditworthiness ratings).

## Forward Contracts

Beginning in September 2012, White Mountains entered into forward contracts at Sirius Group. White Mountains monitors its exposure to foreign currency and adjusts its forward positions within the risk guidelines and ranges established by senior management for each currency, as necessary. While White Mountains actively manages its forward positions, mismatches between movements in foreign currency rates and its forward contracts may result in currency positions being outside the pre-defined ranges and/or foreign currency losses. At September 30, 2013, White Mountains held approximately \$16.4 million (SEK 105.0 million) total gross notional value of foreign currency forward contracts.

All of White Mountains' forward contracts are traded over-the-counter. The fair value of the contracts has been estimated using OTC quotes for similar instruments and accordingly, the measurements have been classified as Level 2 measurements at September 30, 2013.

The following tables summarize the changes in White Mountains' forward contracts for the three and nine months ended September 30, 2013:

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Beginning of period	\$ (.1)	\$ —	\$ (.1)	\$ —
Purchases	—	—	—	—
Net realized and unrealized (losses) gains	(.5)	.3	(.3)	.3
Sales/settlements	.5	—	.3	—
End of period	\$ (.1)	\$ .3	\$ (.1)	\$ .3

The following summarizes realized and unrealized derivative gains (losses) recognized in net realized and unrealized investment gains for the three and nine months ended September 30, 2013 and the carrying values, included in other long-term investments, at September 30, 2013 and December 31, 2012 by type of currency:

Millions	Three Months Ended		Nine Months Ended		Carrying Value	
	September 30,		September 30,		As of	
	2013	2012	2013	2012	September 30, 2013	December 31, 2012
USD	\$ (.4)	\$ .4	\$ (1.0)	\$ .4	\$ (.1)	\$ —
SEK	—	—	—	—	—	—
EUR	(.1)	(.1)	(.1)	(.1)	—	(.1)
GBP	—	—	.8	—	—	—
Total	\$ (.5)	\$ .3	\$ (.3)	\$ .3	\$ (.1)	\$ (.1)

All of White Mountains' forward contracts are subject to master netting agreements. The following summarizes amounts offset under master netting agreements:

Millions	September 30, 2013			December 31, 2012		
	Gross asset amounts before offsets <sup>(1)</sup>	Gross liability amounts offset under master netting arrangements	Net amounts recognized in Other assets	Gross asset amounts before offsets <sup>(1)</sup>	Gross liability amounts offset under master netting arrangements	Net amounts recognized in Other assets
USD	\$ (.1)	\$ —	\$ (.1)	\$ —	\$ —	\$ —
EUR	—	—	—	—	(.1)	(.1)
GBP	—	—	—	—	—	—
Total	\$ (.1)	\$ —	\$ (.1)	\$ —	\$ (.1)	\$ (.1)

<sup>(1)</sup> Amount equal to fair value of instrument as recognized in other assets.

White Mountains does not hold or provide any collateral for the forward contracts. The following table summarizes the notional amounts and uncollateralized balances associated with forward currency contracts:

Millions	September 30, 2013			December 31, 2012	
	Notional Amount	Carrying Value	Standard & Poor's Rating <sup>(1)</sup>	Notional Amount	Carrying Value
Barclays Bank Plc	\$ 3.1	\$ (.1)	A	\$ 7.7	\$ (.1)
Deutsche Bank	5.4	—	A	11.1	—
Goldman Sachs	2.5	—	A-	.4	—
HSBC	4.3	—	AA-	10.1	—
JP Morgan	—	—	A+	1.9	—
Royal Bank of Canada	1.1	—	AA-	—	—
<b>Total</b>	<b>\$ 16.4</b>	<b>\$ (.1)</b>		<b>\$ 31.2</b>	<b>\$ (.1)</b>

<sup>(1)</sup> Standard & Poor's ratings as detailed above are: "AA-" (Very Strong, which is the sixth highest of twenty-one creditworthiness ratings), "A+" (Strong, which is the seventh highest of twenty-one creditworthiness ratings) and "A-" (Strong, which is the ninth highest of twenty-one creditworthiness ratings).

## Interest Rate Cap

In May 2007, SIG issued the SIG Preference Shares, with an initial fixed annual dividend rate of 7.506%. In June 2017, the fixed rate will move to a floating rate equal to the greater of (i) 7.506% and (ii) 3-month LIBOR plus 320 bps. In July 2013, SIG executed the Interest Rate Cap for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period. The Interest Rate Cap fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The cost of the Interest Rate Cap was an upfront premium of 395 bps of the \$250.0 million notional value, or approximately \$9.9 million for the full notional amount.

The Interest Rate Cap does not qualify for hedge accounting. It is recorded in other assets at fair value. Changes in fair value are recognized as unrealized gains or losses and are presented within other revenues. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. The fair value of the interest rate cap has been estimated using a single broker quote and accordingly, has been classified as a Level 3 measurements at September 30, 2013.

The following tables summarize the changes in the fair value of the Interest Rate Cap for the three and nine months ended September 30, 2013:

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013		2013	
Beginning of period	\$	—	\$	—
Purchases		9.9		9.9
Net realized and unrealized (losses) gains		(.3)		(.3)
Sales/settlements		—		—
<b>End of period</b>	<b>\$</b>	<b>9.6</b>	<b>\$</b>	<b>9.6</b>

White Mountains does not provide any collateral to the interest rate counterparties. Under the terms of the Interest Rate Cap, White Mountains holds collateral in respect of future amounts due. White Mountains' liability to return that collateral is based on the amounts provided by the counterparty and investment earnings thereon. The following table summarizes the Interest Rate Cap collateral balances held by White Mountains and ratings by counterparty:

Millions	September 30, 2013	
	Collateral Balances Held	Standard & Poor's Rating <sup>(1)</sup>
Barclays Bank Plc	\$ 6.8	A
Nordea Bank Finland Plc	2.9	AA-
<b>Total</b>	<b>\$ 9.7</b>	

<sup>(1)</sup> Standard & Poor's ratings as detailed above are: "A" (Strong, which is the sixth highest of twenty-one creditworthiness ratings) and "AA-" (Very Strong, which is the fourth highest of twenty-one creditworthiness ratings).

## **Note 9. 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 BAM, a newly formed mutual municipal bond insurer. As of September 30, 2013, White Mountains owned 97.3% of HG Global's preferred equity and 88.7% 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. Through HG Re, which had statutory capital of \$428.2 million at September 30, 2013, HG Global provides first loss reinsurance protection for policies underwritten by BAM of up to 15% of par outstanding, on a per policy basis. HG Re's obligations to BAM are collateralized in trusts, and there is an aggregate loss limit that is equal to the total assets in the collateral trusts at any point in time. For the three and nine months ended September 30, 2013, HG Global had pre-tax income of \$10.5 million and \$28.2 million, which included \$10.1 million and \$30.2 million of interest income on the BAM surplus notes. For the three and nine months ended September 30, 2013, BAM had a pre-tax loss of \$15.1 million and \$60.2 million that was recorded in net loss attributable to non-controlling interests, which included \$10.1 million and \$30.2 million of interest expense on the BAM surplus notes. BAM manages its affairs on a statutory accounting basis. BAM's statutory surplus includes surplus notes and is not reduced by accruals of interest expense on the surplus notes. BAM's statutory surplus is reduced only after a payment of principal or interest has been approved by the New York Department of Financial Services.

All of the contracts issued by BAM are accounted for as insurance contracts under ASC 944-605, *Financial Guarantee Insurance Contracts*. Premiums are received upfront and an unearned premium revenue liability, equal to the amount of the cash received, is established at contract inception. Premium revenues are recognized in revenue over the period of the contracts in proportion to the amount of insurance protection provided using a constant rate. The constant rate is calculated based on the relationship between the par outstanding in a given reporting period compared with the sum of each of the par amounts outstanding for all periods.

The following table provides a schedule of BAM's insured obligations:

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Contracts issued and outstanding	<b>483</b>	3
Remaining weighted average contract period (in years)	<b>13.7</b>	10.4
Contractual debt service outstanding (in millions):		
Principal	<b>\$ 3,128.3</b>	\$ 25.8
Interest	<b>\$ 1,824.6</b>	\$ 8.9
Gross unearned insurance premiums	<b>\$ 8.1</b>	\$ .1

**Note 10. Earnings Per Share**

Basic earnings per share amounts are based on the weighted average number of common shares outstanding including unvested restricted shares that are considered participating securities. Diluted earnings per share amounts are based on the weighted average number of common shares including unvested restricted shares and the net effect of potentially dilutive common shares outstanding. The following table outlines the Company's computation of earnings per share from continuing operations for the three and nine months ended September 30, 2013 and 2012 (see **Note 15** for earnings per share amounts for discontinued operations):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
<b>Basic and diluted earnings per share numerators (in millions):</b>				
Net income from continuing operations attributable to				
White Mountains' common shareholders	\$ 56.8	\$ 125.9	\$ 199.1	\$ 254.6
Allocation of income for unvested restricted common shares	(.9)	(1.8)	(2.9)	(3.3)
Dividends declared on participating restricted common shares <sup>(1)</sup>	—	—	(.1)	(.1)
Total allocation to restricted common shares	(.9)	(1.8)	(3.0)	(3.4)
Net income attributable to White Mountains' common shareholders, net of restricted common share amounts	\$ 55.9	\$ 124.1	\$ 196.1	\$ 251.2
<b>Undistributed net earnings (in millions):</b>				
Net income attributable to White Mountains' common shareholders, net of restricted common share amounts	\$ 55.9	\$ 124.1	\$ 196.1	\$ 251.2
Dividends declared net of restricted common share amounts <sup>(1)</sup>	—	—	(6.1)	(6.5)
Total undistributed net earnings, net of restricted common share amounts	\$ 55.9	\$ 124.1	\$ 190.0	\$ 244.7
<b>Basic earnings per share denominators (in thousands):</b>				
Total average common shares outstanding during the period	6,176.6	6,590.4	6,208.4	6,885.9
Average unvested restricted shares <sup>(2)</sup>	(95.5)	(96.5)	(90.0)	(89.5)
Basic earnings per share denominator	6,081.1	6,493.9	6,118.4	6,796.4
<b>Diluted earnings per share denominator (in thousands):</b>				
Total average common shares outstanding during the period	6,176.6	6,590.4	6,208.4	6,885.9
Average unvested restricted common shares <sup>(2)</sup>	(95.5)	(96.5)	(90.0)	(89.5)
Average outstanding dilutive options to acquire common shares <sup>(3)</sup>	—	—	—	—
Diluted earnings per share denominator	6,081.1	6,493.9	6,118.4	6,796.4
<b>Basic earnings per share (in dollars):</b>				
Net income attributable to White Mountains' common shareholders	\$ 9.20	\$ 19.11	\$ 32.05	\$ 36.96
Dividends declared	—	—	(1.00)	(1.00)
Undistributed earnings	\$ 9.20	\$ 19.11	\$ 31.05	\$ 35.96
<b>Diluted earnings per share (in dollars):</b>				
Net income attributable to White Mountains' common shareholders	\$ 9.20	\$ 19.11	\$ 32.05	\$ 36.96
Dividends declared	—	—	(1.00)	(1.00)
Undistributed earnings	\$ 9.20	\$ 19.11	\$ 31.05	\$ 35.96

<sup>(1)</sup> Restricted shares issued by White Mountains receive dividends, and therefore, are considered participating securities.

<sup>(2)</sup> Restricted shares outstanding vest either in equal annual installments or upon a stated date (see **Note 13**).

<sup>(3)</sup> The diluted earnings per share denominator for the three and nine months ended September 30, 2013 and 2012 do not include the impact of 125,000 common shares issuable upon exercise of the non-qualified options outstanding as they are anti-dilutive to the calculation.

**Note 11. Segment Information**

White Mountains has determined that its reportable segments are OneBeacon, Sirius Group, HG Global/BAM 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.

Significant intercompany transactions among White Mountains' segments have been eliminated herein. Financial information for White Mountains' segments follows:

Millions	OneBeacon	Sirius Group	HG Global/BAM		Other Operations	Total
			HG	BAM		
<b>Three Months Ended September 30, 2013</b>						
Earned insurance and reinsurance premiums	\$ 278.9	\$ 221.4	\$ .1	\$ —	\$ —	\$ 500.4
Net investment income	10.1	13.5	.2	1.1	2.4	27.3
Net investment income (loss) - surplus note interest	—	—	10.1	(10.1)	—	—
Net realized and unrealized investment gains (losses)	17.0	(24.7)	.5	2.4	33.0	28.2
Other revenue	5.5	16.8	—	.2	(4.3)	18.2
Total revenues	311.5	227.0	10.9	(6.4)	31.1	574.1
Losses and loss adjustment expenses	167.8	110.5	—	—	—	278.3
Insurance and reinsurance acquisition expenses	53.6	52.5	.1	.5	—	106.7
Other underwriting expenses	46.8	33.5	—	.1	—	80.4
General and administrative expenses	4.1	7.5	.3	8.1	21.5	41.5
Interest expense on debt	3.3	6.6	—	—	2.0	11.9
Total expenses	275.6	210.6	.4	8.7	23.5	518.8
Pre-tax income (loss)	\$ 35.9	\$ 16.4	\$ 10.5	\$ (15.1)	\$ 7.6	\$ 55.3

Millions	OneBeacon	Sirius Group	HG Global/BAM		Other Operations	Total
			HG	BAM		
<b>Nine Months Ended September 30, 2013</b>						
Earned insurance and reinsurance premiums	\$ 846.2	\$ 646.9	\$ .2	\$ —	\$ —	\$ 1,493.3
Net investment income	30.9	38.0	.7	3.3	11.6	84.5
Net investment income (loss) - surplus note interest	—	—	30.2	(30.2)	—	—
Net realized and unrealized investment gains (losses)	19.9	(4.9)	(1.7)	(8.1)	60.9	66.1
Other revenue	30.1	11.3	—	.3	5.2	46.9
Total revenues	927.1	691.3	29.4	(34.7)	77.7	1,690.8
Losses and loss adjustment expenses	473.7	323.5	—	—	—	797.2
Insurance and reinsurance acquisition expenses	160.9	119.0	.1	1.0	—	281.0
Other underwriting expenses	150.7	93.0	—	.3	—	244.0
General and administrative expenses	11.0	23.0	1.1	24.2	66.2	125.5
Interest expense on debt	9.8	19.7	—	—	2.9	32.4
Total expenses	806.1	578.2	1.2	25.5	69.1	1,480.1
Pre-tax income (loss)	\$ 121.0	\$ 113.1	\$ 28.2	\$ (60.2)	\$ 8.6	\$ 210.7



Millions	OneBeacon	Sirius Group	HG Global/BAM		Other Operations	Total
			HG	BAM		
Three Months Ended September 30, 2012						
Earned insurance and reinsurance premiums	\$ 293.9	\$ 242.9	\$ —	\$ —	\$ —	\$ 536.8
Net investment income	12.8	16.7	.1	.6	7.4	37.6
Net investment income (loss) - surplus note interest	—	—	8.3	(8.3)	—	—
Net realized and unrealized investment gains (losses)	40.0	(8.9)	.2	1.0	40.4	72.7
Other revenue	(.4)	48.2	—	—	2.5	50.3
Total revenues	346.3	298.9	8.6	(6.7)	50.3	697.4
Losses and loss adjustment expenses	164.7	143.4	—	—	—	308.1
Insurance and reinsurance acquisition expenses	66.6	41.0	—	—	—	107.6
Other underwriting expenses	47.4	29.1	—	.1	—	76.6
General and administrative expenses	4.4	10.2	3.8	11.2	29.1	58.7
Interest expense on debt	4.1	6.5	—	—	.7	11.3
Total expenses	287.2	230.2	3.8	11.3	29.8	562.3
Pre-tax income (loss)	\$ 59.1	\$ 68.7	\$ 4.8	\$ (18.0)	\$ 20.5	\$ 135.1

Millions	OneBeacon	Sirius Group	HG Global/BAM		Other Operations	Total
			HG	BAM		
Nine Months Ended September 30, 2012						
Earned insurance and reinsurance premiums	\$ 846.0	\$ 699.3	\$ —	\$ —	\$ —	\$ 1,545.3
Net investment income	41.5	50.9	.1	.6	26.7	119.8
Net investment income (loss) - surplus note interest	—	—	8.3	(8.3)	—	—
Net realized and unrealized investment gains	57.9	22.9	.2	1.0	41.2	123.2
Other revenue	(.1)	48.9	—	—	32.2	81.0
Total revenues	945.3	822.0	8.6	(6.7)	100.1	1,869.3
Losses and loss adjustment expenses	452.5	369.2	—	—	—	821.7
Insurance and reinsurance acquisition expenses	185.6	140.6	—	—	—	326.2
Other underwriting expenses	146.2	82.1	—	.1	—	228.4
General and administrative expenses	9.6	35.4	3.8	11.2	86.3	146.3
Interest expense on debt	12.2	19.6	—	—	1.3	33.1
Total expenses	806.1	646.9	3.8	11.3	87.6	1,555.7
Pre-tax income (loss)	\$ 139.2	\$ 175.1	\$ 4.8	\$ (18.0)	\$ 12.5	\$ 313.6

**Note 12. Investments in Unconsolidated Affiliates**

White Mountains' investments in unconsolidated affiliates represent investments in other companies in which White Mountains has a significant voting and economic interest but does not control the entity.

Millions	September 30, 2013	December 31, 2012
Symetra common shares	\$ 350.7	\$ 288.4
Unrealized (losses) gains from Symetra's fixed maturity portfolio	(25.5)	62.8
Carrying value of Symetra common shares	325.2	351.2
Symetra warrants	—	30.3
Total investment in Symetra	325.2	381.5
Hamer	3.7	4.0
Bri-Mar	2.8	1.9
Pentelia Capital Management	—	.5
Total investments in unconsolidated affiliates	\$ 331.7	\$ 387.9

**Symetra**

At September 30, 2013 and December 31, 2012, White Mountains owned 20.05 million and 17.40 million common shares of Symetra Financial Corporation ("Symetra") which represented an approximate 17% and 15% common share ownership. At December 31, 2012, White Mountains also owned warrants to acquire an additional 9.49 million common shares of Symetra. White Mountains accounts for its investment in common shares of Symetra using the equity method. White Mountains accounted for its Symetra warrants as derivatives with changes in fair value recognized through the income statement as a gain or loss recognized through other revenues. White Mountains used a Black Scholes valuation model to determine the fair value of the Symetra warrants.

On June 20, 2013, both White Mountains and Berkshire Hathaway Inc., which each owned warrants to purchase 9.49 million common shares of Symetra, exercised their warrants in a cashless transaction and each received 2.65 million common shares of Symetra in exchange for their warrants. In addition, Symetra repurchased 6.6 million of its common shares at an average price of \$13.44 during the second quarter of 2013. The net effect of Symetra's share repurchases and the warrant exercises resulted in a basis difference between the GAAP carrying value of White Mountains' investment in Symetra common shares and the amount derived by multiplying the percentage of White Mountains common share ownership by Symetra's total GAAP equity. This basis difference totaled \$19.3 million, of which \$0.4 million is attributable to equity in earnings of unconsolidated affiliates and \$18.9 million is attributable to equity in net unrealized gains of unconsolidated affiliates.

At December 31, 2011, due to the prolonged low interest rate environment in which life insurance companies currently operate, White Mountains concluded that its investment in Symetra common shares was other-than-temporarily impaired and wrote down the GAAP book value of the investment to its estimated fair value of \$261.0 million, or \$15 per share at December 31, 2011. This impairment also resulted in a basis difference between the GAAP carrying value of White Mountains' investment in Symetra common shares and the amount derived by multiplying the percentage of White Mountains common share ownership by Symetra's total GAAP equity. White Mountains recorded \$45.9 million of after-tax equity in losses of unconsolidated affiliates and \$136.6 million of after-tax equity in net unrealized losses of unconsolidated affiliates.

As a result of the various basis adjustments, White Mountains' carrying value of its investment in Symetra differs from the carrying value by applying its ownership share against Symetra's GAAP equity as normally done under the equity method. The pre-tax basis difference is being amortized over a 30-year period pro rata based on estimated future cash flows associated with Symetra's underlying assets and liabilities to which the basis differences have been attributed. White Mountains continues to record its equity in Symetra's earnings and net unrealized gains (losses). In addition, White Mountains recognizes the amortization of the basis difference through equity in earnings of unconsolidated affiliates and equity in net unrealized gains (losses) from investments in unconsolidated affiliates consistent with the original attribution of the basis differences between equity in earnings and equity in net unrealized gains (losses). For the three and nine months ended September 30, 2013, White Mountains recognized after-tax amortization of \$0.7 million and \$2.1 million through equity in earnings of unconsolidated affiliates and \$2.9 million and \$7.9 million through equity in net unrealized gains from investments in unconsolidated affiliates. At September 30, 2013, the pre-tax unamortized basis difference was \$187.6 million, of which \$39.8 million is attributable to equity in earnings of unconsolidated affiliates and \$147.8 million is attributable to equity in net unrealized gains of unconsolidated affiliates.

Immediately prior to the exercise of the warrants, White Mountains recognized a \$14.5 million increase in the value of the warrants through other revenues based on the final Black Scholes valuation that was agreed upon between Symetra and White Mountains. The major assumptions used in valuing the Symetra warrants at June 20, 2013 were a risk free rate of a 0.34%, volatility of 26.5%, an expected life of 1.11 years, a strike price of \$11.49 per share and a share price of \$15.53 per share. During the six months ended June 30, 2013, White Mountains also received dividends of \$1.5 million from Symetra on its investment in Symetra warrants that was recorded in net investment income.

The following table summarizes amounts recorded by White Mountains relating to its investment in Symetra for the three and nine months ended September 30, 2013 and 2012:

Millions	Three Months Ended			Three Months Ended		
	September 30, 2013			September 30, 2012		
	Common Shares	Warrants	Total	Common Shares	Warrants	Total
Carrying value of investment in Symetra at beginning of period	\$ 326.0	\$ —	\$ 326.0	\$ 305.9	\$ 29.8	\$ 335.7
Equity in earnings <sup>(1)(2)</sup>	8.7	—	8.7	8.8	—	8.8
Equity in net unrealized (losses) gains from Symetra's fixed maturity portfolio <sup>(3)</sup>	(7.7)	—	(7.7)	35.2	—	35.2
Dividends received	(1.8)	—	(1.8)	(1.3)	—	(1.3)
Increase in value of warrants	—	—	—	—	(3.6)	(3.6)
Exercise of warrants	—	—	—	—	—	—
Carrying value of investment in Symetra at end of period <sup>(4)(5)</sup>	\$ 325.2	\$ —	\$ 325.2	\$ 348.6	\$ 26.2	\$ 374.8

<sup>(1)</sup> Equity in earnings excludes tax expense of \$0.6 and \$0.7.

<sup>(2)</sup> Equity in earnings includes \$0.7 and \$0.9 increase relating to the pre-tax amortization of the Symetra common share basis difference.

<sup>(3)</sup> Net unrealized gains includes \$3.1 and \$3.3 increase relating to the pre-tax amortization of the Symetra common share basis difference.

<sup>(4)</sup> Includes White Mountains' equity in net unrealized (losses) gains from Symetra's fixed maturity portfolio of \$(7.7) and \$35.2 as of September 30, 2013 and 2012, which exclude deferred tax assets (liabilities) of \$0.5 and \$2.8.

<sup>(5)</sup> The aggregate value of White Mountains' investment in common shares of Symetra was \$357.3 based upon the quoted market price of \$17.82 per share at September 30, 2013.

Millions	Nine Months Ended			Nine Months Ended		
	September 30, 2013			September 30, 2012		
	Common Shares	Warrants	Total	Common Shares	Warrants	Total
Carrying value of investment in Symetra at beginning of period	\$ 351.2	\$ 30.3	\$ 381.5	\$ 261.0	\$ 12.6	\$ 273.6
Equity in earnings <sup>(1)(2)</sup>	25.7	—	25.7	26.7	—	26.7
Equity in net unrealized (losses) gains from Symetra's fixed maturity portfolio <sup>(3)</sup>	(88.2)	—	(88.2)	64.6	—	64.6
Dividends received	(4.6)	—	(4.6)	(3.7)	—	(3.7)
Increase in value of warrants	—	10.8	10.8	—	13.6	13.6
Exercise of warrants	41.1	(41.1)	—	—	—	—
Carrying value of investment in Symetra at end of period <sup>(4)(5)</sup>	\$ 325.2	\$ —	\$ 325.2	\$ 348.6	\$ 26.2	\$ 374.8

<sup>(1)</sup> Equity in earnings excludes tax expense of \$2.0 and \$2.2.

<sup>(2)</sup> Equity in earnings includes \$2.2 and \$0.9 increase relating to the pre-tax amortization of the Symetra common share basis difference.

<sup>(3)</sup> Net unrealized gains includes \$8.6 and \$9.9 increase relating to the pre-tax amortization of the Symetra common share basis difference.

<sup>(4)</sup> Includes White Mountains' equity in net unrealized (losses) gains from Symetra's fixed maturity portfolio of \$(25.5) and \$64.6 as of September 30, 2013 and 2012, which exclude deferred tax assets (liabilities) of \$2.0 and \$(5.2).

<sup>(5)</sup> The aggregate value of White Mountains' investment in common shares of Symetra was \$357.3 based upon the quoted market price of \$17.82 per share at September 30, 2013.

During the three and nine months ended September 30, 2013, White Mountains received cash dividends from Symetra of \$1.8 million and \$4.6 million on its common share investment that were recorded as a reduction of White Mountains' investment in Symetra.

## Hamer and Bri-Mar

White Mountains received equity interests in Hamer and Bri-Mar, two small manufacturing companies distributed to White Mountains in connection with the dissolution of the Tuckerman Capital, LP fund. Effective October 1, 2012, these investments are accounted for under the equity method. For the three and nine months ended September 30, 2013, White Mountains recorded equity in earnings of \$0.1 million and \$0.5 million for Hamer. For the nine months ended September 30, 2013, White Mountains also received \$0.8 million of cash dividends from Hamer. For the three and nine months ended September 30, 2013, White Mountains recorded equity in earnings of \$0.4 million and \$0.9 million for Bri-Mar. As of September 30, 2013, White Mountains' investments in Hamer and Bri-Mar were \$3.7 million and \$2.8 million, respectively.

## Note 13. Employee Share-Based Incentive Compensation Plans

White Mountains' 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 and service providers of the Company and certain of its subsidiaries. White Mountains' share-based compensation incentive awards consist of performance shares, restricted shares and stock options.

### Share-Based Compensation Based on White Mountains Common Shares

#### WTM Performance Shares

Performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. Performance share awards vest, subject to the attainment of performance goals, at the end of a three-year period and are valued based on the market value of common shares at the time awards are paid. The following table summarizes performance share activity for the three and nine months ended September 30, 2013 and 2012 for performance shares granted under the WTM Incentive Plan and phantom performance shares granted under the Sirius Group Performance Plan (the "WTM Phantom Share Plan"):

Millions, except share amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	118,976	\$ 34.9	118,450	\$ 32.7	119,357	\$ 29.4	150,064	\$ 66.1
Shares paid or expired <sup>(1)</sup>	—	—	—	—	(47,310)	(11.0)	(68,357)	(48.4)
New grants	250	—	2,500	—	47,170	—	38,432	—
Assumed forfeitures and cancellations <sup>(2)</sup>	(6)	(.2)	(1,359)	(.4)	3	(.2)	(548)	.4
Expense recognized	—	7.1	—	6.6	—	23.6	—	20.8
Ending September 30,	119,220	\$ 41.8	119,591	\$ 38.9	119,220	\$ 41.8	119,591	\$ 38.9

<sup>(1)</sup> WTM performance share payments in 2013 for the 2010-2012 performance cycle ranged from 33% to 98% of target. WTM performance share payments in 2012 for the 2009-2011 performance cycle ranged from 147% to 155% of target.

<sup>(2)</sup> Amounts include changes in assumed forfeitures, as required under GAAP.

For the 2009-2011 performance cycle, the Company issued common shares for 9,577 performance shares earned and all other performance shares earned were settled in cash. For the 2010-2012 performance cycle, the Company settled all performance shares earned in cash.

If the outstanding WTM performance shares had vested on September 30, 2013, the total additional compensation cost to be recognized would have been \$35.5 million, based on accrual factors at September 30, 2013 (common share price and payout assumptions).

*Performance Shares granted under the WTM Incentive Plan*

The following table summarizes performance shares outstanding and accrued expense for performance shares awarded under the WTM Incentive Plan at September 30, 2013 for each performance cycle:

Millions, except share amounts	Target Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2013 – 2015	47,170	\$ 8.0
2012 – 2014	37,977	15.8
2011 – 2013	37,130	19.1
Sub-total	122,277	42.9
Assumed forfeitures	(3,057)	(1.1)
<b>Total at September 30, 2013</b>	<b>119,220</b>	<b>\$ 41.8</b>

*Restricted Shares*

The following outlines the unrecognized compensation cost associated with the outstanding restricted share awards for the three and nine months ended September 30, 2013 and 2012:

Millions, except share amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value
Non-vested,								
Beginning of period	95,380	\$ 24.5	93,460	\$ 21.5	69,910	\$ 16.8	72,000	\$ 13.3
Issued	250	.1	3,700	2.0	25,720	14.4	32,160	15.7
Vested	—	—	—	—	—	—	(7,000)	—
Forfeited	—	—	(1,065)	(.2)	—	—	(1,065)	(.2)
Expense recognized	—	(3.8)	—	(3.2)	—	(10.4)	—	(8.7)
Non-vested at September 30,	95,630	\$ 20.8	96,095	\$ 20.1	95,630	\$ 20.8	96,095	\$ 20.1

During the first nine months of 2013, White Mountains issued 25,720 restricted shares that vest on January 1, 2016. During the first nine months of 2012, White Mountains issued 27,960 restricted shares that vest on January 1, 2015, 1,200 restricted shares that vest on July 16, 2015 and 3,000 restricted shares that vest in two equal annual installments beginning in February 2014. The unrecognized compensation cost at September 30, 2013 is expected to be recognized ratably over the remaining vesting periods.

**Share-Based Compensation Based on OneBeacon Ltd. Common Shares**

The OneBeacon Long-Term Incentive Plan (the “OneBeacon Incentive Plan”) provides for grants of various types of share-based and non share-based incentive awards to key employees of OneBeacon Ltd. and certain of its subsidiaries. OneBeacon’s share-based incentive awards include OneBeacon performance shares and restricted shares.

### OneBeacon Performance Shares

OneBeacon performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. OneBeacon performance share awards vest, subject to the attainment of performance goals, at the end of a three-year period and are valued based on the market value of OneBeacon Ltd. common shares at the time awards are paid.

The following table summarizes performance share activity for the three and nine months ended September 30, 2013 and 2012 for OneBeacon performance shares granted under the OneBeacon Incentive Plan:

Millions, except share amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	489,867	\$ 2.4	560,577	\$ 3.1	563,190	\$ 1.2	642,667	\$ 9.7
Shares paid or expired <sup>(1)</sup>	—	—	—	—	(238,658)	—	(258,901)	(7.8)
New awards	—	—	—	—	179,000	—	181,290	—
Assumed forfeitures and cancellations <sup>(2)</sup>	—	—	(3,354)	—	(13,665)	(.1)	(7,833)	—
Expense recognized	—	.1	—	(2.2)	—	1.4	—	(1.0)
Ending September 30,	489,867	\$ 2.5	557,223	\$ .9	489,867	\$ 2.5	557,223	\$ .9

<sup>(1)</sup> There were no payments made in 2013 for the 2010-2012 performance cycle; those performance shares did not meet the threshold performance goals and expired. OneBeacon performance share payments in 2012 for the 2009-2011 performance cycle were at 138.6% of target. Amounts include deposits into OneBeacon's deferred compensation plan.

<sup>(2)</sup> Amounts include changes in assumed forfeitures, as required under GAAP.

If the outstanding OneBeacon performance shares had been vested on September 30, 2013, the total additional compensation cost to be recognized would have been \$3.1 million, based on accrual factors at September 30, 2013 (common share price and payout assumptions).

The following table summarizes OneBeacon performance shares outstanding awarded under the OneBeacon Incentive Plan at September 30, 2013 for each performance cycle:

Millions, except share amounts	Target OneBeacon Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2013 – 2015	179,000	\$ .7
2012 – 2014	181,290	1.4
2011 – 2013	142,138	.5
Sub-total	502,428	2.6
Assumed forfeitures	(12,561)	(.1)
<b>Total at September 30, 2013</b>	<b>489,867</b>	<b>\$ 2.5</b>

### OneBeacon Restricted Shares

The following summarizes the unrecognized compensation cost associated with the outstanding OneBeacon restricted share awards for the three and nine months ended September 30, 2013 and 2012:

Millions, except share amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value
Non-vested,								
Beginning of period	918,000	\$ 8.0	930,000	\$ 11.2	927,000	\$ 9.6	630,000	\$ 7.7
Issued	—	—	—	—	—	—	300,000	4.6
Vested	—	—	—	—	(9,000)	—	—	—
Forfeited	(3,000)	—	—	—	(3,000)	—	—	—
Expense recognized	—	(.7)	—	(.8)	—	(2.3)	—	(1.9)
Non-vested at September 30,	915,000	\$ 7.3	930,000	\$ 10.4	915,000	\$ 7.3	930,000	\$ 10.4

On March 1, 2012, OneBeacon issued 300,000 restricted shares that vest in two equal annual installments beginning on February 28, 2014.

On May 25, 2011, OneBeacon issued 630,000 restricted shares to its CEO that vest in four equal annual installments beginning on February 22, 2014. Concurrently with the grant of the restricted shares, 35,000 OneBeacon performance shares issued to OneBeacon's CEO for the 2011-2013 performance share cycle were forfeited and performance share awards to OneBeacon's CEO for the subsequent five years have been or will also be reduced by 35,000 shares.

The unrecognized compensation cost at September 30, 2013 is expected to be recognized ratably over the remaining vesting periods.

#### **Note 14. Fair Value of Financial Instruments**

White Mountains accounts for its financial instruments at fair value with the exception of 1) the OBH Senior Notes and the SIG Senior Notes, which are recorded as debt liabilities at face value less unamortized original issue discount, and 2) the SIG Preference Shares, which are recorded as non-controlling interest at face value.

The following table summarizes the fair value and book value of financial instruments as of September 30, 2013 and December 31, 2012:

Millions	September 30, 2013		December 31, 2012	
	Fair Value	Book Value	Fair Value	Book Value
2012 OBH Senior Notes	\$ 272.2	\$ 274.7	\$ 282.4	\$ 274.7
SIG Senior Notes	437.0	399.5	441.9	399.4
SIG Preference Shares	255.0	250.0	257.5	250.0

The fair value estimate for the 2012 OBH Senior Notes has been determined using quoted market prices. The 2012 OBH Senior Notes are considered a Level 2 measurement based upon the volume and frequency of observable transactions. The fair value estimates for the SIG Senior Notes and the SIG Preference Shares have been determined based on indicative broker quotes and are considered to be Level 3 measurements.

#### **Note 15. Discontinued Operations**

##### **AutoOne**

On February 22, 2012, OneBeacon completed the sale of the AutoOne business to Interboro. AutoOne operated as a division within OneBeacon that offered products and services to automobile assigned risk markets. The transaction included the sale of two insurance entities, AOIC and AOSIC, through which substantially all of the AutoOne business was written on a direct basis. The results of operations for the AutoOne business have been classified as discontinued operations and are presented, net of related income taxes, in the statement of comprehensive income.

##### **Runoff Transaction**

On October 17, 2012, one of OneBeacon's indirect wholly-owned subsidiaries, OneBeacon Insurance Group LLC, entered into a definitive agreement with Armour, to sell its runoff business (the "Runoff Business"). During three and nine months ended September 30, 2013 and 2012, the results of operations for the Runoff Business have been classified as discontinued operations and are presented, net of related income taxes, in the statement of comprehensive income. Prior year results of operations have been reclassified to conform to the current period's presentation. The assets and liabilities associated with the Runoff Business as of September 30, 2013 and December 31, 2012 have been presented in the balance sheet as held for sale. The amounts classified as discontinued operations in the statements of operations and cash flows exclude investing and financing activities that are conducted on an overall consolidated level and, accordingly, there were no separately identifiable investments associated with the Runoff Business.

The Pennsylvania Insurance Department ("PID") is required to conduct an examination of the Runoff Business as part of its regulatory review of the Runoff Transaction. Pursuant to this examination, the PID required a third party actuarial review to provide an independent actuarial assessment of the loss reserves associated with the Runoff Business, which is a normal requirement associated with such examinations. The independent actuarial review was completed on September 9, 2013; the summary report was filed with the PID on September 17, 2013; and the PID posted the summary report to its public web site on September 19, 2013, which OneBeacon referenced in a Form 8-K filed on the same date. The independent actuarial review produced a range of total statutory net loss and LAE reserves of \$215 million to \$668 million as of March 31, 2013. This compares to the OneBeacon's recorded statutory net loss and LAE reserves of \$166 million as of March 31, 2013.

Two items cause the majority of the difference between OneBeacon's recorded net loss and LAE reserves and the low end of the range of estimates produced by the independent actuarial review. First, the independent actuaries did not assume that historically favorable loss experience would repeat in the future, causing the low end estimate to be approximately \$46 million higher. Second, the provision for estimated costs to administer the runoff claims, as developed by the independent actuarial review, focused mainly on Armour's estimated cost structure versus OneBeacon's cost structure, which would have generated a \$17 million lower cost estimate.

The high end of the range produced by the independent actuarial review results from the accumulation of conservative selections in many other key assumptions, such as medical inflation costs, mortality experience, lump sum settlement rates, tail factors, and other judgmental items, which are more fully described in Critical Accounting Estimates on pages 74-85 of White Mountains' 2012 Annual Report on Form 10-K.

As of September 30, 2013, the net loss and LAE reserves associated with the Runoff Business totaled \$131 million, a reduction due to normal claim runoff. Management believes that the recorded net loss and LAE reserves continue to reflect a reasonable provision for expected future loss and LAE payments and represent management's best estimate within a range of reasonable estimates.

During the fourth quarter of 2013, OneBeacon's actuaries will complete additional analyses of the loss and LAE reserves associated with the Runoff Business. In addition to the internal actuaries taking into account the differing assumptions, methods, and analyses produced by the independent actuarial review and other factors, management will consider other sources of information, including runoff claims staffing models and related costs as well as perspectives provided by the PID during the ongoing regulatory approval process. Management will also consider that, for the two most recent quarters since the date of the independent actuarial review, actual loss emergence on the runoff reserves has continued to be consistent with or lower than the expected losses used to estimate its recorded net loss and LAE reserves. This recent claims experience was not considered in the results of the independent actuarial review described above.

While management believes that the recorded loss and LAE reserves make a reasonable provision for future loss and LAE payments related to the Runoff Business, once all factors are considered, including the information contained in the independent actuarial review and recent claims experience, it is possible that the fourth quarter or subsequent internal actuarial analyses may cause the actuarial indications to increase, which could result in an increase in management's best estimate of loss and LAE reserves associated with the Runoff Business. In the event that OneBeacon records an increase in the loss and LAE reserves associated with the Runoff Business in the fourth quarter or at any time prior to the closing of the Runoff Transaction, the estimated loss on sale from the Runoff Transaction would be reduced by an equal and offsetting amount in the same period. The offset to the estimated loss on sale would reflect the terms of the stock purchase agreement ("SPA") with Armour, under which Armour has assumed the risk that loss and LAE reserves develop unfavorably from September 30, 2012 onward.

Though the SPA stipulates the amount of reserves and surplus to be transferred to Armour at closing, the PID may require additional reserves and/or surplus as a closing condition. In that event, and to respond to such a closing condition, the SPA provides that OneBeacon would invest in surplus notes issued by the transferring companies, subject to certain limits on the amount of surplus notes issued. OneBeacon believes that the transferred reserves and surplus plus the funding requirements/limitations agreed to in the SPA cover the full range of claim projections produced in the independent actuarial review. The Runoff Transaction is expected to close in the second quarter of 2014. Accordingly, OneBeacon and Armour have amended the SPA to extend the date on which the SPA may be terminated by the parties to July 31, 2014.

#### *Results of Discontinued Operations*

For the nine months ended September 30, 2013, the results of discontinued operations included other revenue that was primarily associated with a settlement award in the Safeco Insurance Company of America v. AIG class action related to AIG's alleged underreporting of workers' compensation premiums to the National Workers' Compensation Reinsurance Pool. In light of the ongoing regulatory review of the Runoff Transaction, which includes a third party actuarial review, OneBeacon increased loss reserves by approximately the same amount of the benefit resulting from the class action settlement award.

For the three and nine months ended September 30, 2012, OneBeacon recorded \$100.5 million in after-tax losses related to the Runoff Transaction. These losses are composed of a \$91.5 million after-tax loss on sale and a \$9.0 million after-tax loss related to a reduction in the workers compensation loss reserve discount rate on reserves being transferred as part of the sale. OneBeacon also recognized \$6.5 million of after-tax underwriting losses primarily related to unfavorable loss reserve development. The unfavorable development in 2012 was primarily driven by case incurred development on a small number of claims related to multiple peril liability lines and general liability lines and also the impact of an adverse court ruling in Mississippi regarding a disputed assessment from an involuntary pool for hurricane Katrina claims.



## Reinsurance

Included in the assets held for sale are reinsurance recoverables from two reinsurance contracts with subsidiaries of Berkshire Hathaway Inc. that OneBeacon was required to purchase in connection with White Mountains' acquisition of OneBeacon in 2001 (the "OneBeacon Acquisition"): a reinsurance contract with National Indemnity Company ("NICO") for up to \$2.5 billion in old asbestos and environmental ("A&E") claims and certain other exposures (the "NICO Cover") and an adverse loss reserve development cover from General Reinsurance Corporation ("GRC") for up to \$570.0 million, comprised of \$400.0 million of adverse loss reserve development occurring in years 2000 and prior (the "GRC Cover") in addition to \$170.0 million of reserves ceded as of the date of the OneBeacon Acquisition. The NICO Cover and GRC Cover, which were contingent on and occurred contemporaneously with the OneBeacon Acquisition, were put in place in lieu of a seller guarantee of loss and LAE reserves and are therefore accounted for under GAAP as a seller guarantee. As of September 30, 2013 and December 31, 2012, the total reinsurance recoverables on paid and unpaid losses of \$1,292.2 million and \$1,401.9 million related to both the NICO cover and the GRC cover have been included in assets held for sale. Both NICO and GRC have an A.M Best rating of A++, Superior, which is the highest of sixteen ratings.

The total reinsurance recoverables on paid and unpaid losses in assets held for sale were \$21.8 million and \$1,806.7 million as of September 30, 2013. The reinsurance recoverable on unpaid amount is gross of \$140.2 million in purchase accounting adjustments that will become recoverable if claims are paid in accordance with current reserve estimates.

## Net Assets Held for Sale

The following summarizes the assets and liabilities associated with the businesses classified as held for sale:

Millions	September 30, 2013	December 31, 2012
<b>Assets held for sale</b>		
Fixed maturity investments, at fair value	\$ 239.7	\$ 338.1
Reinsurance recoverable on unpaid losses	1,666.5	1,840.8
Reinsurance recoverable on paid losses	21.8	15.6
Insurance premiums receivable	9.8	11.0
Deferred tax asset	3.2	5.1
Other assets	16.2	16.2
<b>Total assets held for sale</b>	<b>\$ 1,957.2</b>	<b>\$ 2,226.8</b>
<b>Liabilities held for sale</b>		
Loss and loss adjustment expense reserves	\$ 1,797.1	\$ 2,052.6
Unearned insurance premiums	.2	.5
Ceded reinsurance payable	12.8	21.9
Other liabilities	147.1	151.8
<b>Total liabilities held for sale</b>	<b>1,957.2</b>	<b>2,226.8</b>
<b>Net assets held for sale</b>	<b>\$ —</b>	<b>\$ —</b>

**Net Income (Loss) from Discontinued Operations**

The following summarizes the results of operations, including related income taxes associated with the businesses classified as discontinued operations:

<b>Millions</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>				
Earned insurance premiums	\$ 1.1	\$ (.4)	\$ .7	\$ 10.0
Other revenue	.1	—	12.3	—
Total revenues	1.2	(.4)	13.0	10.0
<b>Expenses</b>				
Loss and loss adjustment expenses	.1	27.7	7.6	48.4
Insurance and reinsurance acquisition expenses	.1	(.8)	.1	(1.3)
Other underwriting expenses	.4	(1.1)	.3	1.1
Total expenses	.6	25.8	8.0	48.2
<b>Pre-tax income (loss)</b>	<b>.6</b>	<b>(26.2)</b>	<b>5.0</b>	<b>(38.2)</b>
Income tax (expense) benefit	(.2)	10.4	(.2)	13.7
<b>Income (loss) from discontinued operations</b>	<b>.4</b>	<b>(15.8)</b>	<b>4.8</b>	<b>(24.5)</b>
Loss from sale of discontinued operations	—	(91.0)	—	(91.0)
<b>Net income (loss) from discontinued operations</b>	<b>\$ .4</b>	<b>\$ (106.8)</b>	<b>\$ 4.8</b>	<b>\$ (115.5)</b>

## Earnings (Loss) Per Share

Basic earnings (loss) per share amounts are based on the weighted average number of common shares outstanding including unvested restricted shares that are considered participating securities. Diluted earnings (loss) per share amounts are based on the weighted average number of common shares including unvested restricted shares and the net effect of potentially dilutive common shares outstanding.

The following table outlines the computation of earnings (loss) per share for discontinued operations for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
<b>Basic and diluted earnings (loss) per share numerators (in millions):</b>				
Net income (loss) attributable to White Mountains' common shareholders	\$ .4	\$ (106.8)	\$ 4.8	\$ (115.5)
Allocation of income for participating unvested restricted common shares <sup>(1)</sup>	—	1.5	—	1.5
Net income (loss) attributable to White Mountains' common shareholders, net of restricted common share amounts <sup>(2)</sup>	\$ .4	\$ (105.3)	\$ 4.8	\$ (114.0)
<b>Basic earnings (loss) per share denominators (in thousands):</b>				
Total average common shares outstanding during the period	6,176.6	6,590.4	6,208.4	6,885.9
Average unvested restricted common shares <sup>(3)</sup>	(95.5)	(96.5)	(90.0)	(89.5)
Basic earnings (loss) per share denominator	6,081.1	6,493.9	6,118.4	6,796.4
<b>Diluted earnings (loss) per share denominator (in thousands):</b>				
Total average common shares outstanding during the period	6,176.6	6,590.4	6,208.4	6,885.9
Average unvested restricted common shares <sup>(3)</sup>	(95.5)	(96.5)	(90.0)	(89.5)
Average outstanding dilutive options to acquire common shares <sup>(4)</sup>	—	—	—	—
Diluted earnings (loss) per share denominator	6,081.1	6,493.9	6,118.4	6,796.4
<b>Basic and diluted earnings (loss) per share (in dollars):</b>	<b>\$ .06</b>	<b>\$ (16.21)</b>	<b>\$ .78</b>	<b>\$ (16.77)</b>

<sup>(1)</sup> Restricted shares issued by White Mountains contain dividend participation features, and therefore, are considered participating securities.

<sup>(2)</sup> Net earnings (loss) attributable to White Mountains' common shareholders, net of restricted share amounts, is equal to undistributed earnings (loss) for the three and nine months ended September 30, 2013 and 2012.

<sup>(3)</sup> Restricted common shares outstanding vest either in equal annual installments or upon a stated date (see **Note 13**).

<sup>(4)</sup> The diluted earnings (loss) per share denominator for the three and nine months ended September 30, 2013 and 2012 do not include the impact of 125,000 common shares issuable upon exercise of the non-qualified options outstanding as they are anti-dilutive to the calculation.

## Note 16. Contingencies

### Esurance

On October 7, 2011, the Company completed the sale of its Esurance and Answer Financial subsidiaries (the "Transferred Subsidiaries") to The Allstate Corporation ("Allstate") pursuant a Stock Purchase Agreement dated as of May 17, 2011 (filed as an exhibit to the Company's current report on Form 8-K on May 18, 2011, the "Agreement").

The Company has certain contingencies under the Agreement as follows: (i) subject to specified thresholds and limits, the Company generally indemnifies Allstate for breaches of its representations and warranties in the Agreement for a period of eighteen months (although longer for specified representations and warranties) from the closing, (ii) the Company indemnifies Allstate for breaches of certain covenants in the Agreement, including certain agreements by the Company not to solicit certain employees of the Transferred Subsidiaries for three years after the closing, and (iii) subject to specified thresholds and limits, the Company indemnifies Allstate for specified matters related to the pre-closing period, including (a) specified litigation matters, (b) losses of the Transferred Subsidiaries arising from extra-contractual claims and claims in excess of policy limits ("ECO/EPL losses"), (c) certain corporate reorganizations effected to remove entities from the Transferred Subsidiaries that were not being sold in the transaction, and (d) certain tax matters, including certain net operating losses being less than stated levels. In addition, the Company retains 90% of positive or negative development in the loss reserves of the Transferred Subsidiaries as of the closing date (net of ECO/EPL losses).

## Legal Contingencies

White Mountains, and the insurance and reinsurance industry in general, are routinely subject to claims related litigation and arbitration in the normal course of business, as well as litigation and arbitration that do not arise from, or are directly related to, claims activity. White Mountains' estimates of the costs of settling matters routinely encountered in claims activity are reflected in the reserves for unpaid loss and LAE. See **Note 3**.

White Mountains considers the requirements of ASC 450 when evaluating its exposure to non-claims related litigation and arbitration. ASC 450 requires that accruals be established for litigation and arbitration if it is probable that a loss has been incurred and it can be reasonably estimated. ASC 450 also requires that litigation and arbitration be disclosed if it is probable that a loss has been incurred or if there is a reasonable possibility that a loss may have been incurred.

Although the ultimate outcome of claims and non-claims related litigation and arbitration, and the amount or range of potential loss at any particular time, is often inherently uncertain, management does not believe that the ultimate outcome of such claims and non-claims related litigation and arbitration will have a material adverse effect on White Mountains' financial condition, results of operations or cash flows.

The following summarizes significant ongoing non-claims related litigation or arbitration as of September 30, 2013:

### *Esurance Sale*

In 2011, the Company sold its Esurance and Answer Financial businesses (the "Transferred Companies") to Allstate for a purchase price of approximately \$1.01 billion. The purchase price consisted of \$700 million plus the tangible book value of the Transferred Companies at the closing, which was estimated to be \$308 million. Following closing, Allstate was required to prepare a final closing statement, including an audited balance sheet for the Transferred Companies as of the closing date. The Company disputed Allstate's calculation of tangible book value in the closing statement. The amount in dispute was approximately \$20 million.

On August 27, 2013, White Mountains and Allstate reached an agreement settling all disputes relating to the final calculation of tangible book value in the closing statement, as well as the post-closing reserve adjustment for the first interim settlement date. The settlement of the disputed closing statement amounts and the first interim reserve adjustment did not have a material effect on White Mountains' financial position or results of operations.

### *Tribune Company*

In June 2011, Deutsche Bank Trust Company Americas, Law Debenture Company of New York and Wilmington Trust Company (collectively referred to as "Plaintiffs"), in their capacity as trustees for certain senior notes issued by the Tribune Company ("Tribune"), filed lawsuits in various jurisdictions (the "Noteholder Actions") against numerous defendants including OneBeacon, OBIC-sponsored benefit plans and other affiliates of White Mountains in their capacity as former shareholders of Tribune seeking recovery of the proceeds from the sale of common stock of Tribune in connection with Tribune's leveraged buyout in 2007 (the "LBO"). Tribune filed for bankruptcy in 2008 in the Delaware bankruptcy court (the "Bankruptcy Court"). The Bankruptcy Court granted Plaintiffs permission to commence these LBO-related actions. Plaintiffs seek recovery of the proceeds received by the former Tribune shareholders on a theory of constructive fraudulent transfer asserting that Tribune purchased or repurchased its common shares without receiving fair consideration at a time when it was, or as a result of the purchases of shares, was rendered, insolvent. OneBeacon has entered into a joint defense agreement with other affiliates of White Mountains that are defendants in the action. Certain subsidiaries of White Mountains received approximately \$39 million for Tribune common stock tendered in connection with the LBO.

The Court granted an omnibus motion to dismiss the Noteholder Actions in September 2013 and Plaintiffs have filed a notice of appeal.

In addition, OneBeacon, OBIC-sponsored benefit plans and other affiliates of White Mountains in their capacity as former shareholders of Tribune, along with thousands of former Tribune shareholders, have been named as defendants in an adversary proceeding brought by the Official Committee of Unsecured Creditors of the Tribune Company (the "Committee"), on behalf of the Tribune Company, which seeks to avoid the repurchase of shares by Tribune in the LBO on a theory of intentional fraudulent transfer (the "Committee Action"). Tribune emerged from bankruptcy in 2012, and a litigation trustee replaced the Committee as plaintiff in the Committee Action. The Committee Action is proceeding, pending lifting of the stay and entry of a further scheduling order.

## 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' actual results could be materially different from and worse than its expectations. See "FORWARD-LOOKING STATEMENTS" for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements.*

*The following discussion also includes three non-GAAP financial measures - adjusted comprehensive income (loss), adjusted book value per share and total adjusted capital - that have been reconciled to their most comparable GAAP financial measures (see page 77). White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains' financial performance and condition.*

### RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

#### Overview

White Mountains ended the third quarter of 2013 with an adjusted book value per share of \$622, an increase of 2.8% for the quarter and an increase of 5.9% for the first nine months of 2013, including dividends. White Mountains reported adjusted comprehensive income of \$104 million and \$212 million for the third quarter and first nine months of 2013 compared to adjusted comprehensive income of \$59 million and \$173 million for the third quarter and first nine months of 2012. Good investment results due to a rising stock market, solid underwriting performance at both OneBeacon and Sirius Group, and foreign currency gains resulting from a weakening U.S. dollar all contributed to growth in adjusted book value per share for the third quarter of 2013.

OneBeacon's book value per share increased 3.8% for the third quarter and 10.8% for the first nine months of 2013, including dividends. OneBeacon's GAAP combined ratio was 96% for the third quarter of 2013 compared to 95% for the third quarter of 2012, while the GAAP combined ratio was 93% for the first nine months of both 2013 and 2012. The combined ratios for the third quarter and first nine months of 2013 reflect higher loss ratios, offset by lower expense ratios. The third quarter of 2013 included 1 point of unfavorable loss reserve development compared to 1 point of favorable loss reserve development in the third quarter of 2012, while the first nine months of 2013 included no loss reserve development compared to 1 point of favorable loss reserve development in the first nine months of 2012.

Sirius Group's GAAP combined ratio was 89% for the third quarter of 2013 compared to 88% for the third quarter of 2012, while the GAAP combined ratio for the first nine months of 2013 was 83% compared to 85% for the first nine months of 2012. The increase in the third quarter of 2013 was primarily due to higher catastrophe losses, mostly offset by higher favorable loss reserve development and lower agricultural losses. The improvement in the combined ratio for the first nine months was driven by lower agricultural losses and higher favorable loss reserve development, mostly offset by higher catastrophe losses. The third quarter and first nine months of 2012 included \$45 million of agriculture losses, primarily as a result of the drought in the Midwestern United States.

White Mountains' total net written premiums decreased 8% and 9% to \$513 million and \$1,570 million in the third quarter and first nine months of 2013, primarily related to the OneBeacon's exit from the collector car and boat and energy businesses and lower accident and health premiums at Sirius Group. OneBeacon's net written premiums decreased 6% and 11% to \$314 million and \$826 million in the third quarter and first nine months of 2013. Excluding the \$60 million and \$167 million of net premiums written in the third quarter and first nine months of 2012 from the exited businesses, White Mountains' net written premiums increased 3% and remained flat for the third quarter and first nine months of 2013 and OneBeacon's net written premiums increased 14% and 8% for the third quarter and first nine months of 2013. Sirius Group's net written premiums decreased 12% and 8% to \$196 million and \$736 million in the third quarter and first nine months of 2013, mainly due to a decrease in the accident and health line, partially offset by an increase in property lines.

White Mountains' GAAP total return on invested assets was 1.9% and 2.5% for the third quarter and first nine months of 2013, which included 0.6% and 0.0% of currency gains, compared to 2.7% and 4.3% for the third quarter and first nine months of 2012, which included 0.6% and 0.4% of currency gains. In local currencies, White Mountains' fixed income portfolio was up 0.4% in the third quarter of 2013, lagging the longer duration Barclay's Intermediate Aggregate Bond Index of 0.8% as rates fell in the quarter. For the first nine months of 2013, White Mountains' fixed income portfolio return was 0.0% in local currencies, outperforming the Barclays U.S. Intermediate Aggregate return of (0.9)%. White Mountains' fixed income portfolio returned 2.2% in U.S. dollars (1.5% in local currencies) and 3.9% in U.S. dollars (3.3% in local currencies) for the third quarter and first nine months of 2012, compared to the Barclays U.S. Intermediate Aggregate returns of 1.4% and 3.4%.

White Mountains' value-oriented equity portfolio returned 4.8% and 12.5% for the third quarter and first nine months of 2013, compared to the S&P 500 Index returns of 5.2% and 19.8% for the same periods. In the third quarter of 2013, the two largest separately managed equity accounts, Prospector and Lateef, both outperformed the S&P 500 Index. For the first nine months of 2013, White Mountain's equity return underperformed the S&P index due to an overweight position in gold mining, an underweight position in the consumer discretionary and industrial sectors and the impact of convertible fixed maturity positions (as opposed to common equity securities), which tend to lag the index in strong up markets.

White Mountains' long-term investments returned 1.1% for the third quarter and 5.0% for the first nine months of 2013, which were in line with the HFRX Equal Weighted Strategies Index which returned 1.0% for the third quarter and 4.4% for the first nine months of 2013.

White Mountains' equity portfolio returned 5.1% and 6.3% for the third quarter and first nine months of 2012 compared to the S&P 500 Index returns of 6.3% and 16.4% for the comparable periods.

### Adjusted Book Value Per Share

The following table presents White Mountains' adjusted book value per share and reconciles this non-GAAP measure to the most comparable GAAP measure. (See **NON-GAAP FINANCIAL MEASURES** on page 77).

	September 30, 2013	June 30, 2013	December 31, 2012	September 30, 2012
<b>Book value per share numerators (in millions):</b>				
White Mountains' common shareholders' equity	\$ 3,790.0	\$ 3,689.2	\$ 3,731.8	\$ 3,809.3
Equity in net unrealized (gains) losses from Symetra's fixed maturity portfolio	23.5	16.3	(57.7)	(59.3)
Adjusted book value per share numerator (1)	<u>\$ 3,813.5</u>	<u>\$ 3,705.5</u>	<u>\$ 3,674.1</u>	<u>\$ 3,750.0</u>
<b>Book value per share denominators (in thousands of shares):</b>				
Common shares outstanding	6,176.7	6,176.5	6,291.0	6,583.7
Unearned restricted shares	(41.2)	(49.2)	(38.7)	(46.8)
Adjusted book value per share denominator (1)	<u>6,135.5</u>	<u>6,127.3</u>	<u>6,252.3</u>	<u>6,536.9</u>
Book value per share (2)	<u>\$ 613.60</u>	<u>\$ 597.29</u>	<u>\$ 593.20</u>	<u>\$ 578.60</u>
Adjusted book value per share (2)	<u>\$ 621.56</u>	<u>\$ 604.75</u>	<u>\$ 587.63</u>	<u>\$ 573.66</u>

<sup>(1)</sup> Excludes out-of-the-money stock options.

<sup>(2)</sup> During the first nine months of both 2013 and 2012, White Mountains declared and paid a dividend of \$1.00 per common share

## Review of Consolidated Results

White Mountains' consolidated financial results for the three and nine months ended September 30, 2013 and 2012 follow:

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Gross written premiums	\$ 573.0	\$ 608.0	\$ 1,838.1	\$ 1,977.4
Net written premiums	\$ 513.3	\$ 559.1	\$ 1,569.9	\$ 1,729.9
<b>Revenues</b>				
Earned insurance and reinsurance premiums	\$ 500.4	\$ 536.8	\$ 1,493.3	\$ 1,545.3
Net investment income	27.3	37.6	84.5	119.8
Net realized and unrealized investment gains	28.2	72.7	66.1	123.2
Other revenue — foreign currency translation gains	16.8	33.1	3.4	33.1
Other revenue — Hamer and Bri-Mar	—	8.6	—	24.1
Other revenue — Symetra warrants	—	(3.6)	10.8	13.6
Other revenue — other	1.4	12.2	32.7	10.2
Total revenues	574.1	697.4	1,690.8	1,869.3
<b>Expenses</b>				
Losses and LAE	278.3	308.1	797.2	821.7
Insurance and reinsurance acquisition expenses	106.7	107.6	281.0	326.2
Other underwriting expenses	80.4	76.6	244.0	228.4
General and administrative expenses	41.3	50.2	124.0	115.9
General and administrative expenses — Hamer and Bri-Mar	—	7.4	—	21.0
Accretion of fair value adjustment to loss and LAE reserves	.2	1.1	1.5	9.4
Interest expense on debt	11.9	11.3	32.4	33.1
Total expenses	518.8	562.3	1,480.1	1,555.7
<b>Pre-tax income from continuing operations</b>	<b>55.3</b>	<b>135.1</b>	<b>210.7</b>	<b>313.6</b>
Income tax expense	(8.2)	(47.8)	(49.2)	(85.3)
<b>Net income from continuing operations</b>	<b>47.1</b>	<b>87.3</b>	<b>161.5</b>	<b>228.3</b>
Loss from sale of discontinued operations, net of tax	—	(91.0)	—	(91.0)
Net income (loss) from discontinued operations, net of tax	.4	(15.8)	4.8	(24.5)
Equity in earnings of unconsolidated affiliates, net of tax	8.6	7.7	24.9	24.4
<b>Net income (loss)</b>	<b>56.1</b>	<b>(11.8)</b>	<b>191.2</b>	<b>137.2</b>
Net loss attributable to non-controlling interests	1.1	30.9	12.7	2.0
<b>Net income attributable to White Mountains' common shareholders</b>	<b>57.2</b>	<b>19.1</b>	<b>203.9</b>	<b>139.2</b>
Other comprehensive income (loss), net of tax	39.4	71.9	(72.8)	92.6
<b>Comprehensive income</b>	<b>96.6</b>	<b>91.0</b>	<b>131.1</b>	<b>231.8</b>
Comprehensive (income) loss attributable to non-controlling interests	(.1)	.4	(.1)	.4
<b>Comprehensive income attributable to White Mountains' common shareholders</b>	<b>96.5</b>	<b>91.4</b>	<b>131.0</b>	<b>232.2</b>
Change in equity in net unrealized losses (gains) from Symetra's fixed maturity portfolio	7.2	(32.3)	81.2	(59.3)
<b>Adjusted comprehensive income</b>	<b>\$ 103.7</b>	<b>\$ 59.1</b>	<b>\$ 212.2</b>	<b>\$ 172.9</b>

### ***Consolidated Results - Three Months Ended September 30, 2013 versus Three Months Ended September 30, 2012***

White Mountains' total revenues decreased 18% to \$574 million in the third quarter of 2013. Earned insurance and reinsurance premiums decreased 7% to \$500 million in the third quarter of 2013. Net investment income was down 27% to \$27 million in the third quarter of 2013, primarily from a lower invested asset base, resulting from \$232 million of share repurchases over the previous twelve months, and lower investment yields. White Mountains reported net realized and unrealized investment gains of \$28 million in the third quarter of 2013, which included \$35 million of net realized and unrealized foreign currency losses on investments, compared to \$73 million of gains in the third quarter of 2012, which included \$52 million of net realized and unrealized foreign currency losses. Most of the net realized and unrealized foreign currency losses on investments are related to GAAP foreign currency translation and are more than offset by gains recognized in other comprehensive income (see **"Foreign Currency Translation"** on page 64). Other revenues decreased to \$18 million in the third quarter of 2013 from \$50 million in the third quarter of 2012. Other revenues in the third quarter of 2013 included \$4 million from the extension of the transition service agreement for services provided by OneBeacon on business sold to the Tower Group, Inc. ("Tower") in the personal lines transaction in 2010, while the third quarter of 2012 included a \$15 million gain from Sirius Group's sale of its interest in an equity affiliate investment, International Medical Group ("IMG"), a managing general underwriting in the medical and travel business. The third quarter of 2013 also included \$17 million in foreign currency translation gains compared to \$33 million of foreign currency gains in the third quarter of 2012. The third quarter of 2012 also included \$9 million of other revenue related to the consolidation of Hamer and Bri-Mar. Effective October 1, 2012, the results of Hamer and Bri-Mar are no longer consolidated in White Mountains' financial statements.

White Mountains' total expenses decreased 8% to \$519 million in the third quarter of 2013. Losses and LAE decreased 10% in the third quarter of 2013, primarily from lower agricultural losses and higher favorable reserve development at Sirius Group, partially offset by higher catastrophe losses. Insurance and reinsurance acquisition expenses decreased 1%. Other underwriting expenses increased 4%, primarily due to higher incentive compensation expenses and professional fees at Sirius Group.

White Mountains' income tax expense for the third quarter of 2013 and 2012 represented effective tax rates of 14.8% and 35.4%. The effective tax rate for the third quarter of 2013 was lower than the U.S. statutory rate of 35% due to income generated in jurisdictions other than the United States. In addition, the effective rate for the third quarter of 2013 reflects the \$7 million release of a valuation allowance at OneBeacon related to the restructuring of a surplus note issued to a consolidated insurance reciprocal exchange. The effective tax rate for the third quarter of 2012 was similar to the U.S. statutory rate of 35% due to tax benefits on losses generated in the United States offsetting the tax expenses on income generated in other jurisdictions.

### ***Consolidated Results - Nine Months Ended September 30, 2013 versus Nine Months Ended September 30, 2012***

White Mountains' total revenues decreased 10% to \$1,691 million in the first nine months of 2013. Earned insurance and reinsurance premiums decreased 3% to \$1,493 million in the first nine months of 2013. Net investment income was down 29% to \$85 million in the first nine months of 2013, primarily from a lower invested asset base, resulting from \$749 million of share repurchases since January 2012, and lower investment yields. White Mountains reported net realized and unrealized investment gains of \$66 million in the first nine months of 2013, which included \$9 million of net realized and unrealized foreign currency losses, compared to \$123 million of gains in the first nine months of 2012, which included \$49 million of net realized and unrealized foreign currency losses. Most of the net realized and unrealized foreign currency losses on investments are related to GAAP foreign currency translation and are more than offset by gains recognized in other comprehensive income (see **"Foreign Currency Translation"** on page 64). Other revenues decreased to \$47 million in the first nine months of 2013 from \$81 million in the first nine months of 2012. Other revenues in the first nine months of 2013 included \$4 million from the extension of the transition service agreement for services provided by OneBeacon on business sold to Tower in the personal lines transaction in 2010, a \$23 million gain on OneBeacon's sale of Essentia and a \$7 million gain on Sirius' acquisition of American Fuji, while the first nine months of 2012 included a \$15 million gain reported by the Sirius Group related to the sale of its interest in IMG. The first nine months of 2013 also included \$3 million in foreign currency translation gains, compared to \$33 million in foreign currency translation gains in the first nine months of 2012. In addition, the first nine months of 2012 included \$11 million of mark-to-market gains on the Symetra warrants compared to \$14 million of gains in the first nine months of 2012. In the first nine months of 2012, White Mountains reported other revenues of \$24 million related to the consolidation of Hamer and Bri-Mar. Effective October 1, 2012, the results of Hamer and Bri-Mar are no longer consolidated in White Mountains' financial statements.



White Mountains' total expenses decreased 5% to \$1,480 million in the first nine months of 2013. Losses and LAE decreased 3% in the first nine months of 2013, primarily driven by lower business volume and lower losses and LAE at Sirius Group, where lower agricultural losses and higher favorable loss reserve development were mostly offset by higher catastrophe losses. The decrease at Sirius Group was offset somewhat by higher losses and LAE at OneBeacon, driven by lower favorable loss reserve development and a few large losses in OneBeacon's Specialty Property and Entertainment businesses. Insurance and reinsurance acquisition expenses decreased 14% in the first nine months of 2013, primarily due to higher profit commissions accrued at the Sirius Group on ceded European property business and changes in business mix driven by the termination of the underwriting arrangement with Hagerty Insurance Agency, while other underwriting expenses increased 7%, primarily due to higher incentive compensation expenses and professional fees at Sirius Group.

White Mountains' income tax expense for the first nine months of 2013 and 2012 represented effective tax rates of 23.4% and 27.2%. The net effective rates for the first nine months of 2013 and 2012 were lower than the U.S. statutory rate of 35% due to income generated in jurisdictions other than the United States. In addition, the effective rate for the first nine months of 2013 reflects the \$7 million release of a valuation allowance at OneBeacon related to the restructuring of a surplus note issued to a consolidated insurance reciprocal exchange.

## I. Summary of Operations By Segment

White Mountains conducts its operations through four segments: (1) OneBeacon, (2) Sirius Group, (3) HG Global/BAM and (4) Other Operations. While investment results are included in these segments, because White Mountains manages the majority of its investments through its wholly-owned subsidiary, WM Advisors, a discussion of White Mountains' consolidated investment operations is included after the discussion of operations by segment. White Mountains' segment information is presented in **Note 11 — "Segment Information"** to the Consolidated Financial Statements.

### OneBeacon

Financial results and GAAP combined ratios for OneBeacon for the three and nine months ended September 30, 2013 and 2012 follow:

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Gross written premiums	\$ 331.4	\$ 353.4	\$ 876.5	\$ 983.8
Net written premiums	\$ 314.1	\$ 335.2	\$ 826.1	\$ 930.4
Earned insurance and reinsurance premiums	\$ 278.9	\$ 293.9	\$ 846.2	\$ 846.0
Net investment income	10.1	12.8	30.9	41.5
Net realized and unrealized investment gains	17.0	40.0	19.9	57.9
Other revenue	5.5	(.4)	30.1	(.1)
Total revenues	311.5	346.3	927.1	945.3
Losses and LAE	167.8	164.7	473.7	452.5
Insurance and reinsurance acquisition expenses	53.6	66.6	160.9	185.6
Other underwriting expenses	46.8	47.4	150.7	146.2
General and administrative expenses	4.1	4.4	11.0	9.6
Interest expense on debt	3.3	4.1	9.8	12.2
Total expenses	275.6	287.2	806.1	806.1
<b>Pre-tax income</b>	<b>\$ 35.9</b>	<b>\$ 59.1</b>	<b>\$ 121.0</b>	<b>\$ 139.2</b>
<b>GAAP ratios:</b>				
Losses and LAE	60%	56%	56%	54%
Expense	36%	39%	37%	39%
Combined	96%	95%	93%	93%

The following table presents OneBeacon's book value per share:

(Millions, except per share amounts)	September 30, 2013	June 30, 2013	December 31, 2012	September 30, 2012
<b>OneBeacon book value per share:</b>				
OneBeacon's common shareholders' equity	\$ 1,062.1	\$ 1,042.1	\$ 1,014.5	\$ 1,048.4
OneBeacon common shares outstanding	95.4	95.4	95.4	95.4
OneBeacon book value per common share <sup>(1)</sup>	\$ 11.13	\$ 10.92	\$ 10.63	\$ 10.99

<sup>(1)</sup> OneBeacon declared and paid a regular quarterly dividend of \$0.21 per common share in each of the first three quarters of 2013 and the last quarter of 2012.

OneBeacon ended the third quarter of 2013 with a book value per share of \$11.13, an increase of 3.8% for the quarter and 10.8% for the first nine months of 2013, including dividends. Investment and underwriting results both contributed to the increase in OneBeacon's book value per share for the third quarter and first nine months of 2013. The third quarter of 2013 also includes a \$7 million tax benefit related to the release of a valuation allowance at OneBeacon related to the restructuring of a surplus note issued to a consolidated insurance reciprocal exchange and a \$4 million pre-tax (\$3 million after-tax) benefit from the extension of the transition service agreement for services provided by OneBeacon on business sold to Tower in the personal lines transaction in 2010, while the first nine months of 2013 includes a \$23 million pre-tax (\$15 million after-tax) gain from the sale of Essentia Insurance Company ("Essentia") in the first quarter of 2013.

#### ***OneBeacon Results - Three Months Ended September 30, 2013 versus Three Months Ended September 30, 2012***

OneBeacon's GAAP combined ratio was 96% for the third quarter of 2013 compared to 95% for the third quarter of 2012, as a 4 point increase in the loss and LAE ratio was mostly offset by a 3 point decrease in the expense ratio. The increase in the loss and LAE ratio was driven by losses related to the exited Collector Cars and Boats business and a 2 point unfavorable change in loss reserve development, primarily within the Specialty Property and Entertainment businesses. The third quarter of 2013 included 1 point of unfavorable loss reserve development compared to 1 point of favorable loss reserve development in the third quarter of 2012. Catastrophe losses impacted OneBeacon's GAAP combined ratios by 1 point (\$4 million) in the third quarter of 2013 and 2 points (\$5 million) in the third quarter of 2012. The decrease in the expense ratio was primarily from lower insurance acquisition expenses due to changes in business mix driven by the termination of the underwriting arrangement with Hagerty Insurance Agency.

OneBeacon's net written premiums decreased 6% in the third quarter of 2013 to \$314 million due to the exit from the collector car and boat and energy businesses. Excluding the \$60 million of net written premiums from the exited businesses in the third quarter of 2012, net written premiums increased 14%, as all business units contributed to the growth.

**Reinsurance protection.** OneBeacon purchases reinsurance in order to minimize loss from large risks or catastrophic events. OneBeacon also purchases individual property reinsurance coverage for certain risks to reduce large loss volatility through property-per-risk excess of loss reinsurance programs and individual risk facultative reinsurance. OneBeacon also maintains excess of loss casualty reinsurance programs that provide protection for individual risk or catastrophe losses involving workers compensation, general liability, automobile liability, professional liability or umbrella liability. The availability and cost of reinsurance protection is subject to market conditions, which are outside of management's control. Limiting risk of loss through reinsurance arrangements serves to mitigate the impact of large losses; however, the cost of this protection in an individual period may exceed the benefit.

OneBeacon's net combined ratio was higher than the gross combined ratio by 3 points for the third quarter of 2013 and 5 points for the third quarter of 2012. In both periods the net combined ratio was higher than the gross combined ratio as a result of the cost of the reinsurance programs more than offsetting the benefits from ceded losses. The gross combined ratio for the third quarter of 2012 was also favorably impacted by the resolution of a significant ocean marine loss that did not impact the net combined ratio as it was ceded under OneBeacon's IMU reinsurance treaty.

#### ***OneBeacon Results - Nine Months Ended September 30, 2013 versus Nine Months Ended September 30, 2012***

OneBeacon's GAAP combined ratio was 93% for the first nine months of both 2013 and 2012, as a 2 point increase in the loss and LAE ratio was offset by a 2 point decrease in the expense ratio. The increase in the loss LAE ratio was driven by a few large losses in OneBeacon's Specialty Property and Entertainment businesses, as well as several large non-catastrophe losses related to property and inland marine business within IMU and a few large claims in Government Risks. The first nine months of 2013 included 1 point (\$10 million) of catastrophe losses compared to 2 points (\$13 million) in the first nine months of 2012. The first nine months of 2013 included no loss reserve development compared to 1 point (\$8 million) of favorable loss reserve development in the first nine months of 2012. The decrease in the expense ratio for the first nine months of 2013 was primarily from lower insurance acquisition expenses due to changes in business mix driven by the termination of the underwriting arrangement with Hagerty Insurance Agency, partially offset by higher non-claims litigation expenses.

OneBeacon's net written premiums decreased 11% for the first nine months of 2013 to \$826 million due to the exit from the collector car and boat and energy businesses. Excluding the \$167 million of net written premiums from the exited businesses in the first nine months of 2012, net written premiums increased 8%, as all business units contributed to the growth.

*Reinsurance protection.* OneBeacon's net combined ratio was higher than the gross combined ratio by 3 points for the first nine months of 2013 and 6 points for the first nine months of 2012. In both periods the net combined ratio was higher than the gross combined ratio as a result of the cost of the reinsurance programs more than off-setting the benefits from ceded losses. The gross combined ratio for first nine months of 2012 was also favorably impacted by the resolution of a significant ocean marine loss that did not impact the net combined ratio as it was ceded under OneBeacon's IMU reinsurance treaty.

### **Runoff Transaction**

On October 17, 2012, one of OneBeacon's indirect wholly-owned subsidiaries, OneBeacon Insurance Group LLC, entered into a definitive agreement (the "Runoff Transaction") with Trebuchet US Holdings, Inc., a wholly-owned subsidiary of Armour Group Holdings Limited (together with Trebuchet, "Armour"), to sell its runoff business (the "Runoff Business"). The Pennsylvania Insurance Department ("PID") is required to conduct an examination of the Runoff Business as part of its regulatory review of the Runoff Transaction. Pursuant to this examination, the PID required a third party actuarial review to provide an independent actuarial assessment of the loss reserves associated with the Runoff Business, which is a normal requirement associated with such examinations. The independent actuarial review was completed on September 9, 2013; the summary report was filed with the PID on September 17, 2013; and the PID posted the summary report to its public web site on September 19, 2013, which OneBeacon referenced in a Form 8-K filed on the same date. The independent actuarial review produced a range of total statutory net loss and LAE reserves of \$215 million to \$668 million as of March 31, 2013. This compares to the OneBeacon's recorded statutory net loss and LAE reserves of \$166 million as of March 31, 2013.

Two items cause the majority of the difference between OneBeacon's recorded net loss and LAE reserves and the low end of the range of estimates produced by the independent actuarial review. First, the independent actuaries did not assume that historically favorable loss experience would repeat in the future, causing the low end estimate to be approximately \$46 million higher. Second, the provision for estimated costs to administer the runoff claims, as developed by the independent actuarial review, focused mainly on Armour's estimated cost structure versus OneBeacon's cost structure, which would have generated a \$17 million lower cost estimate.

The high end of the range produced by the independent actuarial review results from the accumulation of conservative selections in many other key assumptions, such as medical inflation costs, mortality experience, lump sum settlement rates, tail factors, and other judgmental items, which are more fully described in Critical Accounting Estimates on pages 74-85 of White Mountains' 2012 Annual Report on Form 10-K.

As of September 30, 2013, the net loss and LAE reserves associated with the Runoff Business totaled \$131 million, a reduction due to normal claim runoff. Management believes that the recorded net loss and LAE reserves continue to reflect a reasonable provision for expected future loss and LAE payments and represent management's best estimate within a range of reasonable estimates.

During the fourth quarter of 2013, OneBeacon's actuaries will complete additional analyses of the loss and LAE reserves associated with the Runoff Business. In addition to the internal actuaries taking into account the differing assumptions, methods, and analyses produced by the independent actuarial review and other factors, management will consider other sources of information, including runoff claims staffing models and related costs as well as perspectives provided by the PID during the ongoing regulatory approval process. Management will also consider that, for the two most recent quarters since the date of the independent actuarial review, actual loss emergence on the runoff reserves has continued to be consistent with or lower than the expected losses used to estimate its recorded net loss and LAE reserves. This recent claims experience was not considered in the results of the independent actuarial review described above.

While management believes that the recorded loss and LAE reserves make a reasonable provision for future loss and LAE payments related to the Runoff Business, once all factors are considered, including the information contained in the independent actuarial review and recent claims experience, it is possible that the fourth quarter or subsequent internal actuarial analyses may cause the actuarial indications to increase, which could result in an increase in management's best estimate of loss and LAE reserves associated with the Runoff Business. In the event that OneBeacon records an increase in the loss and LAE reserves associated with the Runoff Business in the fourth quarter or at any time prior to the closing of the Runoff Transaction, the estimated loss on sale from the Runoff Transaction would be reduced by an equal and offsetting amount in the same period. The offset to the estimated loss on sale would reflect the terms of the stock purchase agreement ("SPA") with Armour, under which Armour has assumed the risk that loss and LAE reserves develop unfavorably from September 30, 2012 onward.

Though the SPA stipulates the amount of reserves and surplus to be transferred to Armour at closing, the PID may require additional reserves and/or surplus as a closing condition. In that event, and to respond to such a closing condition, the SPA provides that OneBeacon would invest in surplus notes issued by the transferring companies, subject to certain limits on the amount of surplus notes issued. OneBeacon believes that the transferred reserves and surplus plus the funding requirements/limitations agreed to in the SPA cover the full range of claim projections produced in the independent actuarial review. OneBeacon now expects the closing date of the Runoff Transaction to occur in the second quarter of 2014. Accordingly, OneBeacon and Armour have amended the SPA to extend the date on which the SPA may be terminated by the parties to July 31, 2014.

## **Sirius Group**

Financial results and GAAP combined ratios for Sirius Group for the three and nine months ended September 30, 2013 and 2012 follow:

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Gross written premiums	<b>\$ 236.4</b>	\$ 254.6	<b>\$ 947.0</b>	\$ 993.6
Net written premiums	<b>\$ 196.3</b>	\$ 223.9	<b>\$ 735.6</b>	\$ 799.5
Earned insurance and reinsurance premiums	<b>\$ 221.4</b>	\$ 242.9	<b>\$ 646.9</b>	\$ 699.3
Net investment income	<b>13.5</b>	16.7	<b>38.0</b>	50.9
Net realized and unrealized investment (losses) gains	<b>(24.7)</b>	(8.9)	<b>(4.9)</b>	22.9
Other revenue - foreign currency translation losses	<b>16.8</b>	33.1	<b>3.4</b>	33.1
Other revenue	<b>—</b>	15.1	<b>7.9</b>	15.8
Total revenues	<b>227.0</b>	298.9	<b>691.3</b>	822.0
Losses and LAE	<b>110.5</b>	143.4	<b>323.5</b>	369.2
Insurance and reinsurance acquisition expenses	<b>52.5</b>	41.0	<b>119.0</b>	140.6
Other underwriting expenses	<b>33.5</b>	29.1	<b>93.0</b>	82.1
General and administrative expenses	<b>7.3</b>	9.1	<b>21.5</b>	26.0
Accretion of fair value adjustment to loss and LAE reserves	<b>.2</b>	1.1	<b>1.5</b>	9.4
Interest expense on debt	<b>6.6</b>	6.5	<b>19.7</b>	19.6
Total expenses	<b>210.6</b>	230.2	<b>578.2</b>	646.9
<b>Pre-tax income</b>	<b>\$ 16.4</b>	\$ 68.7	<b>\$ 113.1</b>	\$ 175.1
<b>GAAP ratios:</b>				
Losses and LAE	<b>50%</b>	59%	<b>50%</b>	53%
Expense	<b>39%</b>	29%	<b>33%</b>	32%
Combined	<b>89%</b>	88%	<b>83%</b>	85%

### **Sirius Group Results - Three Months Ended September 30, 2013 versus Three Months Ended September 30, 2012**

Sirius Group's GAAP combined ratio was 89% for the third quarter of 2013 compared to 88% for the third quarter of 2012. The increase in the third quarter of 2013 was primarily due to higher catastrophe losses, mostly offset by higher favorable loss reserve development and lower agricultural losses. The combined ratio for the third quarter of 2013 included 14 points (\$31 million) of catastrophe losses, primarily due to \$18 million of hail storm losses in Germany and \$6 million of flood losses in India, compared to 3 points (\$6 million) in the third quarter of last year, mainly due to storm losses in the United States. The combined ratio for the third quarter of 2012 also included 19 points (\$45 million) of losses from Sirius Group's agricultural line of business, primarily as a result of the drought in the Midwestern United States. The combined ratio for the third quarter of 2013 included favorable loss reserve development of 7 points (\$15 million), primarily due to reductions in property loss reserves from recent underwriting years, compared to favorable loss reserve development of 3 points (\$8 million) in the third quarter of 2012, primarily due to reductions in liability and property loss reserves partially offset by increases in asbestos loss reserves.

Sirius Group's gross written premiums decreased 7% for the third quarter of 2013 to \$236 million, while net written premiums decreased 12% for the third quarter of 2013 to \$196 million. These decreases were primarily from the accident and health line of business, partially offset by increased property business. Net earned premiums decreased 9% for the third quarter of 2013 to \$221 million primarily due to decreases in the accident and health and aviation lines of business.

Sirius Group's other revenues in the third quarter of 2013 primarily consisted of \$17 million of foreign currency translation gains compared to \$33 million of foreign currency translation gains in the third quarter of 2012. (See "**Foreign Currency Translation**" on page 64) In addition, in the third quarter of 2012, Sirius Group sold its interest in IMG for a gain of \$15 million.

Sirius Group's insurance and reinsurance acquisition expenses increased \$11 million in the third quarter of 2013, primarily due to an \$8 million reduction of commission expense that was recorded in the third quarter of 2012 for profit commissions on ceded European property treaties. Sirius Group's other underwriting expenses increased \$5 million to \$34 million in the third quarter of 2013 compared to \$29 million in the third quarter of 2012, primarily due to increased incentive compensation expenses and higher professional fees, primarily related to Lloyd's Syndicate 1945.

*Reinsurance protection.* Sirius Group's reinsurance protection primarily consists of pro-rata and excess of loss protections to cover aviation, trade credit, and certain property exposures. Sirius Group's proportional reinsurance programs provide protection for part of the non-proportional treaty accounts written in Europe, the Americas, Asia, the Middle East, and Australia. This reinsurance is designed to increase underwriting capacity where appropriate, and to reduce exposure both to large catastrophe losses and to a frequency of smaller loss events. Attachment points and coverage limits vary by region around the world.

Sirius Group's net combined ratio was lower than the gross combined ratio by 4 points for the third quarter of 2013 and higher than the gross combined ratio by 5 points for the third quarter of 2012. For the third quarter of 2013, the lower net combined ratio for the third quarter of 2013 was primarily due to the ceded loss recoveries on hail storm losses in Germany. For the third quarter of 2012, the higher net combined ratio was primarily due to the cost of property retrocessions with limited ceded property loss recoveries, primarily due to the low level of catastrophe losses.

### ***Sirius Group Results - Nine Months Ended September 30, 2013 versus Nine Months Ended September 30, 2012***

Sirius Group's GAAP combined ratio was 83% for the first nine months of 2013 compared to 85% for the first nine months of 2012. The improvement was principally due to higher profit commissions earned on ceded property treaties covering European catastrophe excess exposures, higher favorable loss reserve development and lower agricultural losses, mostly offset by higher catastrophe losses. The combined ratio for the first nine months of 2013 included 11 points (\$68 million) of catastrophe losses, mainly due to \$31 million of flood losses in Central Europe, \$18 million of hail storm losses in Germany, \$6 million of flood losses in India and \$5 million of tornado losses in the Midwestern United States, compared to 2 points (\$14 million) of catastrophe losses in the first nine months of 2012, primarily from \$7 million of losses from earthquakes in Italy and \$3 million of storm losses in the United States. The combined ratio for the first nine months of 2012 also included 7 points of agricultural losses, primarily as a result of a drought in the Midwestern United States. The first nine months of 2013 included 4 points (\$26 million) of favorable loss reserve development compared to 2 points for the first nine months of 2012. Favorable loss development for the first nine months of 2013 was primarily due to decreases in property loss reserves, mostly from recent underwriting years, in addition to reductions in loss reserves for the Japan earthquake. For the first nine months of 2012, decreases in prior year property loss reserves were mostly offset by increases to prior year accident and health and asbestos loss reserves.

Sirius Group's gross written premiums decreased 5% for the first nine months of 2013 to \$947 million, while net written premiums decreased 8% for the first nine months of 2013 to \$736 million. These decreases were primarily from the accident and health and trade credit lines of business, partially offset by increases in the property lines. Net written premiums in the first nine months of 2013 also reflect increased retrocessions on the property lines of business compared to the first nine months of 2012. Net earned premiums decreased 8% for the first nine months of 2013 to \$647 million due to lower accident and health and trade credit business.

Sirius Group's other revenues in the first nine months of 2013 primarily consisted of pre-tax transaction gains of \$7 million from White Mountains Solutions' acquisition of American Fuji and \$3 million of foreign currency translation gains compared to \$33 million of foreign currency translation gains in the first nine months of 2012. (See "**Foreign Currency Translation**" on page 64.) In addition, in the third quarter of 2012, Sirius Group sold its interest in IMG for a gain of \$15 million.

Sirius Group's insurance and reinsurance acquisition expenses decreased \$22 million in the first nine months of 2013, primarily due to lower business volume and higher profit commissions earned on ceded European property treaties. Sirius Group's other underwriting expenses increased \$11 million for the first nine months of 2013, primarily due to increased incentive compensation expenses and higher professional fees, primarily related to Lloyd's Syndicate 1945. General and administrative expense decreased by \$5 million, primarily due to severance and separation costs reported in the first quarter of 2012. Accretion of fair value adjustment to losses and LAE reserves decreased by \$8 million due to the acceleration of the amortization of the purchase accounting established for the acquisition of Scandinavian Reinsurance Company Ltd. ("Scandinavian Re") due to a treaty commutation in the first quarter of 2012.

*Reinsurance protection.* Sirius Group's net combined ratio equaled the gross combined ratio for the first nine months of 2013 and was 5 points than the gross combined ratio for the first nine months of 2012. The net and gross combined ratios were the same for the first nine months of 2013 as the cost of property retrocessions was offset by loss recoveries on hail storms in Germany and profit commissions on ceded business. The higher net combined ratio for the first nine months of 2012 was primarily due to the cost of property retrocessions with limited ceded property loss recoveries, primarily due to the low level of catastrophe losses.

### **HG Global/BAM**

The following table presents the components of pre-tax income included in White Mountains' 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 and nine months ended September 30, 2013 and 2012:

<b>Millions</b>	<b>Three Months Ended September 30, 2013</b>			
	<b>HG Global</b>	<b>BAM</b>	<b>Eliminations</b>	<b>Total</b>
Gross written premiums	\$ —	\$ 2.9	\$ —	\$ 2.9
Assumed (ceded) written premiums	2.3	(2.3)	—	—
Net written premiums	\$ 2.3	\$ .6	\$ —	\$ 2.9
Earned insurance and reinsurance premiums	\$ .1	\$ —	\$ —	\$ .1
Net investment income	.2	1.1	—	1.3
Net investment income - BAM Surplus Notes	10.1	—	(10.1)	—
Net realized and unrealized investment gains	.5	2.4	—	2.9
Other revenue	—	.2	—	.2
Total revenues	10.9	3.7	(10.1)	4.5
Insurance and reinsurance acquisition expenses	.1	.5	—	.6
Other underwriting expenses	—	.1	—	.1
General and administrative expenses	.3	8.1	—	8.4
Interest expense - BAM surplus notes	—	10.1	(10.1)	—
Total expenses	.4	18.8	(10.1)	9.1
<b>Pre-tax income (loss)</b>	<b>\$ 10.5</b>	<b>\$ (15.1)</b>	<b>\$ —</b>	<b>\$ (4.6)</b>

<b>Millions</b>	<b>Three Months Ended September 30, 2012</b>			
	<b>HG Global</b>	<b>BAM</b>	<b>Eliminations</b>	<b>Total</b>
Gross written premiums	\$ —	\$ —	\$ —	\$ —
Assumed (ceded) written premiums	—	—	—	—
Net written premiums	\$ —	\$ —	\$ —	\$ —
Earned insurance and reinsurance premiums	\$ —	\$ —	\$ —	\$ —
Net investment income	.1	.6	—	.7
Net investment income - BAM Surplus Notes	8.3	—	(8.3)	—
Net realized and unrealized investment gains	.2	1.0	—	1.2
Other revenue	—	—	—	—
Total revenues	8.6	1.6	(8.3)	1.9
Insurance and reinsurance acquisition expenses	—	—	—	—
Other underwriting expenses	—	.1	—	.1
General and administrative expenses	3.8	11.2	—	15.0
Interest expense - BAM surplus notes	—	8.3	(8.3)	—
Total expenses	3.8	19.6	(8.3)	15.1
<b>Pre-tax income (loss)</b>	<b>\$ 4.8</b>	<b>\$ (18.0)</b>	<b>\$ —</b>	<b>\$ (13.2)</b>

Millions	Nine Months Ended September 30, 2013			
	HG Global	BAM	Eliminations	Total
Gross written premiums	\$ —	\$ 8.2	\$ —	\$ 8.2
Assumed (ceded) written premiums	6.4	(6.4)	—	—
Net written premiums	\$ 6.4	\$ 1.8	\$ —	\$ 8.2
Earned insurance and reinsurance premiums	\$ .2	\$ —	\$ —	\$ .2
Net investment income	.7	3.3	—	4.0
Net investment income - BAM Surplus Notes	30.2	—	(30.2)	—
Net realized and unrealized investment losses	(1.7)	(8.1)	—	(9.8)
Other revenue	—	.3	—	.3
Total revenues	29.4	(4.5)	(30.2)	(5.3)
Insurance and reinsurance acquisition expenses	.1	1.0	—	1.1
Other underwriting expenses	—	.3	—	.3
General and administrative expenses	1.1	24.2	—	25.3
Interest expense - BAM surplus notes	—	30.2	(30.2)	—
Total expenses	1.2	55.7	(30.2)	26.7
<b>Pre-tax income (loss)</b>	<b>\$ 28.2</b>	<b>\$ (60.2)</b>	<b>\$ —</b>	<b>\$ (32.0)</b>

Millions	Nine Months Ended September 30, 2012			
	HG Global	BAM	Eliminations	Total
Gross written premiums	\$ —	\$ —	\$ —	\$ —
Assumed (ceded) written premiums	—	—	—	—
Net written premiums	\$ —	\$ —	\$ —	\$ —
Earned insurance and reinsurance premiums	\$ —	\$ —	\$ —	\$ —
Net investment income	.1	.6	—	.7
Net investment income - BAM Surplus Notes	8.3	—	(8.3)	—
Net realized and unrealized investment gains	.2	1.0	—	1.2
Other revenue	—	—	—	—
Total revenues	8.6	1.6	(8.3)	1.9
Insurance and reinsurance acquisition expenses	—	—	—	—
Other underwriting expenses	—	.1	—	.1
General and administrative expenses	3.8	11.2	—	15.0
Interest expense - BAM surplus notes	—	8.3	(8.3)	—
Total expenses	3.8	19.6	(8.3)	15.1
<b>Pre-tax income (loss)</b>	<b>\$ 4.8</b>	<b>\$ (18.0)</b>	<b>\$ —</b>	<b>\$ (13.2)</b>

**HG Global/BAM Results - Three and Nine Months Ended September 30, 2013 versus Three and Nine Months Ended September 30, 2012**

HG Global reported pre-tax income of \$11 million and \$28 million in the third quarter and first nine months of 2013, which was driven by \$10 million and \$30 million of interest income on the BAM Surplus Notes. HG Global reported pre-tax income of \$5 million in both the third quarter and first nine months of 2012, which was driven by \$8 million of interest income on the BAM Surplus Notes, partially offset by startup and operational costs.

BAM reported pre-tax losses of \$15 million and \$60 million in the third quarter and first nine months of 2013, driven by \$10 million and \$30 million of interest expense on the BAM Surplus Notes and \$8 million and \$24 million of operating expenses. BAM's results for the first nine months of 2013 were also impacted by \$8 million of unrealized investment losses, most of which were reported in the second quarter due to an increase in interest rates. BAM reported \$18 million in pre-tax losses in both the third quarter and first nine months of 2012 that were driven by startup and operational costs and interest expense on the BAM Surplus Notes. (See **LIQUIDITY AND CAPITAL RESOURCES, HG Global/BAM**, on page 70).

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' consolidated balance sheet as of September 30, 2013:

Millions	As of September 30, 2013			
	HG Global	BAM	Eliminations	Total
<b>Assets</b>				
Fixed maturity investments	\$ 97.8	\$ 460.7	\$ —	\$ 558.5
Short-term investments	6.1	8.2	—	14.3
Total investments	103.9	468.9	—	572.8
Cash	.2	4.4	—	4.6
BAM Surplus Notes	503.0	—	(503.0)	—
Accrued interest receivable on BAM Surplus Notes	48.6	—	(48.6)	—
Other assets	2.4	12.9	(.7)	14.6
Total assets	\$ 658.1	\$ 486.2	\$ (552.3)	\$ 592.0
<b>Liabilities</b>				
BAM Surplus Notes <sup>(1)</sup>	\$ —	\$ 503.0	\$ (503.0)	\$ —
Accrued interest payable on BAM Surplus Notes <sup>(2)</sup>	—	48.6	(48.6)	—
Preferred dividends payable to White Mountains' subsidiaries <sup>(3)</sup>	44.1	—	—	44.1
Preferred dividends payable to non-controlling interests	1.2	—	—	1.2
Other liabilities	6.7	15.3	(.7)	21.3
Total liabilities	52.0	566.9	(552.3)	66.6
<b>Equity</b>				
White Mountains' common shareholders' equity	589.5	—	—	589.5
Non-controlling interests	16.6	(80.7)	—	(64.1)
<b>Total equity</b>	606.1	(80.7)	—	525.4
<b>Total liabilities and equity</b>	\$ 658.1	\$ 486.2	\$ (552.3)	\$ 592.0

<sup>(1)</sup> Under GAAP, the BAM Surplus Notes are classified as debt by the issuer. Under Statutory accounting, they are classified as Surplus.

<sup>(2)</sup> Under GAAP, interest accrues daily on the BAM Surplus Notes. Under Statutory accounting, interest is not accrued on the BAM Surplus Notes until it has been approved for payment by insurance regulators.

<sup>(3)</sup> Dividends on HG Global preferred shares payable to White Mountains' subsidiaries are eliminated in White Mountains' consolidated financial statements.

The following table presents the gross par value of policies priced and closed by BAM for the three and nine months ended September 30, 2013:

	Three Months Ended	Nine Months Ended
	September 30, 2013	September 30, 2013
Gross par value of primary market policies priced	\$ 1,086.2	\$ 3,215.1
Gross par value of secondary market policies priced	80.9	174.0
Total gross par value of market policies priced	1,167.1	3,389.1
Less: Gross par value of policies priced yet to close	(276.3)	(276.3)
Gross par value of policies closed that were previously priced	124.8	3.3
Total gross par value of market policies closed	\$ 1,015.6	\$ 3,116.1



## Other Operations

A summary of White Mountains' financial results from its Other Operations segment for the three and nine months ended September 30, 2013 and 2012 follows:

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net investment income	\$ 2.4	\$ 7.4	\$ 11.6	\$ 26.7
Net realized and unrealized investment gains	33.0	40.4	60.9	41.2
Other revenue — Hamer and Bri-Mar <sup>(1)</sup>	—	8.6	—	24.1
Other revenue — Symetra warrants	—	(3.6)	10.8	13.6
Other revenue	(4.3)	(2.5)	(5.6)	(5.5)
Total revenues	31.1	50.3	77.7	100.1
General and administrative expenses — Hamer and Bri-Mar <sup>(1)</sup>	—	7.4	—	21.0
General and administrative expenses	21.5	21.7	66.2	65.3
Interest expense — debt	2.0	.7	2.9	1.3
Total expenses	23.5	29.8	69.1	87.6
<b>Pre-tax income</b>	<b>\$ 7.6</b>	<b>\$ 20.5</b>	<b>\$ 8.6</b>	<b>\$ 12.5</b>

<sup>(1)</sup> As of October 1, 2012, Hamer and Bri-Mar are no longer consolidated and are accounted for as investments in unconsolidated affiliates.

### Other Operations Results - Three and Nine Months Ended September 30, 2013 versus Three and Nine Months Ended September 30, 2012

White Mountains' Other Operations segment reported pre-tax income of \$8 million and \$9 million in the third quarter and first nine months of 2013, compared to pre-tax income of \$21 million and \$13 million in the third quarter and first nine months of 2012. White Mountains' Other Operations segment reported net realized and unrealized investment gains of \$33 million and \$61 million in third quarter and first nine months of 2013 compared to net realized and unrealized investment gains of \$40 million and \$41 million in the third quarter and first nine months of 2012 (see **Investment Returns** on page 62). The Other Operations segment reported net investment income of \$2 million and \$12 million in third quarter and first nine months of 2013 compared to \$7 million and \$27 million in the third quarter and first nine months of 2012, primarily due to a lower invested asset base resulting from share repurchases, and lower investment yields. The value of White Mountains' investment in Symetra warrants prior to their exercise during the second quarter of 2013 (see **Investment in Symetra Common Shares** on page 64) increased \$11 million in the first nine months of 2013 compared to a decrease of \$4 million and an increase of \$14 million in the third quarter and first nine months of 2012. WM Life Re reported losses of \$7 million and \$16 million in the third quarter and first nine months of 2013 compared to \$3 million and \$14 million in the third quarter and first nine months of 2012.

On October 17, 2013, White Mountains and Tokio Marine completed a novation whereby Sirius International's obligations on its reinsurance contract covering guaranteed living and death benefits of Japanese variable annuity contracts were transferred to WM Life Re. As a result, Sirius International no longer has any obligation or liability relating to these agreements. White Mountains has made a maximum capital commitment of \$202 million to WM Life Re, which includes up to \$127 million in the form of a keep-well agreement.

## II. Summary of Investment Results

### Investment Returns

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 any management fees and trading expenses. A summary of White Mountains' consolidated pre-tax investment results for the three and nine months ended September 30, 2013 and 2012 follows:

Pre-tax investment results Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net investment income	\$ 27.3	\$ 37.6	\$ 84.5	\$ 119.8
Net realized and unrealized investment gains <sup>(1)</sup>	28.2	72.7	66.1	123.2
Change in foreign currency translation on investments recognized through other comprehensive income <sup>(2)</sup>	75.6	92.5	19.0	80.6
Total GAAP pre-tax investment gains	\$ 131.1	\$ 202.8	\$ 169.6	\$ 323.6

<sup>(1)</sup> Includes foreign currency losses of \$34.8, \$52.1, \$9.0, and \$49.1.

<sup>(2)</sup> Excludes non-investment related foreign currency losses of \$29.3, \$48.3, \$11.1 and \$43.5.

### Gross investment returns and benchmark returns

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Fixed maturity investments	1.2%	2.4%	0.0%	4.3%
Short-term investments	1.1%	0.6%	0.1%	0.7%
Total fixed income	1.1%	2.2%	0.0%	3.9%
Barclay's U.S. Intermediate Aggregate Index	0.8%	1.4%	(0.9)%	3.4%
Common equity securities	6.0%	7.7%	15.6%	9.3%
Convertible fixed maturity investments	3.9%	1.7%	1.2%	4.3%
Other long-term investments	1.1%	(1.4)%	5.0%	(1.7)%
Total equities, convertibles and other long-term investments	4.8%	5.1%	12.5%	6.3%
S&P 500 Index (total return)	5.2%	6.3%	19.8%	16.4%
Total consolidated portfolio	1.9%	2.7%	2.5%	4.3%

White Mountains' GAAP pre-tax total return on invested assets was 1.9% and 2.5% for the third quarter and first nine months of 2013, which included 0.6% and 0.0% of foreign currency gains, compared to 2.7% and 4.3% for the third quarter and first nine months of 2012, which included 0.6% and 0.4% of foreign currency gains.

#### Fixed income results

White Mountains maintains a high-quality, short-duration fixed income portfolio. At September 30, 2013, the fixed income portfolio duration was approximately 2.2 years, including short term investments, compared to 2.4 years at September 30, 2012. In U.S. dollars, White Mountains fixed income portfolio returned 1.1% in the third quarter of 2013. In local currencies, White Mountains' fixed income portfolio returned 0.4% in the third quarter of 2013, lagging the longer duration Barclay's Intermediate Aggregate Bond Index by 0.4% as rates fell. White Mountains' fixed income portfolio returned 0.0% in U.S. dollars (0.0% in local currencies) for the first nine months of 2013, outperforming the Barclay's Intermediate Aggregate return of (0.9)%.

White Mountains' fixed income portfolio returned 2.2% in U.S. dollars (1.5% in local currencies) and 3.9% in U.S. dollars (3.3% in local currencies) for the third quarter and first nine months of 2012, compared to the Barclays U.S. Intermediate Aggregate returns of 1.4% and 3.4%.

#### Equities, convertibles and other long-term investments results

White Mountains maintains a value-oriented common equity portfolio, approximately 16% of GAAP invested assets at September 30, 2013. White Mountains' common equity portfolio returned 6.0% for the third quarter and 15.6% for first nine months of 2013, outperforming the S&P 500 Index return of 5.2% for the quarter and lagging the S&P 500 Index return of 19.8% for the first nine months of 2013.

WM Advisors has a sub-advisory agreement with Prospector Partners LLC ("Prospector"), a registered investment adviser, under which Prospector manages most of White Mountains' publicly-traded common equity securities and convertible fixed maturity securities. White Mountains also has separate equity portfolios managed by Lateef Investment Management ("Lateef") and Silchester International Investors ("Silchester"). The following table summarizes the performance in local currencies of each of White Mountains' separately managed equity portfolios for the third quarter and first nine months of 2013:

Separate Accounts <sup>(1)</sup>	Three Months Ended	Nine Months Ended
	September 30, 2013	September 30, 2013
Prospector Capital Appreciation	5.9%	12.5%
Prospector All Cap Value	4.5%	19.1%
Lateef Multi-Cap Growth Equity	10.3%	19.3%
Silchester International Equities	7.7%	25.4%
S&P 500 Index	5.2%	19.8%

(1) Separate account portfolios include common equities, convertible fixed maturities and cash available for reinvestment.

Prospector's performance in the third quarter of 2013 reflects overweight positions in the materials and financials sectors and underweight positions in the consumer discretionary, industrials and technology sectors, relative to the S&P 500 Index. Prospector's performance for the first nine months of 2013 reflects an overweight position in gold mining, an underweight position in the consumer discretionary and industrial sectors and the impact of convertible fixed maturity positions (as opposed to common equity securities), which tend to lag the index in strong up markets.

Total annualized returns for White Mountains' separate accounts managed by Prospector compared to the annualized total returns of the S&P 500 Index are as follows:

Annualized returns	Periods ending September 30, 2013			
	1-year	3-years	5-years	Since Inception <sup>(1)</sup>
Prospector separate accounts	14.1%	9.7%	5.6%	7.4%
S&P 500 Index	19.3%	16.2%	10.0%	6.0%

<sup>(1)</sup> Annualized total returns since the inception of the Prospector separate account in the beginning of 2005, which was established in connection with an investment management agreement between Prospector and White Mountains whereby Prospector serves as a discretionary adviser with respect to specified assets, primarily equity securities.

The Lateef separate account is a highly concentrated portfolio, and relative performance is often influenced positively or negatively by one or two positions. Lateef's performance in the third quarter of 2013 reflects specific positions in the industrial and consumer discretionary sectors.

White Mountains maintains a portfolio of other long-term investments, mainly investments in hedge funds (primarily equity long/short) and private equity funds. The portfolio is positioned to underperform in up markets and outperform in down markets. White Mountains' long-term investments returned 1.1% for the third quarter and 5.0% for the first nine months of 2013. These returns lagged the S&P 500 Index return during both periods and were in line with the HFRX Equal Weighted Strategies Index which returned 1.0% for the quarter and 4.4% for the first nine months of 2013.

White Mountains' common equity portfolio represented approximately 14% of GAAP invested assets at September 30, 2012. The common equity portfolio returned 7.7% and 9.3% for the third quarter and first nine months of 2012 compared to the S&P 500 Index returns of 6.3% and 16.4% for the comparable periods.

### Investment in Symetra Common Shares

During the second quarter of 2013, White Mountains executed a cashless exercise of its Symetra warrants. The warrants were marked up to their fair value of \$41 million at the date of exercise, June 20, 2013, resulting in a \$15 million realized gain reported in the second quarter of 2013. The cashless exercise resulted in the net issuance of 2,648,879 additional common shares of Symetra in exchange for the warrants to purchase 9,487,872 Symetra common shares.

At December 31, 2012, the carrying value of White Mountains' investment in Symetra common shares used in the calculation of adjusted book value per share was \$16.58 per Symetra common share. During the third quarter and first nine months of 2013, White Mountains recorded \$8 million and \$24 million in equity in earnings from its investment in Symetra's common shares, which increased the value of the investment in Symetra's common shares used in the calculation of White Mountains' adjusted book value per share to \$17.49 per Symetra common share at September 30, 2013. This compares to Symetra's quoted stock price of \$17.82 and Symetra's book value per common share excluding unrealized gains and losses from its fixed maturity investment portfolio of \$19.47. See **Note 12 - Investment in Unconsolidated Subsidiaries**.

### Foreign Currency Translation

A summary of the impact of foreign currency translation on White Mountains' consolidated financial results for the three and nine months ended September 30, 2013 and 2012 follows:

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net realized and unrealized investment losses — foreign currency	\$ (34.8)	\$ (52.1)	\$ (9.0)	\$ (49.1)
Other revenue — foreign currency translation gains	16.8	33.1	3.4	33.1
Total foreign currency translation losses recognized through net income, pre-tax	(18.0)	(19.0)	(5.6)	(16.0)
Income tax expense	(1.6)	(.7)	(.9)	(2.0)
Total foreign currency translation losses recognized through net income, after tax	(19.6)	(19.7)	(6.5)	(18.0)
Change in foreign currency translation on investments	75.6	92.5	19.0	80.6
Change in foreign currency translation on non-investment net liabilities	(29.3)	(51.1)	(11.1)	(45.9)
Total foreign currency translation gains recognized through other comprehensive income	46.3	41.4	7.9	34.7
Total foreign currency gains recognized through comprehensive income	\$ 26.7	\$ 21.7	\$ 1.4	\$ 16.7

At September 30, 2013, White Mountains' investment portfolio included \$1.1 billion in non-U.S. dollar-denominated investments, most of which are held at Sirius International Insurance Corporation ("Sirius International") and are denominated in Swedish kronor or euros. The value of the investments in this portfolio is impacted by changes in the exchange rate between the U.S. dollar and the kronor and between the U.S. dollar and the euro. During the third quarter and first nine months of 2013, the U.S. dollar weakened 5% and 1% against the kronor. During the third quarter and first nine months of 2013, the U.S. dollar weakened 3% and 2% against the euro. These currency movements resulted in approximately \$41 million and \$10 million of pre-tax foreign currency investment gains in the third quarter and first nine months of 2013, which are recorded as components of net realized and unrealized investment gains and change in foreign currency translation on investments (recognized through other comprehensive income). During the third quarter and first nine months of 2012, the U.S. dollar weakened 5% against the kronor and weakened 2% and strengthened 1% against the euro. These currency movements resulted in approximately \$40 million and \$32 million of pre-tax foreign currency investment gains for the three and nine months ended September 30, 2012.

Sirius International holds a large portfolio of investments that are denominated in U.S. dollars, but its functional currency is the Swedish kronor. When Sirius International prepares its stand-alone GAAP financial statements, it translates its U.S. dollar-denominated investments to Swedish kronor and recognizes the related foreign currency translation gains or losses through income. When White Mountains consolidates Sirius International, it translates Sirius International's stand-alone GAAP financial statements to U.S. dollars and recognizes the foreign currency gains or losses arising from this translation, including those associated with Sirius International's U.S. dollar-denominated investments, through other comprehensive income. Since White Mountains reports its financial statements in U.S. dollars, there is no net effect to adjusted book value per share or to investment returns from foreign currency translation on its U.S. dollar-denominated investments at Sirius International. However, net realized and unrealized investment gains, other revenues and other comprehensive income can be significantly affected during periods of high volatility in the foreign exchange rate between the U.S. dollar and the Swedish kronor.

The amount of foreign currency translation on Sirius International's U.S. dollar-denominated investments recognized as an increase of other comprehensive income and a decrease of net income was \$34 million and \$11 million for the third quarter and first nine months of 2013. The amount of foreign currency translation on Sirius International's U.S. dollar-denominated investments recognized as an increase of other comprehensive income and a decrease of net income was \$39 million and \$35 million for the third quarter and first nine months of 2012.

### **Investments by Country of Issue**

White Mountains' investment portfolio consists of debt and equity securities issued in over 30 countries worldwide. The United States represents the country of issue for 79% of White Mountains' fixed maturity, common equity and convertible fixed maturity investment portfolio. White Mountains has no direct sovereign risk exposure to European peripheral countries Ireland, Greece, Portugal, Spain and Italy ("peripheral countries"). White Mountains' portfolio includes 0.4% of total fixed maturity, convertible fixed maturity and common equity investments issued from peripheral countries at September 30, 2013. However, White Mountains has indirect exposure to peripheral countries through securities issued from non-peripheral countries as the issuers of the securities could have exposure to peripheral countries.

The following tables list White Mountains' investments in fixed maturities, common equities and convertible fixed maturities at September 30, 2013 categorized as financial or non-financial investments and by country of issue:

Millions	September 30, 2013 Fair value
Debt securities issued by corporations:	
Non-financial	
Australia	\$ 42.5
Bermuda	21.9
Canada	158.9
France	37.0
Greece	—
Ireland	1.6
Italy	10.9
Netherlands	121.1
Portugal	—
Spain	7.4
Sweden	26.6
United Kingdom	95.2
United States	1,343.1
Other	24.0
Total non-financial debt	1,890.2
Financial	
Australia	15.8
Greece	—
Ireland	—
Italy	—
Netherlands	10.2
Portugal	—
Spain	—
United Kingdom	20.2
United States	357.0
Other	23.8
Total financial debt	427.0
Total debt securities issued by corporations	2,317.2
Mortgage-backed and asset-backed securities:	
Sweden	66.0
United Kingdom	4.2
United States	1,845.6
Total mortgage-backed and asset-backed securities	1,915.8
Foreign government, agency and provincial obligations:	
Canada	46.0
France	50.7
Germany	25.8
Greece	—
Ireland	—
Italy	—
Japan	24.6
Portugal	—
Spain	—
Sweden	285.7
Other	10.0
Total foreign government, agency and provincial obligations	442.8
US Government and agency obligations <sup>(1)</sup>	388.2
Municipal obligations <sup>(1)</sup>	5.5
Preferred stocks <sup>(1)</sup>	84.2
Total fixed maturity investments <sup>(2)</sup>	\$ 5,153.7

<sup>(1)</sup> All securities were issued in the United States.

<sup>(2)</sup> Carrying value includes \$239.7 that is classified as assets held for sale relating to discontinued operations.

Millions	September 30, 2013	
	Fair value	
Common equity securities:		
Non-financial		
Canada	\$	18.1
Greece		1.2
Ireland		—
Italy		—
Japan		18.3
Portugal		.4
South Africa		8.5
Spain		1.8
Switzerland		7.5
United Kingdom		11.9
United States		662.4
Other		54.2
Total non-financial common equity securities		<u>784.3</u>
Financial		
Bermuda		56.8
Cayman Islands		4.4
Ireland		3.0
United States		260.9
Other		1.3
Total financial common equity securities		<u>326.4</u>
Total common equity securities	\$	<u><u>1,110.7</u></u>
Convertible fixed maturities:		
Canada	\$	2.1
United States		76.6
Other		6.1
Total convertible fixed maturity investments	\$	<u>84.8</u>

## 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 and tax sharing payments received from its insurance and reinsurance operating subsidiaries, capital raising activities, net investment income and proceeds from sales and maturities of investments. The primary uses of cash are expected to be repurchases of the Company's common shares, payments on and repurchases/retirements of its debt obligations, dividend payments to holders of the Company's common shares, to non-controlling interest holders of OneBeacon Ltd.'s common shares and to holders of the SIG Preference Shares, purchases of investments, payments to tax authorities, contributions to operating subsidiaries and operating expenses.

*Operating subsidiary level.* The primary sources of cash for White Mountains' insurance and reinsurance operating subsidiaries are expected to be premium collections, net investment income, proceeds from sales and maturities of investments, contributions from holding companies and capital raising activities. The primary uses of cash are expected to be claim payments, policy acquisition costs, purchases of investments, payments on and repurchases/retirements of its debt obligations, distributions and tax sharing payments made to holding companies and operating expenses.

Both internal and external forces influence White Mountains' financial condition, results of operations and cash flows. Claim settlements, premium levels and investment returns may be impacted by changing rates of inflation and other economic conditions. In many cases, significant periods of time, sometimes several years or more, 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 claims and benefits cannot be predicted with certainty. White Mountains' insurance and reinsurance operating subsidiaries maintain portfolios of invested assets with varying maturities and a substantial amount of cash and short-term investments to provide adequate liquidity for the payment of claims.

Management believes that White Mountains' cash balances, cash flows from operations, routine sales and maturities of investments and the liquidity provided by the WTM Bank Facility are adequate to meet expected cash requirements for the foreseeable future on both a holding company and insurance and reinsurance operating subsidiary level.

### Dividend Capacity

Under the insurance laws of the states and jurisdictions that White Mountains' insurance and reinsurance operating subsidiaries are domiciled, an insurer is restricted with respect to the timing and the amount of dividends it may pay without prior approval by regulatory authorities. Accordingly, there can be no assurance regarding the amount of such dividends that may be paid by such subsidiaries in the future. Following is a description of the dividend capacity of White Mountains' insurance and reinsurance operating subsidiaries:

#### **OneBeacon:**

OneBeacon Insurance Company ("OBIC"), OneBeacon's primary top tier regulated insurance operating subsidiary, has the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount set by formula based on the greater of prior year statutory net income or 10% of prior year end statutory surplus, subject to the availability of unassigned funds. Based upon 2012 statutory net income, OBIC has the ability to pay \$330 million of dividends during 2013 without prior approval of regulatory authorities, subject to the availability of unassigned funds. The amount of dividends available to be paid by OBIC in any given year is also subject to cash flow and earnings generated by OBIC's business, which now just comprises the runoff business, as well as to dividends received from its subsidiaries, including Atlantic Specialty Insurance Company ("ASIC"). At December 31, 2012, OBIC had \$0.7 billion of unassigned funds and \$0.9 billion of statutory surplus.

During the fourth quarter of 2012, OneBeacon executed various intercompany reinsurance agreements which, along with other internal capital transactions among its regulated insurance operating subsidiaries, resulted in ASIC becoming the lead insurance company for the ongoing specialty business and OBIC becoming the lead insurance company for the runoff business. Notwithstanding these restructuring transactions, OneBeacon continues to manage its statutory capital on a combined basis. Although OBIC remains the primary top tier regulated insurance operating subsidiary and maintains sufficient statutory capital to support the runoff business, the majority of the group's statutory capital is now included in ASIC, which is currently a subsidiary of OBIC, to support the ongoing specialty business.

ASIC has the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount set by formula based on the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus. Given the changes in structure noted above, ASIC will likely require prior approval by regulatory authorities in order to pay dividends until it builds up a historical net investment income stream and earned surplus balance under its new structure. At December 31, 2012, ASIC had negative earned surplus and \$0.7 billion of statutory surplus.



During the first nine months of 2013, ASIC paid a \$190 million extraordinary return of capital to OBIC. During the first nine months of 2013, OBIC paid \$190 million of dividends to its immediate parent.

During the first nine months of 2013, OneBeacon's unregulated insurance operating subsidiaries paid \$17 million of dividends to their immediate parent. At September 30, 2013, OneBeacon's unregulated insurance operating subsidiaries had \$67 million of net unrestricted cash, short-term investments and fixed maturity investments. During the third quarter of 2013, OneBeacon contributed \$55 million to Split Rock.

During the first nine months of 2013, OneBeacon Ltd. paid \$60 million of regular quarterly dividends to its common shareholders. White Mountains received \$45 million of these dividends.

At September 30, 2013, OneBeacon Ltd. and its intermediate holding companies had \$392 million of net unrestricted cash, short-term investments and fixed maturity investments and \$37 million of common equity securities and convertible fixed maturity investments outside of its regulated and unregulated insurance operating subsidiaries.

#### ***Sirius Group:***

Subject to certain limitations under Swedish law, Sirius International is permitted to transfer a portion of its pre-tax income to its Swedish parent companies to minimize taxes (referred to as a group contribution). In 2013, Sirius International currently intends to transfer approximately \$103 million (based on the September 30, 2013 SEK to USD exchange rate) of its 2012 pre-tax income to its Swedish parent companies as a group contribution, \$72 million of which was transferred during the first nine months of 2013.

Sirius International has the ability to pay dividends subject to the availability of unrestricted statutory surplus. Historically, Sirius International has allocated the majority of its pre-tax income, after group contributions to its Swedish parent companies, to the Safety Reserve (see "*Safety Reserve*" on page 70). At December 31, 2012, Sirius International had \$852 million (based on the December 31, 2012 SEK to USD exchange rate) of unrestricted statutory surplus, which is available for distribution in 2013. The amount of dividends available to be paid by Sirius International in any given year is also subject to cash flow and earnings generated by Sirius International's business, as well as to dividends received from its subsidiaries, including Sirius America Insurance Company ("Sirius America"). During the first nine months of 2013, Sirius International distributed \$79 million of dividends to its immediate parent, \$75 million of which had been declared and accrued in December 2012.

Sirius America has the ability to pay dividends during any twelve-month period without the prior approval of regulatory authorities in an amount set by formula based on the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus. Based upon 2012 statutory net investment income, Sirius America has the ability to pay \$15 million of dividends during 2013 without prior approval of regulatory authorities, subject to the availability of earned surplus. At December 31, 2012, Sirius America had \$56 million of earned surplus and \$528 million of statutory surplus. Sirius America did not pay any dividends to its immediate parent during the first nine months of 2013.

During the first nine months of 2013, Sirius Group distributed \$150 million of dividends to its immediate parent, \$75 million of which had been declared and accrued in December 2012.

At September 30, 2013, Sirius Group and its intermediate holding companies had \$22 million of net unrestricted cash, short-term investments and fixed maturity investments and \$20 million of other long-term investments outside of its regulated and unregulated insurance and reinsurance operating subsidiaries.

#### ***Capital Maintenance***

In connection with Sirius Group's reorganization in October 2011, Sirius International and Sirius America entered into a capital maintenance agreement, which obligates Sirius International to make contributions to Sirius America's surplus in order for Sirius America to maintain surplus equal to at least 125% of the company action level risk based capital as defined in the NAIC Property/Casualty Risk-Based Capital Report. The agreement provides for a maximum contribution to Sirius America of \$200 million. Sirius International also provides Sirius America with accident year stop loss reinsurance, which protects Sirius America's accident year loss and allocated loss adjustment expense ratio in excess of 70%, with a limit of \$110 million.

### *Safety Reserve*

Subject to certain limitations under Swedish law, Sirius International is permitted to transfer pre-tax income amounts into an untaxed reserve referred to as a safety reserve. At September 30, 2013, Sirius International's safety reserve amounted to SEK 9.7 billion, or \$1.5 billion (based on the September 30, 2013 SEK to USD exchange rate). Under GAAP, an amount equal to the safety reserve, net of a related deferred tax liability established at the Swedish tax rate of 22.0%, is classified as shareholder's equity. Generally, this deferred tax liability is only required to be paid by Sirius International if it fails to maintain prescribed levels of premium writings and loss reserves in future years. As a result of the indefinite deferral of these taxes, Swedish regulatory authorities apply no taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations. Accordingly, under local statutory requirements, an amount equal to the deferred tax liability on Sirius International's safety reserve (\$331 million at September 30, 2013) is included in solvency capital. Access to the safety reserve is restricted to coverage of insurance and reinsurance losses. Access for any other purpose requires the approval of Swedish regulatory authorities. Similar to the approach taken by Swedish regulatory authorities, most major rating agencies generally include the \$1.5 billion balance of the safety reserve, without any provision for deferred taxes, in Sirius International's capital when assessing Sirius International's financial strength.

### **HG Global/BAM:**

HG Global has \$613 million face value of preferred shares outstanding, of which White Mountains owns 97.3%. 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 2012 or the first nine months of 2013. As of September 30, 2013, HG Global has accrued \$45 million of dividends payable to holders of its preferred shares, \$44 million of which is payable to White Mountains and eliminated in consolidation.

HG Re is a Special Purpose Insurer subject to regulation and supervision by the BMA, but does not require regulatory approval to pay dividends. However, HG Re's dividend capacity is limited by amounts held in the collateral trusts pursuant to the first loss reinsurance treaty ("FLRT") with BAM. As of December 31, 2012, HG Re had statutory capital of \$412 million, of which \$12 million (which partially relates to accrued interest on the BAM Surplus Notes held by HG Re) was available for dividends to HG Global and \$400 million was held as collateral in the Supplemental Trust pursuant to the FLRT with BAM.

Interest on the BAM Surplus Notes is payable quarterly at a fixed annual rate of 8.0%. BAM manages its affairs on a statutory accounting basis. BAM's statutory surplus includes surplus notes and is not reduced by accruals of interest expense on the surplus notes. Interest and principal payments are subject to approval of the New York Department of Financial Services ("NYDFS"). Interest expense on the BAM Surplus Notes does not reduce BAM's statutory surplus until the payment of the interest is approved by the NYDFS. BAM did not pay any interest on the BAM Surplus Notes in 2012 or the first nine months of 2013. As of September 30, 2013, BAM has accrued \$49 million of interest payable to HG Global on the BAM Surplus Notes. BAM's members' surplus, as reported to regulatory authorities as of December 31, 2012 was \$484 million.

### **Other Operations:**

During the first nine months of 2013, WM Advisors did not pay any dividends to its immediate parent. At September 30, 2013, WM Advisors had approximately \$15 million of net unrestricted cash, short-term investments and fixed maturity investments.

At September 30, 2013, the Company and its intermediate holding companies had \$173 million of net unrestricted cash, short-term investments and fixed maturity investments, \$453 million of common equity securities and \$141 million of other long-term investments included in its Other Operations segment. During the first nine months of 2013, White Mountains paid a \$6 million common share dividend.

### **Insurance Float**

Insurance float is an important aspect of White Mountains' insurance operations. Insurance float represents funds that an insurance or reinsurance company holds for a limited time. In an insurance or reinsurance operation, float arises because premiums are collected before losses are paid. This interval can extend over many years. During that time, the insurer or reinsurer invests the funds. When the premiums that an insurer or reinsurer collects do not cover the losses and expenses it eventually must pay, the result is an underwriting loss, which is considered to be the cost of insurance float. One manner in which White Mountains calculates its insurance float is by taking its net investment assets and subtracting its total adjusted capital. Although insurance float can be calculated using numbers determined under GAAP, insurance float is not a GAAP concept and, therefore, there is no comparable GAAP measure.

Insurance float can increase in a number of ways, including through acquisitions of insurance and reinsurance operations, organic growth in existing insurance and reinsurance operations and recognition of losses that do not cause a corresponding reduction in investment assets. Conversely, insurance float can decrease in a number of other ways, including sales of insurance and reinsurance operations, shrinking or runoff of existing insurance and reinsurance operations, the acquisition of operations that do not have substantial investment assets (e.g., an agency) and the recognition of gains that do not cause a corresponding increase in investment assets. White Mountains has historically obtained its insurance float primarily through acquisitions, as opposed to organic growth. It is White Mountains' intention to generate low-cost float over time through a combination of acquisitions and organic growth in its existing insurance and reinsurance operations. However, White Mountains will seek to increase its insurance float organically only when market conditions allow for an expectation of generating underwriting profits.

Certain operational leverage metrics can be measured with ratios that are calculated using insurance float. There are many activities that do not change the amount of insurance float at an insurance company but can have a significant impact on the company's operational leverage metrics. For example, investment gains and losses, foreign currency gains and losses, debt issuances and repurchases/repayments, common and preferred share issuances and repurchases and dividends paid to shareholders are all activities that do not change insurance float but that can meaningfully impact operational leverage metrics.

The following table illustrates White Mountains' consolidated insurance float position as of September 30, 2013 and December 31, 2012:

(\$ in millions)	September 30, 2013	December 31, 2012
Total investments	\$ 7,057.5	\$ 7,278.1
BAM total cash and investments	(473.3)	(488.4)
BAM Surplus Notes held by HG Global	503.0	503.0
Consolidated limited partnership investments <sup>(1)</sup>	(47.0)	(91.2)
Cash	411.0	462.4
Investments in unconsolidated affiliates	331.7	387.9
Equity in net unrealized losses (gains) from Symetra's fixed maturity portfolio	25.5	(62.8)
Cash and investments posted as collateral by WM Life Re <sup>(2)</sup>	(114.8)	(393.6)
Net investment assets classified within assets held for sale	239.7	338.1
Accounts receivable on unsettled investment sales	38.2	3.9
Accounts payable on unsettled investment purchases	(28.1)	(11.4)
Interest-bearing funds held by ceding companies <sup>(3)</sup>	78.9	85.1
Interest-bearing funds held under reinsurance treaties <sup>(4)</sup>	(21.0)	(17.7)
Net investment assets	<u>\$ 8,001.3</u>	<u>\$ 7,993.4</u>
Total White Mountains' common shareholders' equity	<u>\$ 3,790.0</u>	<u>\$ 3,731.8</u>
Non-controlling interest—OneBeacon Ltd.	263.3	251.4
Non-controlling interest—SIG Preference Shares	250.0	250.0
Debt	<u>676.3</u>	<u>751.2</u>
Total capital <sup>(1)</sup>	<u>4,979.6</u>	<u>4,984.4</u>
Equity in net unrealized losses (gains) from Symetra's fixed maturity portfolio, net of applicable taxes	23.5	(57.7)
Total adjusted capital	<u>\$ 5,003.1</u>	<u>\$ 4,926.7</u>
Insurance float	<u>\$ 2,998.2</u>	<u>\$ 3,066.7</u>
Insurance float as a multiple of total adjusted capital	<b>0.6x</b>	0.6x
Net investment assets as a multiple of total adjusted capital	<b>1.6x</b>	1.6x
Insurance float as a multiple of White Mountains' common shareholders' equity	<b>0.8x</b>	0.8x
Net investment assets as a multiple of White Mountains' common shareholders' equity	<b>2.1x</b>	2.1x

<sup>(1)</sup> Total capital only includes non-controlling interests that White Mountains benefits from the return on or has the ability to utilize the net assets supporting this non-controlling interest.

<sup>(2)</sup> Consists of cash, fixed maturity and short-term investments held by WM Life Re and posted as collateral to its variable annuity reinsurance counterparties.

<sup>(3)</sup> Excludes funds held by ceding companies from which White Mountains does not receive interest credits.

<sup>(4)</sup> Excludes funds held by White Mountains under reinsurance treaties for which White Mountains does not provide interest credits.

During the first nine months of 2013, insurance float decreased by \$69 million, primarily due to the continued runoff of reserves at OneBeacon and runoff of Sirius Group's casualty business and payments of losses incurred in 2010 and 2011 related to major catastrophes, primarily from hurricane Sandy and earthquakes in Chile, Japan and New Zealand. These catastrophe losses increased White Mountains' insurance float when they were first recorded, which is now reversing and decreasing insurance float as the catastrophe losses are paid. Based on September 30, 2013 balances, the closing of the Runoff Transaction is expected to decrease insurance float by approximately \$240 million.

## Financing

The following table summarizes White Mountains' capital structure as of September 30, 2013 and December 31, 2012:

(\$ in millions)	September 30, 2013	December 31, 2012
2012 OBH Senior Notes, carrying value	\$ 274.7	\$ 274.7
SIG Senior Notes, carrying value	399.5	399.4
WTM Bank Facility	—	—
Previous WTM Bank Facility	—	75.0
Old Lyme Note	2.1	2.1
Total debt	676.3	751.2
Non-controlling interest—OneBeacon Ltd.	263.3	251.4
Non-controlling interest—SIG Preference Shares	250.0	250.0
Total White Mountains' common shareholders' equity	3,790.0	3,731.8
Total capital <sup>(1)</sup>	4,979.6	4,984.4
Equity in net unrealized gains from Symetra's fixed maturity portfolio	23.5	(57.7)
Total adjusted capital	\$ 5,003.1	\$ 4,926.7
Total debt to total adjusted capital	14%	15%
Total debt and preference shares to total adjusted capital	19%	20%

<sup>(1)</sup>Total capital only includes non-controlling interests that White Mountains benefits from the return on or has the ability to utilize the net assets supporting this non-controlling interest.

Management believes that White Mountains has the flexibility and capacity to obtain funds externally as needed 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.

On August 14, 2013, White Mountains entered into a revolving credit facility with a syndicate of lenders administered by Wells Fargo Bank, N.A. which has a total commitment of \$425 million and a maturity date of August 14, 2018 (the "WTM Bank Facility"). The WTM Bank Facility replaced White Mountains' previous revolving credit facility administered by Bank of America, N.A., which had a total commitment of \$375 million (the "Previous WTM Bank Facility"). As of December 31, 2012, White Mountains had \$75 million outstanding under the Previous WTM Bank Facility, which the Company repaid in January 2013. As of September 30, 2013, the WTM Bank Facility was undrawn.

The WTM Bank Facility contains various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards. Failure to meet one or more of these covenants could result in an event of default, which ultimately could eliminate availability under this facility and result in acceleration of principal repayment on any amounts outstanding. At September 30, 2013, White Mountains was in compliance with all of the covenants under the WTM Bank Facility and anticipates it will continue to remain in compliance with these covenants for the foreseeable future.

It is possible that, in the future, one or more of the rating agencies may lower White Mountains' 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. In addition, White Mountains' insurance and reinsurance operating subsidiaries could be adversely impacted by a lowering of their financial strength ratings, including a possible reduction in demand for their products in certain markets.

In November 2012, OneBeacon U.S. Holdings, Inc. ("OBH") issued \$275 million face value of senior unsecured debt (the "2012 OBH Senior Notes") through a public offering, at an issue price of 99.9%. The net proceeds from the issuance of the 2012 OBH Senior Notes were used to repurchase OBH's previously issued Senior Notes. The 2012 OBH Senior Notes, which are fully and unconditionally guaranteed as to the payment of principal and interest by OneBeacon Ltd., bear an annual interest rate of 4.60%, payable semi-annually in arrears on May 9 and November 9, until maturity on November 9, 2022.

The 2012 OBH Senior Notes and the SIG Senior Notes were issued under indentures that contain restrictive covenants which, among other things, limit the ability of OneBeacon, Ltd., OBH, SIG and their respective subsidiaries to create liens and enter into sale and leaseback transactions and limits the ability of OneBeacon, Ltd., OBH, SIG and their respective subsidiaries to consolidate, merge or transfer their properties and assets. The indentures do not contain any financial ratios or specified levels of net worth or liquidity to which OneBeacon, Ltd., OBH or SIG must adhere. At September 30, 2013, OneBeacon, Ltd., OBH and SIG were in compliance with all of the covenants under the 2012 OBH Senior Notes and the SIG Senior Notes, and anticipate they will continue to remain in compliance with these covenants for the foreseeable future.

#### *Interest Rate Cap*

In May 2007, SIG issued \$250 million non-cumulative perpetual preference shares (the "SIG Preference Shares"), with an initial fixed annual dividend rate of 7.506%. In June 2017, the fixed rate will move to a floating rate equal to the greater of (i) 7.506% and (ii) 3-month LIBOR plus 320 bps. In July 2013, SIG executed a 5-year forward LIBOR cap (the "Interest Rate Cap") for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period. The Interest Rate Cap fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The cost of the Interest Rate Cap was an upfront premium of 395 bps of the \$250 million notional value, or \$10 million for the full notional amount.

#### **Share Repurchases**

During the past several years, White Mountains' 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. At September 30, 2013, White Mountains may repurchase an additional 545,496 shares under these board authorizations. In addition, from time to time White Mountains has also repurchased its common shares through tender offers that were separately approved by its board of directors.

White Mountains did not repurchase any of its common shares during the third quarter of 2013. During the first nine months of 2013, White Mountains repurchased a total of 141,535 of its common shares for \$80 million at an average share price of \$564, which was 91% of White Mountains' adjusted book value per share of \$622 at September 30, 2013. These repurchases were comprised of (1) 140,000 common shares repurchased in a private transaction under the board authorization for \$79 million at an average share price of \$564; and (2) 1,535 common shares repurchased pursuant to employee benefit plans. Shares repurchased pursuant to employee benefit plans do not fall under the board authorization referred to above.

#### **Cash Flows**

Detailed information concerning White Mountains' cash flows during the nine months ended September 30, 2013 and 2012 follows:

#### ***Cash flows from operations for the nine months ended September 30, 2013 and 2012***

Net cash flows from continuing operations was a source of \$23 million and \$27 million in the first nine months of 2013 and 2012, respectively. A decrease in cash flows from continuing operations in the first nine months of 2013 from the settlements and purchases of derivative instruments at WM Life Re and payments made on losses related to hurricane Sandy was mostly offset by an increase in cash provided by continuing operations at OneBeacon, primarily due to an increase in unrestricted cash collateral held in respect of its surety business. Net cash flows used for discontinued operations was \$94 million and \$156 million in the first nine months of 2013 and 2012, respectively. The cash outflows from discontinued operations in the first nine months of 2013 and 2012 were primarily due to the runoff of reserves related to businesses that OneBeacon has agreed to sell to Armour.

White Mountains does not believe that 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 nine months ended September 30, 2013**

#### **Financing and Other Capital Activities**

During the first quarter of 2013, the Company declared and paid a \$6 million cash dividend to its common shareholders.

During the first nine months of 2013, the Company repurchased and retired 141,535 of its common shares for \$80 million, which included 1,535 common shares repurchased under employee benefit plans for \$1 million.

During the first quarter of 2013, White Mountains repaid \$75 million that was outstanding under the Previous WTM Credit Facility at December 31, 2012. White Mountains borrowed and repaid a total of \$150 million under the Previous WTM Credit Facility during the first nine months of 2013.

During the first nine months of 2013, OneBeacon Ltd. declared and paid \$60 million of cash dividends to its common shareholders. White Mountains received a total of \$45 million of these dividends.

During the first nine months of 2013, OneBeacon paid a total of \$6 million of interest on the 2012 OBH Senior Notes.

During the third quarter of 2013, OneBeacon contributed \$55 million to Split Rock Insurance, Ltd.

During the first nine months of 2013, Sirius Group paid \$150 million of dividends to its immediate parent, \$75 million of which had been declared and accrued in December 2012.

During the first nine months of 2013, Sirius Group paid \$26 million of interest on the SIG Senior Notes and \$9 million of dividends on the SIG Preference Shares.

During the third quarter of 2013, SIG executed the Interest Rate Cap for \$10 million.

During the first nine months of 2013, White Mountains contributed \$20 million to WM Life Re.

#### **Acquisitions and Dispositions**

During the first quarter of 2013, White Mountains Solutions closed on the acquisition of American Fuji Fire and Marine Insurance Company, a small runoff subsidiary of American International Group, for a purchase price of \$10 million.

During the first quarter of 2013, OneBeacon completed the sale of Essentia and received \$31 million as consideration.

### **Cash flows from investing and financing activities for the nine months ended September 30, 2012**

#### **Financing and Other Capital Activities**

During the first quarter of 2012, the Company declared and paid a \$7 million cash dividend to its common shareholders.

During the first nine months of 2012, the Company repurchased and retired 1,037,191 of its common shares for \$518 million, which included 2,561 common shares repurchased under employee benefit plans for \$1 million.

During the first nine months of 2012, OneBeacon Ltd. declared and paid \$60 million of cash dividends to its common shareholders. White Mountains received a total of \$45 million of these dividends.

During the first nine months of 2012, OneBeacon paid a total of \$8 million of interest on the OBH Senior Notes.

During the first nine months of 2012, Sirius Group paid \$25 million of dividends to its immediate parent.

During the first nine months of 2012, Sirius Group paid \$26 million of interest on the SIG Senior Notes and \$9 million of dividends on the SIG Preference Shares.

During the first nine months of 2012, White Mountains contributed \$20 million to WM Life Re.

#### **Acquisitions and Dispositions**

In July 2012, HG Global was capitalized with \$609 million of cash, \$595 million of which was contributed by subsidiaries of White Mountains. Subsequently in July 2012, HG Global purchased \$503 million of surplus notes from BAM for cash and contributed \$100 million in cash to HG Re Ltd.

### **FAIR VALUE CONSIDERATIONS**

White Mountains records certain assets and liabilities at fair value in its consolidated financial statements, with changes therein recognized in earnings. In addition, White Mountains records certain liabilities at historical or amortized cost and discloses the estimated fair value of these liabilities in the notes to the consolidated financial statements. 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; and reinsurance assumed liabilities associated with variable annuity benefit guarantees. 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 quoted prices and other observable inputs. Where appropriate, assets and liabilities measured at fair value have been adjusted for the effect of counterparty credit risk.

White Mountains' invested assets that are measured at fair value include fixed maturity investments, common and preferred equity securities, convertible fixed maturity securities and interests in hedge funds and private equity funds.

Where available, the estimated fair value of investments is based upon quoted prices in active markets. In circumstances where quoted prices are unavailable, White Mountains uses fair value estimates based upon other observable inputs including matrix pricing, benchmark interest rates, market comparables, and other relevant inputs. Where observable inputs are not available, the estimated fair value is based upon internal pricing models using assumptions that include inputs that may not be observable in the marketplace but which reflect management's best judgment given the circumstances and consistent with what other market participants would use when pricing such instruments.

As of September 30, 2013, approximately 93% of the investment portfolio recorded at fair value was priced based upon quoted market prices or other observable inputs. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, common equities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs comprise fixed maturities including corporate debt, state and other governmental debt, convertible fixed maturity securities and mortgage and asset-backed securities. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Level 3 fair value estimates based upon unobservable inputs include White Mountains' investments in hedge funds and private equity funds, as well as investments in certain debt securities, including asset-backed securities, where quoted market prices are unavailable. White Mountains uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, White Mountains uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services used by White Mountains have indicated that if no observable inputs are available for a security, they will not provide a price.

In those circumstances, White Mountains estimates the fair value using industry standard pricing models and observable inputs such as benchmark interest rates, matrix pricing, market comparables, broker quotes, issuer spreads, bids, offers, credit rating prepayment speeds and other relevant inputs. White Mountains performs procedures to validate the market prices obtained from the outside pricing sources. Such procedures, which cover substantially all of its fixed maturity investments include, but are not limited to, evaluation of model pricing methodologies and review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from a different independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices, and review of assumptions utilized by the pricing service for selected 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 \$1.0 million from the expected price based on these procedures are considered outliers. In circumstances where the results of White Mountains' review process do not appear to support the market price provided by the pricing services, White Mountains challenges the price. The fair values of such securities are considered to be Level 3 measurements.

### Variable Annuity Reinsurance Liabilities

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. White Mountains carries the benefit guarantees at fair value. The fair value of the guarantees is estimated using actuarial and capital market assumptions related to the projected discounted cash flows over the term of the reinsurance agreement. The valuation uses assumptions about surrenders rates, market volatilities and other factors, and includes a risk margin which represents the additional compensation a market participant would require to assume the risks related to the business. The selection of surrender rates, market volatility assumptions, risk margins and other factors require the use of significant management judgment. Assumptions regarding future policyholder behavior, including surrender and lapse rates, are generally unobservable inputs and significantly impact the fair value estimate. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates as well as variations in actuarial assumptions regarding policyholder behavior may result in significant fluctuations in the fair value of the liabilities associated with these guarantees that could materially affect results of operations. All of White Mountains' variable annuity reinsurance liabilities (\$144 million) were classified as Level 3 measurements at September 30, 2013.

WM Life Re projects future surrender rates by year for policies based on a combination of actual experience and expected policyholder behavior. Actual policyholder behavior, either individually or collectively, may differ from projected behavior as a result of a number of factors such as the level of the account value versus guarantee value and applicable surrender charge, views of the primary insurance company's financial strength and ability to pay the guarantee at maturity, annuitants' need for money in a prolonged recession and time remaining to receive the guarantee at maturity. Policyholder behavior is especially difficult to predict given that the types of contracts reinsured by WM Life Re are relatively new to the Japanese market and the recent financial turmoil is unprecedented for this type of product in the Japanese market. Actual policyholder behavior may differ materially from WM Life Re's projections.

As of September 30, 2013, WM Life Re's annual surrender assumptions vary from 0.1% currently to 10.8% depending on the level of account value versus guarantee value; at the current levels of account value, the weighted average is approximately 2.4% per annum. The potential increase in the fair value of the liability due to a change in current surrender assumptions is as follows:

Millions	Increase in fair value of liability	
	September 30, 2013	December 31, 2012
Decrease 50%	\$ 3	\$ 3
Decrease 100% (to zero surrenders)	\$ 6	\$ 5

The amounts in the table above could increase in the future if the fair value of the variable annuity guarantee liability changes due to factors other than the surrender assumptions (e.g., a decline in the ratio of the annuitants' aggregate account values to their aggregate guarantee values).



## NON-GAAP FINANCIAL MEASURES

This report includes three non-GAAP financial measures that have been reconciled to their most comparable GAAP financial measures. White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains' results of operations and financial condition.

Adjusted comprehensive income is a non-GAAP financial measure that excludes the change in equity in net unrealized gains and losses from Symetra's fixed maturity portfolio, net of applicable taxes, from comprehensive income. In the calculation of comprehensive income under GAAP, fixed maturity investments are marked-to-market while the liabilities to which those assets are matched are not. Symetra attempts to earn a "spread" between what it earns on its investments and what it pays out on its products. In order to try to fix this spread, Symetra invests in a manner that tries to match the duration and cash flows of its investments with the required cash outflows associated with its life insurance and structured settlements products. As a result, Symetra typically earns the same spread on in-force business whether interest rates fall or rise. Further, at any given time, some of Symetra's structured settlement obligations may extend 40 or 50 years into the future, which is further out than the longest maturing fixed maturity investments regularly available for purchase in the market (typically 30 years). For these long-dated products, Symetra is unable to fully match the obligation with assets until the remaining expected payout schedule comes within the duration of securities available in the market. If at that time, these fixed maturity investments have yields that are lower than the yields expected when the structured settlement product was originally priced, the spread for the product will shrink and Symetra will ultimately harvest lower returns for its shareholders. GAAP comprehensive income increases when rates decline, which would suggest an increase in the value of Symetra - the opposite of what is happening to the intrinsic value of the business. Therefore, White Mountains' management and Board of Directors use adjusted comprehensive income when assessing Symetra's quarterly financial performance. In addition, this measure is typically the predominant component of change in adjusted book value per share, which is used in calculation of White Mountains' performance for both short-term (annual bonus) and long-term incentive plans. The reconciliation of adjusted comprehensive income to comprehensive income is included on page 51.

Adjusted book value per share is a non-GAAP measure which is derived by expanding the GAAP calculation of book value per White Mountains common share to exclude equity in net unrealized gains and losses from Symetra's fixed maturity portfolio, net of applicable taxes. In addition, the number of common shares outstanding used in the calculation of adjusted book value per share are adjusted to exclude unearned restricted common shares, the compensation cost of which, at the date of calculation, has yet to be amortized. The reconciliation of adjusted book value per share to GAAP book value per share is included on page 50.

Total capital at White Mountains is comprised of White Mountains' common shareholders' equity, debt and non-controlling interest in OneBeacon Ltd and the SIG Preference Shares. Total adjusted capital excludes the equity in net unrealized gains and losses from Symetra's fixed maturity portfolio, net of applicable taxes from total capital. The reconciliation of total capital to total adjusted capital is included on page 71.

## CRITICAL ACCOUNTING ESTIMATES

Refer to the Company's 2012 Annual Report on Form 10-K for a complete discussion regarding White Mountains' critical accounting estimates.

## FORWARD-LOOKING STATEMENTS

The information contained in 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:

- changes in adjusted book value per share or return on equity;
- business strategy;
- financial and operating targets or plans;
- incurred losses and the adequacy of its loss and LAE 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 a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- the risks associated with Item 1A of White Mountains' 2012 Annual Report on Form 10-K;
- claims arising from catastrophic events, such as hurricanes, earthquakes, floods or terrorist attacks;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to White Mountains, its competitors or its clients;
- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch; and
- other factors, most of which are beyond White Mountains' 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 update publicly 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' 2012 Annual Report on Form 10-K and in particular **Item 7A. - "Quantitative and Qualitative Disclosures About Market Risk"**. As of September 30, 2013, there were no material changes in the market risks as described in White Mountains' most recent Annual Report.

### **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' disclosure controls and procedures are adequate and 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 September 30, 2013.

## **Part II. OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

Refer to White Mountains' 2012 Annual Report on Form 10-K and in particular **Item 3. - "Legal Proceedings"**. As of September 30, 2013, other than what is described below, there were no material changes in the legal proceedings as described in White Mountains' most recent Annual Report.

### Esurance Sale

In 2011, the Company sold its Esurance and Answer Financial businesses (the “Transferred Companies”) to The Allstate Corporation (“Allstate”) for a purchase price of approximately \$1.01 billion. The purchase price consisted of \$700 million plus the tangible book value of the Transferred Companies at the closing, which was estimated to be \$308 million. Following closing, Allstate was required to prepare a final closing statement, including an audited balance sheet for the Transferred Companies as of the closing date. The Company disputed Allstate’s calculation of tangible book value in the closing statement. The amount in dispute was approximately \$20 million.

On August 27, 2013, White Mountains and Allstate reached an agreement settling all disputes relating to the final calculation of tangible book value in the closing statement, as well as the post-closing reserve adjustment for the first interim settlement date. The settlement of the disputed closing statement amounts and the first interim reserve adjustment did not have a material effect on White Mountains’ financial position or results of operations.

### Tribune Company

In June 2011, Deutsche Bank Trust Company Americas, Law Debenture Company of New York and Wilmington Trust Company (collectively referred to as “Plaintiffs”), in their capacity as trustees for certain senior notes issued by the Tribune Company (“Tribune”), filed lawsuits in various jurisdictions (the “Noteholder Actions”) against numerous defendants including OneBeacon, OBIC-sponsored benefit plans and other affiliates of White Mountains in their capacity as former shareholders of Tribune seeking recovery of the proceeds from the sale of common stock of Tribune in connection with Tribune's leveraged buyout in 2007 (the “LBO”). Tribune filed for bankruptcy in 2008 in the Delaware bankruptcy court (the “Bankruptcy Court”). The Bankruptcy Court granted Plaintiffs permission to commence these LBO-related actions. Plaintiffs seek recovery of the proceeds received by the former Tribune shareholders on a theory of constructive fraudulent transfer asserting that Tribune purchased or repurchased its common shares without receiving fair consideration at a time when it was, or as a result of the purchases of shares, was rendered, insolvent. OneBeacon has entered into a joint defense agreement with other affiliates of White Mountains that are defendants in the action. Certain subsidiaries of White Mountains received approximately \$39 million for Tribune common stock tendered in connection with the LBO.

The Court granted an omnibus motion to dismiss the Noteholder Actions in September 2013 and Plaintiffs have filed a notice of appeal.

In addition, OneBeacon, OBIC-sponsored benefit plans and other affiliates of White Mountains in their capacity as former shareholders of Tribune, along with thousands of former Tribune shareholders, have been named as defendants in an adversary proceeding brought by the Official Committee of Unsecured Creditors of the Tribune Company (the “Committee”), on behalf of the Tribune Company, which seeks to avoid the repurchase of shares by Tribune in the LBO on a theory of intentional fraudulent transfer (the “Committee Action”). Tribune emerged from bankruptcy in 2012, and a litigation trustee replaced the Committee as plaintiff in the Committee Action. The Committee Action is proceeding, pending lifting of the stay and entry of a further scheduling order.

### Item 1A. Risk Factors.

There have been no material changes to any of the risk factors previously disclosed the Registrant’s 2012 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 Plan <sup>(1)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plan <sup>(1)</sup>
July 1 - September 30, 2013	—	\$ —	—	—
Total	—	\$ —	—	545,496

<sup>(1)</sup> On November 17, 2006, White Mountains’ board of directors authorized the Company to repurchase up to 1 million of its common shares, from time to time, subject to market conditions. On August 26, 2010 and May 25, 2012, White Mountains’ board of directors authorized the Company to repurchase up to an additional 600,000 and 1,000,000, respectively, common shares, for a total authorization of 2.6 million shares. Shares may be repurchased on the open market or through privately negotiated transactions. The repurchase authorization does not have a stated expiration.

### Item 3. Defaults Upon Senior Securities.

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information.**

On October 25, 2013, OneBeacon Insurance Group, Ltd. and one of its wholly-owned subsidiaries, OneBeacon Insurance Group LLC, entered into an amendment to the Stock Purchase Agreement dated as of October 17, 2012 with Trebuchet US Holdings, Inc., a wholly-owned subsidiary of Armour Group Holdings Limited (the "Stock Purchase Agreement"), which extended the date on which the parties may terminate the Stock Purchase Agreement from December 31, 2013 to July 31, 2014.

**Item 6. Exhibits.**

(a)	Exhibits
10.1	— \$425,000,000 Credit Agreement, dated August 14, 2013 among the Company, as the Borrower, Wells Fargo Bank, N.A., as Administrative Agent, Swing Line Lender and an Issuing Lender, and the other lenders party hereto.*
11	— Statement Re Computation of Per Share Earnings. **
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. *
101.1	— The following financial information from White Mountains' Quarterly Report on Form 10Q for the quarter ended September 30, 2013 formatted in XBRL: (i) Consolidated Balance Sheets, September 30, 2013 and December 31, 2012; (ii) Consolidated Statements of Operations and Comprehensive Income, Three and Nine Months Ended September 30, 2013 and 2012; (iii) Consolidated Statements of Changes in Equity, Nine Months Ended September 30, 2013 and 2012; (iv) Consolidated Statements of Cash Flows, Nine Months Ended September 30, 2013 and 2012; and (v) Notes to Consolidated Financial Statements. *

\* Included herein

\*\* Not included as an exhibit as the information is contained elsewhere within this report. See **Note 10** of the Notes to Consolidated Financial Statements.

**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: October 28, 2013

By: /s/ J. Brian Palmer  
J. Brian Palmer  
Vice President and Chief Accounting Officer

**CREDIT AGREEMENT**

Dated as of August 14, 2013

among

**WHITE MOUNTAINS INSURANCE GROUP, LTD.,**  
as the Borrower,

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**  
as Administrative Agent, Swing Line Lender and  
an Issuing Lender,

and

**THE OTHER LENDERS PARTY HERETO**

**BARCLAYS BANK PLC**  
and  
**HSBC BANK BERMUDA LIMITED**  
as Co-Syndication Agents

and

**BMO HARRIS BANK, N.A.,**  
and  
**NORDEA BANK FINLAND PLC, NEW YORK BRANCH,**  
and  
**U.S. BANK NATIONAL ASSOCIATION,**  
as Co-Documentation Agents

and

**WELLS FARGO SECURITIES, LLC,**  
**BARCLAYS BANK PLC**  
and  
**HSBC SECURITIES (USA) INC.,**  
as Joint Lead Arrangers and Joint Book Runners

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## CREDIT AGREEMENT

This CREDIT AGREEMENT, dated as of August 14, 2013, is among (i) **WHITE MOUNTAINS INSURANCE GROUP, LTD.**, a company existing under the laws of Bermuda (the “Borrower”), (ii) each lender from time to time party hereto (collectively, the “Lenders”) and (iii) **WELLS FARGO BANK, NATIONAL ASSOCIATION** (“Wells Fargo Bank”), as Administrative Agent, Swing Line Lender and an Issuing Lender.

### PRELIMINARY STATEMENTS

**WHEREAS**, the Borrower has requested that the Lenders provide a revolving credit facility under which the Borrower may obtain revolving loans and other extensions of credit in an aggregate principal amount outstanding at any time not in excess of \$425,000,000 (subject to an option to increase such amount by an additional \$75,000,000), and the Lenders are willing to do so on the terms and conditions set forth herein.

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

#### 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

“Act of 1934” means the Securities Exchange Act of 1934 and the regulations issued thereunder.

“Administrative Agent” means Wells Fargo Bank, in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent appointed in accordance with Section 9.7.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.2, or such other address or account as the Administrative Agent may from time to time notify the Borrower and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

“Agent Fee Letter” means that certain letter agreement dated as of July 11, 2013 by and among the Borrower, Wells Fargo Bank and Wells Fargo Securities, LLC.

“Agent-Related Persons” means the Administrative Agent, together with its Affiliates (including, Wells Fargo Bank, in its capacity as the Administrative Agent and Wells Fargo Securities, LLC in its capacity as one of the Arrangers), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“Agreement” means this Credit Agreement, as amended, restated, extended, supplemented or otherwise modified from time to time.

“Annual Statement” means the annual statutory financial statement of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation or organization, which statement shall be in the form required by such Insurance Subsidiary’s jurisdiction of incorporation or organization or, if no specific form is so required, in the form of financial statements permitted by such Department to be used for filing annual statutory financial statements and shall contain the type of information permitted or required by such Department to be disclosed therein, together with all exhibits or schedules filed therewith.

“Applicable Margin” means the applicable percentage per annum set forth below corresponding to the Total Consolidated Debt to Total Consolidated Capitalization Ratio as of the most recent fiscal quarter of the Borrower for which a Compliance Certificate has been or is required to have been delivered pursuant to Section 6.2(b):

<b>Pricing Level</b>	<b>Total Consolidated Debt to Total Consolidated Capitalization Ratio</b>	<b>Applicable Margin for Eurodollar Loans</b>	<b>Applicable Margin for Base Rate Loans</b>
<b>I</b>	≤12.5%	1.200%	0.200%
<b>II</b>	> 12.5% ≤ 20.0%	1.400%	0.400%
<b>III</b>	> 20.0% ≤ 27.5%	1.600%	0.600%
<b>IV</b>	> 27.5%	1.900%	0.900%

The Applicable Margin in effect from the Closing Date through the first Business Day immediately following the date the first Compliance Certificate is delivered to the Administrative Agent pursuant to Section 6.2(b) shall be the Applicable Margin set forth in pricing level II. Any increase or decrease in the Applicable Margin resulting from a change in the Total Consolidated Debt to Total Consolidated Capitalization Ratio, as set forth on a Compliance Certificate delivered pursuant to Section 6.2(b), shall become effective as of the first Business Day immediately following delivery of such Compliance Certificate; provided, however, that if a Compliance Certificate is not delivered when due in accordance with Section 6.2(b), then the pricing level IV Applicable Margin shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered until the first Business Day after the date on which such Compliance Certificate is delivered.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Margin for any period shall be subject to the provisions of Section 2.12(b).

“Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time used by the applicable Issuing Lender, which shall not be inconsistent with this Agreement or impose additional obligations on the Borrower.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arrangers” means Wells Fargo Securities, LLC, Barclays Bank PLC and HSBC Securities (USA) Inc., in their respective capacities as joint lead arrangers and joint book runners.

“Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, substantially in the form of Exhibit F or any other form approved by the Administrative Agent.

“Auto-Extension Letter of Credit” has the meaning specified in Section 3.2(c).

“Available Revolving Credit Commitment” means, with respect to any Lender at any time, an amount equal to the excess, if any, of (a) such Lender’s Revolving Credit Commitment then in effect over (b) such Lender’s Revolving Extensions of Credit then outstanding.

“Barclays Fee Letter” means that certain letter agreement dated as of July 11, 2013 by and between the Borrower and Barclays Bank PLC.

“Base Rate” means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Wells Fargo Bank as its “prime rate,” and (c) the Eurodollar Rate plus 1.00%. The “prime rate” is a rate set by Wells Fargo Bank based upon various factors including Wells Fargo Bank’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the Base Rate due to a change in any of the foregoing shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loans” means Loans for which the applicable rate of interest is based upon the Base Rate.

“Berkshire Hathaway” means, Berkshire Hathaway Inc., or an Affiliate thereof.

“Board” means the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrower Materials” has the meaning specified in Section 6.2(e).

“Borrower” has the meaning specified in the preamble hereto.

“Borrowing Date” means any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

“Borrowing Request” means a notice of (a) a borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Loans pursuant to Sections 2.2 or 2.9 which, if in writing, shall be substantially in the form of Exhibit B-1.

“Business Day” means (i) with respect to any borrowing, payment or rate selection of Eurodollar Loans, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in Dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of the commercial lending activities, and interbank wire transfers can be made on the Fedwire system.

“Capital and Surplus” means, as of any date, (a) as to any Insurance Subsidiary domiciled in the United States, the total surplus as regards to policyholders (or any successor line item description that contains the same information) as shown in its Annual Statement or Interim Statement, or an amount determined in a consistent manner for any date other than one as of which an Annual Statement or Interim Statement is prepared, (b) as to Sirius, the total solvency capital (or any successor line item description that contains the same information) as shown in its Annual Statement or Interim Statement, or an amount determined in a consistent manner for any date other than one as of which an Annual Statement or Interim Statement is prepared and (c) as to any other Insurance Subsidiary, the equivalent amount (determined in good faith by the Borrower).

“Capital Lease Obligations” means, with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP; and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

“Capital Stock” means any and all shares, interests, participations or other equivalents (however designated) of capital stock or share capital of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

“Cash Collateralize” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Lenders or the Swing Line Lender (as applicable) and the Lenders, as collateral for L/C Obligations, obligations in respect of Swing Line Loans, or obligations of Lenders to fund participations in respect of either thereof (as the context may require), cash or deposit account balances or, if the applicable Issuing Lender or the Swing Line Lender benefiting from such collateral shall agree in its sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to (a) the Administrative Agent and (b) the applicable Issuing Lender or the Swing Line Lender (as applicable). “Cash Collateral” shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

“Change of Control” means an event or series of events by which:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Act of 1934, but excluding any employee benefit plan of such person or any of its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) other than (i) Berkshire Hathaway or (ii) Franklin Mutual (in each of clause (i) and (ii), together with their respective Affiliates) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an “option right”)), directly or indirectly, of 30% or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such “person” or “group” has the right to acquire pursuant to any option right); or

(b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or



group other than a solicitation for the election of one or more directors by or on behalf of the board of directors).

For the avoidance of doubt, none of the Capital Stock held by the entities listed in clauses (a)(i) and (a)(ii), nor the Capital Stock held by any of their Affiliates, shall be included as being owned by a “person” or “group” when determining whether such “person” or “group” has met the 30% threshold set forth in clause (a).

“Closing Certificate” means a certificate substantially in the form of Exhibit E.

“Closing Date” means the first date on which all the conditions precedent in Section 4.1 are satisfied or waived in accordance with Section 10.1.

“Code” means the Internal Revenue Code of 1986.

“Commitments” means, collectively the Revolving Credit Commitments, the Swing Line Commitment, the L/C Commitment or as the context may require, any such Commitment.

“Compensation Period” has the meaning specified in Section 2.14(e)(ii).

“Compliance Certificate” means a certificate duly executed by a Responsible Officer on behalf of the Borrower substantially in the form of Exhibit A.

“Conditional Common Equity” means convertible preferred equity issued by the Borrower or any of its Subsidiaries which will convert to common equity of the Borrower or any of its Subsidiaries upon shareholder approval (provided that such shareholder approval is obtained within the period required by the terms thereof).

“Consolidated Net Income” means, the consolidated net income (or loss) of the Borrower and its consolidated Subsidiaries for such period, determined in accordance with GAAP; provided, however, that in calculating Consolidated Net Income, there shall be excluded for purposes of the calculation of Consolidated Net Income (x) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries, and (y) the net unrealized investment gain (or loss), less the net unrealized foreign currency gain (or loss) on investments, less applicable related income tax provisions (or plus applicable related income tax benefits), in each case, included in the consolidated net income (or loss) of the Borrower.

“Consolidated Net Worth” means the sum of all amounts that would be included on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries under shareholders’ equity at such date, plus non-controlling interests, in each case, determined in accordance with GAAP; provided, however, that in calculating Consolidated Net Worth, there shall be excluded for purposes of the calculation of Consolidated Net Worth (x) the accumulated net unrealized investment gain (or loss), less the net unrealized foreign

currency gain (or loss) on investments, less applicable related income tax provisions (or plus applicable related income tax benefits), in each case, as of June 30, 2013, (y) the net unrealized investment gain (or loss), less the net unrealized foreign currency gain (or loss) on investments, less applicable related income tax provisions (or plus applicable related income tax benefits), in each case, included in the consolidated net income (or loss) of the Borrower subsequent to June 30, 2013 and (z) the equity in the net unrealized investment gain (or loss), less applicable related income tax provisions (or plus applicable related income tax benefits), in each case, from investments in unconsolidated affiliates.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

“Debt” means indebtedness for borrowed money.

“Debtor Relief Laws” the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions, domestic or foreign, from time to time in effect and affecting the rights of creditors generally.

“Default” means any of the events specified in Section 8.1, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Defaulting Lender” means, subject to Section 2.24(b), any Lender that (a) has failed to (i) fund all or any portion of the Revolving Credit Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within two Business Days of the date such Loans or participations were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s good faith determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the Issuing Lender, the Swing Line Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swing Line Loans) within two Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent, the Issuing Lender or the Swing Line Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s good faith determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written

confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.24(b)) upon delivery of written notice of such determination to the Borrower, the Issuing Lender, the Swing Line Lender and each Lender.

“Default Rate” has the meaning specified in Section 2.11(c).

“Department” means, with respect to any Insurance Subsidiary, the insurance commissioner or other Governmental Authority of such Insurance Subsidiary’s jurisdiction of incorporation or organization.

“Dollars” and “\$” means lawful currency of the United States of America.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 10.7(b), (iii) and (v) (subject to such consents, if any, as may be required under Section 10.7(b)(iii)).

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, injunctive or equitable relief, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries resulting from or based upon (a) a violation of any environmental law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) human exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of

the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan (other than a Multiemployer Plan); (b) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a “substantial employer” as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in Reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA; (e) the institution by the PBGC of proceedings to terminate a Pension Plan; (f) any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan (other than a Multiemployer Plan); (g) the determination that any Pension Plan (other than a Multiemployer Plan) is considered an at-risk plan within the meaning of Section 430 of the Code or Section 303 of ERISA; (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate; or (i) with respect to any Multiemployer Plan, the receipt by the Borrower or any ERISA Affiliate of written or electronic notice from such Multiemployer Plan that (i) an event or condition has occurred that constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, such Multiemployer Plan or (ii) such Multiemployer Plan is considered a plan in endangered or critical status within the meaning of Section 432 of the Code or Section 305 of ERISA.

“Eurodollar Loans” means Loans for which the applicable rate of interest is based upon clause (a) of the definition of “Eurodollar Rate.”

“Eurodollar Rate” means:

(a) for any Interest Period with respect to a Eurodollar Loan, the rate per annum equal to (i) the rate (the “Screen LIBOR Rate”) which appears on Reuters Screen LIBOR01 Page (or any applicable successor page or is derived from such other commercially available source providing quotations of the corresponding rate as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period or, (ii) if such rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by Wells Fargo Bank’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to (i) Screen LIBOR Rate, at approximately 11:00 a.m., London time determined two Business Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day or (ii) if such published rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same day funds in the approximate amount of the Base Rate Loan being made or maintained and with a term equal to one month would be offered by Wells Fargo Bank's London Branch to major banks in the London interbank Eurodollar market at their request at the date and time of determination.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by overall net income (however denominated), franchise Taxes imposed in lieu of net income taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Foreign Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.20) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.16, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.16(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

“Existing Credit Agreement” means that certain Credit Agreement, dated as of August 12, 2011, among the Borrower, the lenders from time to time party thereto, Bank of America, N.A. as administrative agent and the other agents and arrangers from time to time party thereto.

“Existing Letters of Credit” means those letters of credit set forth on Schedule 1A.

“Event of Default” means any of the events specified in Section 8.1, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Facility Fee Rate” means the applicable percentage per annum set forth below corresponding to the Total Consolidated Debt to Total Consolidated Capitalization Ratio as of the most recent fiscal quarter of the Borrower for which a Compliance Certificate has been or is required to have been delivered pursuant to Section 6.2(b):

<b>Pricing Level</b>	<b>Total Consolidated Debt to Total Consolidated Capitalization Ratio</b>	<b>Facility Fee Rate</b>
<b>I</b>	$\leq 12.5\%$	<b>0.175%</b>
<b>II</b>	$> 12.5\% \leq 20.0\%$	<b>0.225%</b>
<b>III</b>	$> 20.0\% \leq 27.5\%$	<b>0.275%</b>
<b>IV</b>	$> 27.5\%$	<b>0.350%</b>

The Facility Fee Rate in effect from the Closing Date through the first Business Day immediately following the date the first Compliance Certificate is delivered to the Administrative Agent pursuant to Section 6.2(b), shall be the Facility Fee Rate set forth in pricing level II. Any increase or decrease in the Facility Fee Rate resulting from a change in the Total Consolidated Debt to Total Consolidated Capitalization Ratio, as set forth on a Compliance Certificate delivered pursuant to Section 6.2(b), shall become effective as of the first Business Day immediately following delivery of such Compliance Certificate; provided, however, that if a Compliance Certificate is not delivered when due in accordance with Section 6.2(b), then the level IV Facility Fee Rate shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered until the first Business Day after the date on which such Compliance Certificate is delivered.

Notwithstanding anything to the contrary contained in this definition, the determination of the Facility Fee Rate for any period shall be subject to the provisions of Section 2.12(b).

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), current and any future regulations or other official interpretations thereof, and any agreements entered into pursuant to Section 1471(b) of the Code.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Wells Fargo Bank on such day on such transactions as reasonably determined by the Administrative Agent.

“Fee Letters” means, collectively, the Agent Fee Letter, the Barclays Fee Letter and the HSBC Fee Letter.

“Fitch” means Fitch, Inc. (or any successor thereto).

“Foreign Lender” means a Lender that is not a U.S. Person.

“Franklin Mutual” means any investment fund managed by Franklin Mutual Advisers LLC (or any successor thereto) or any of its Affiliates.

“Fronting Exposure” means, at any time there is a Lender that is a Defaulting Lender, (a) with respect to any Issuing Lender, such Defaulting Lender’s Revolving Credit Percentage of the outstanding L/C Obligations other than L/C Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to the Swing Line Lender, such Defaulting Lender’s Revolving Credit Percentage of Swing Line Loans other than Swing Line Loans as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

“Fund” means any Person (other than a natural person) that 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.

“Fundamental Change” means any of (a) the Borrower consolidating or amalgamating with or merging into any other Person (other than any such transaction in which the Borrower is the surviving entity), (b) the Borrower failing to preserve, renew and keep, in full force and effect, its corporate existence, (c) the Borrower, directly or indirectly through any of its Subsidiaries, conveying or transferring the properties and assets of the Borrower and its Subsidiaries (taken as a whole for the Borrower and its Subsidiaries) substantially as an entirety (other than to the Borrower or any of its Subsidiaries), or (d) the Borrower liquidating, winding up or dissolving itself, other than, in the case of clauses (a) through (d), any such transaction or transactions the sole purpose of which is to change the domicile of the Borrower (in any such redomiciliation (x) the surviving, amalgamated or transferee entity shall expressly assume, by an agreement reasonably satisfactory to the Administrative Agent, the obligations of the Borrower to be performed or observed hereunder and deliver to the Administrative Agent such corporate authority documents and legal opinions as the Administrative Agent shall reasonably request and a certificate signed by a Responsible Officer on behalf of the Borrower certifying that no Default or Event of Default shall exist either immediately before or immediately after giving effect to any such transaction, (y) the surviving, amalgamated or transferee entity shall succeed to, and be substituted for, and may exercise every right and power of, the Borrower under this Agreement with the same effect as if such surviving, amalgamated or transferee entity had been named as the Borrower herein and (z) the surviving, amalgamated or transferee entity shall be organized under the laws of the United States of America, any state thereof, the District of Columbia, Bermuda, Canada, the United Kingdom, Switzerland or Luxembourg).

“GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time and set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public

Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof whether state or local and any entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing, including any board of insurance, insurance department or insurance commissioner.

“Granting Lender” has the meaning specified in Section 10.7(h).

“Guarantee Obligation” means as to any Person (the “guaranteeing person”), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the “primary obligations”) of any other third Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person’s maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

“Guarantor” means any Subsidiary of the Borrower that, at the election of the Borrower, shall have guaranteed the obligations of the Borrower under this Agreement pursuant to a guarantee agreement reasonably satisfactory in form and substance to the Administrative Agent; provided, however, that it shall be a condition of a Subsidiary becoming a Guarantor for purposes of this Agreement that the Borrower shall have delivered



to the Administrative Agent at the time the Subsidiary becomes party to the Guaranty such related legal opinions, corporate or similar resolutions and other customary documents and certificates as the Administrative Agent shall have reasonably requested.

“Guaranty” means a guarantee agreement described in the definition of Guarantor.

“Hazardous Materials” means all explosive or radioactive substances or wastes, hazardous or toxic substances or wastes, pollutants, solid, liquid or gaseous wastes, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls (“PCBs”) or PCB-containing materials or equipment, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any environmental law.

“Hedge Agreements” means all interest rate swaps, caps or collar agreements or similar arrangements entered into by the Borrower or any of its Subsidiaries providing for protection against fluctuations in interest rates or currency exchange rates or otherwise providing for the exchange of nominal interest obligations, either generally or under specific contingencies.

“HSBC Bank” means HSBC Bank Bermuda Limited.

“HSBC Fee Letter” means that certain letter agreement dated as of July 11, 2013 by and among the Borrower, HSBC Bank and HSBC Securities (USA) Inc.

“Increase Effective Date” has the meaning specified in Section 2.22(b).

“Indebtedness” means, as to any Person at any date, without duplication, all of the following, whether or not included as Indebtedness or liabilities in accordance with GAAP (a) all Debt of such Person, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit, bank guarantees, surety bonds or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire, defease or otherwise acquire for value any Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of any of the foregoing, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the

payment of such obligation and (j) for the purposes of Section 8.1(h) only, all obligations of such Person in respect of Hedge Agreements.

“Indemnified Liabilities” has the meaning specified in Section 10.6.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower or a Guarantor under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“Indemnitees” has the meaning specified in Section 10.6.

“Instrument of Accession” has the meaning specified in Section 2.22.

“Insurance Regulations” means any Law, directive or order applicable to an insurance company.

“Insurance Regulator” means any Person charged with the administration, oversight or enforcement of any Insurance Regulation.

“Insurance Subsidiary” means any Subsidiary which is required to be licensed by any Department as an insurer or reinsurer and each direct or indirect Subsidiary of such Subsidiary.

“Intellectual Property” means the collective reference to all rights, priorities and privileges relating to intellectual property, arising under Laws, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Payment Date” means (a) as to any Base Rate Loan, the last Business Day of each of March, June, September and December and the last day of the Revolving Credit Commitment Period, (b) as to any Eurodollar Loan, the last day of each Interest Period applicable to such Loan and the last day of the Revolving Credit Commitment Period; provided, however, that if any Interest Period for a Eurodollar Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates, and (c) as to any Loan (other than a Base Rate Loan), the date of any repayment or prepayment made in respect thereof.

“Interest Period” means, as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months (or, unless unavailable to any Lender, twelve months) thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months (or, unless unavailable to

any Lender, twelve months) thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period in respect of the Loans that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date, and

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period.

“Interim Statement” means any interim statutory financial statement or financial report (whether quarterly, semiannually or otherwise) of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation or organization, which statement or report shall be in the form required by such Insurance Subsidiary’s jurisdiction of incorporation or organization or, if no specific form is so required, in the form of financial statements or financial reports permitted by such Department to be used for filing interim statutory financial statements or financial reports and shall contain the type of information permitted or required by such Department to be disclosed therein, together with all exhibits or schedules filed therewith.

“IRS” means the United States Internal Revenue Service, or any successor thereto.

“ISP” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

“Issuer Documents” means with respect to any Letter of Credit, the Application, and any other document, agreement and instrument entered into by the applicable Issuing Lender and the Borrower (or any Subsidiary) or by the Borrower (or any Subsidiary) in favor of the applicable Issuing Lender and relating to any such Letter of Credit.

“Issuing Lender” means Wells Fargo Bank and any other Lender from time to time designated by the Borrower as an Issuing Lender, with the consent of such Lender and the Administrative Agent.

“Laws” means any law, treaty, rule, regulation or order of a court or other Governmental Authority.

“L/C Advance” means, with respect to each Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Revolving Credit Percentage.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a borrowing.

“L/C Commitment” means \$25,000,000, as the same may be reduced from time to time pursuant to Section 2.7.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof or the increase of the amount thereof.

“L/C Fee Payment Date” means the first Business Day of each of January, April, July and October and the last day of the Revolving Credit Commitment Period.

“L/C Obligations” means, at any time, an amount equal to the sum of (a) the aggregate amount available to be drawn under all outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.3. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.3. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“L/C Participants” means, with respect to any Letter of Credit, the collective reference to all of the Lenders, other than the Issuing Lender that issued such Letter of Credit.

“Lenders” has the meaning specified in the preamble hereto.

“Letters of Credit” means any standby letters of credit issued hereunder and shall include the Existing Letters of Credit.

“License” means any license, certificate of authority, permit or other authorization which is required to be obtained from any Governmental Authority in connection with the operation, ownership or transaction of insurance or reinsurance business.

“Lien” means any mortgage, pledge, security interest, encumbrance, charge or security interest of any kind.

“Loan” means any loan made by any Lender to the Borrower pursuant to this Agreement, including any Revolving Credit Loan and any Swing Line Loan made by the Swing Line Lender.

“Loan Documents” means this Agreement, the Guaranty (if any), the Notes, any agreement creating or perfecting rights in Cash Collateral pursuant to the provisions of Section 2.23 of this Agreement and any Instrument of Accession executed hereunder pursuant to Section 2.22.

“Majority Lenders” means the holders of more than 50% of the Total Revolving Extensions of Credit (or, if no such Revolving Extensions of Credit are outstanding, prior to any termination of the Revolving Credit Commitments, the holders of more than 50% of the Total Revolving Credit Commitments). The Revolving Credit Commitment in effect (or, when applicable, Revolving Extensions of Credit outstanding) of any Defaulting Lender shall be excluded for purposes of making a determination of Majority Lenders.

“Mandatory Convertible Securities” means equity securities or subordinated debt securities (which subordinated debt securities, if issued by the Borrower or a Guarantor, will include subordination to the obligations of the Borrower and the Guarantors hereunder), issued by the Borrower or any of its Subsidiaries which (i) are not (x) Mandatory Redeemable Securities (other than Qualified Securities) or (y) Conditional Common Equity and (ii) provide, pursuant to the terms thereof, that the issuer of such securities (or an affiliate of such issuer) may cause (without the payment of additional cash consideration by the issuer thereof) the conversion or exchange of, or has agreed to convert or exchange, such securities to or for equity securities of the Borrower or any of its Subsidiaries upon the occurrence of a certain date or of certain events. A Mandatory Convertible Security that is also a Qualified Security shall be treated as a Mandatory Convertible Security.

“Mandatory Redeemable Securities” means debt or equity securities (other than Conditional Common Equity, so long as such Conditional Common Equity may not be required, by the holder thereof, to be repurchased or redeemed during the period provided for shareholder approval of conversion pursuant to the terms of such Conditional Common Equity) issued by the Borrower or any of its Subsidiaries which either (i) are subordinated debt securities (which subordinated debt securities, if issued by the Borrower or a Guarantor, will include subordination to the obligations of the Borrower and the Guarantors hereunder), or (ii) provide, pursuant to the terms thereof, that such securities must be repurchased or redeemed, or the holder of such securities may require the issuer of such securities to repurchase or redeem such securities, upon the occurrence of a certain date or of certain events.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, property or financial condition of the Borrower and its Subsidiaries taken as a whole, or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of the Administrative Agent and the Lenders hereunder or thereunder.

“Material Insurance Subsidiary” means any Insurance Subsidiary (whether existing on or acquired or formed after the Closing Date) having Capital and Surplus equal to 10% or more of the Consolidated Net Worth of the Borrower as of the most recent Annual Statement or Interim Statement of such Insurance Subsidiary.

“Maximum Rate” has the meaning specified in Section 10.19(a).

“Moody’s” means Moody’s Investors Service, Inc. (or any successor thereto).

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“NAIC” means the National Association of Insurance Commissioners or any successor thereto, or in the absence of the National Association of Insurance Commissioners or such successor, any other association, agency or other organization performing advisory, coordination or other like functions among insurance departments, insurance commissioners and similar Governmental Authorities of the various states of the United States towards the promotion of uniformity in the practices of such Governmental Authorities.

“Non-Extension Notice Date” has the meaning specified in Section 3.2(c).

“Non-Regulated Operating Subsidiary” means each Subsidiary of the Borrower engaged directly (as opposed to indirectly through the ownership of Capital Stock of a Person engaged in a Principal Business) in a Principal Business, whether now owned or hereafter acquired, which is not an Insurance Subsidiary.

“Note” means any promissory note, including any revolving credit note or swing line note, made by the Borrower in favor of a Lender evidencing any Loan, substantially in the forms of Exhibit C-1 and C-2, as the case may be and as any such Note may be amended, restated, supplemented, modified or replaced from time to time.

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“OneBeacon Insurance Group” means the grouping of Insurance Subsidiaries of OneBeacon Limited identified by NAIC Group Code 1129 (or any successor grouping equivalent thereto).

“OneBeacon Limited” means OneBeacon Insurance Group, Ltd., a company existing under the laws of Bermuda.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments

under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court, documentary, excise, property, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except for any such taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.20).

“Participant” has the meaning specified in Section 10.7(d).

“Participant Register” has the meaning specified in Section 10.7(d).

“PATRIOT Act” means the USA Patriot Act (Pub. L. 107-56, signed into law on October 26, 2001).

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“Pension Funding Rules” means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and set forth in Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

“Pension Plan” means any employee pension benefit plan (including a Multiemployer Plan) that is maintained or is contributed to by the Borrower and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

“Permitted Liens” means (a) any Lien upon Property to secure any part of the cost of development, construction, alteration, repair or improvement of such Property, or Indebtedness incurred to finance such cost; (b) any extension, renewal or replacement, in whole or in part, of any Lien referred to in the foregoing clause (a); (c) any Lien relating to a sale and leaseback transaction; (d) any Lien in favor of the Borrower or any Subsidiary granted by the Borrower or any Subsidiary in order to secure any intercompany obligations; (e) mechanic’s, materialmen’s, carriers’ or other like Liens arising in the ordinary course of business (including construction of facilities) in respect of obligations which are not due or which are being contested in good faith; (f) any Lien arising in connection with any legal proceeding which is being contested in good faith; (g) Liens for taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; (h) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the

ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (i) pledges or deposits under workers' compensation Laws, unemployment insurance Laws or similar social security legislation; (j) any pledge or deposit to secure performance of letters of credit, bank guarantees, bids, leases, statutory obligations, surety and appeal bonds, performance bonds or other obligations of a like nature arising in the ordinary course of business; (k) any interest or title of a lessor under any lease entered into in the ordinary course of business; (l) Liens on assets of any Insurance Subsidiary securing (i) short-term Indebtedness (i.e. with a maturity of less than one year when issued, provided that such Indebtedness may include an option to extend for up to an additional one year period) incurred or issued to provide short-term liquidity to facilitate claims payments in the event of catastrophe, (ii) Indebtedness incurred or issued in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) and letters of credit, bank guarantees, surety bonds or similar instruments issued for the account of any such Insurance Subsidiary in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) or (iii) insurance-related obligations (that do not constitute Indebtedness); (m) judgment liens in respect of judgments that do not constitute an Event of Default under Section 8.1(j); (n) Liens on securities that are lent pursuant to securities lending activities; and (o) Liens securing the obligations hereunder.

“Person” means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Plan” means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of the Borrower or any ERISA Affiliate or any such Plan to which the Borrower or any ERISA Affiliate is required to contribute on behalf of any of its employees.

“Platform” has the meaning specified in Section 6.2(e).

“Preference Shares” means those certain fixed/floating perpetual non-cumulative preference shares, liquidation preference \$1,000 per share, of Sirius International Group.

“Principal Business” means (a) a business of the type engaged in by the Borrower and its Subsidiaries on the date of this Agreement, (b) any other insurance, insurance services, insurance related or risk management related business and (c) any business reasonably incident to any of the foregoing.

“Property” means any property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

“Qualified Securities” means (a) Mandatory Redeemable Securities issued by the Borrower or any of its Subsidiaries that, pursuant to the terms thereof, must be



redeemed or repurchased or repaid, or may be required to be redeemed or repurchased or repaid at the option of the holder of such securities (excluding redemption, repurchase or repayment upon the occurrence of one or more events or conditions but including redemption, repurchase or repayment upon the occurrence of a certain date), (i) if such Mandatory Redeemable Securities are equity securities or subordinated debt securities, not sooner than the Revolving Credit Termination Date (except to the extent permitted by clause (ii) below) or (ii) only in exchange for equity securities or other Qualified Securities of the Borrower or any of its Subsidiaries (except to the extent permitted by clause (i) above) and (b) any other debt or equity securities issued by the Borrower or any of its Subsidiaries whose proceeds are or would be accorded, at or about the time of issuance, equity treatment by S&P.

“Recipient” means (a) the Administrative Agent, (b) any Lender and (c) any Issuing Lender, as applicable.

“Refunded Swing Line Loans” has the meaning specified in Section 2.4(b).

“Refunding Date” has the meaning specified in Section 2.4(c).

“Register” has the meaning specified in Section 10.7(c).

“Regulation U” means Regulation U of the Board as in effect from time to time.

“Reimbursement Obligation” means the obligation of the Borrower to reimburse an Issuing Lender pursuant to Section 3.3(a) for amounts drawn under Letters of Credit issued by such Issuing Lender for the account of the Borrower.

“Related Person” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Reorganization” means, with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Requested Reimbursement Date” has the meaning specified in Section 3.3(a).

“Requirement of Law” means, as to any Person, any Law, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

“Responsible Officer” means, as to the Borrower or any Subsidiary, the chief executive officer, president, chief financial officer, treasurer, chief accounting officer, any

vice president or any managing director of the Borrower or any Subsidiary, as the context requires. Any document delivered hereunder that is signed by a Responsible Officer on behalf of the Borrower or a Subsidiary shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of the Borrower or such Subsidiary and such Responsible Officer shall be conclusively presumed to have acted on behalf of the Borrower or such Subsidiary.

“Revolving Credit Commitment” means, as to any Lender, the obligation of such Lender, if any, to make Revolving Credit Loans and participate in Swing Line Loans and Letters of Credit, in an aggregate principal or face amount not to exceed the amount set forth under the heading “Revolving Credit Commitment” opposite such Lender’s name on Schedule 1 to this Agreement, or, as the case may be, in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be adjusted from time to time pursuant to the terms hereof.

“Revolving Credit Commitment Period” means the period from and including the Closing Date to the earliest of (a) the Revolving Credit Termination Date, (b) the date of termination of the Revolving Credit Commitments pursuant to Section 2.7, and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the Issuing Lenders to make L/C Credit Extensions pursuant to Section 8.2.

“Revolving Credit Loans” has the meaning specified in Section 2.1.

“Revolving Credit Percentage” means, as to any Lender at any time, subject to Section 2.24, the percentage (carried out to the ninth decimal place) which such Lender’s Revolving Credit Commitment then constitutes of the Total Revolving Credit Commitments (or, at any time after the commitment of each Lender to make Loans and the obligation of each Issuing Lender to make L/C Credit Extensions shall have terminated pursuant to Section 8.2 or if all of the Revolving Credit Commitments shall have expired, then the Revolving Credit Percentage of each Lender shall be determined based on the Revolving Credit Percentage of such Lender most recently in effect, giving effect to any subsequent assignments).

“Revolving Credit Termination Date” means August 14, 2018; provided, however, that, if such date is not a Business Day, the Revolving Credit Termination Date shall be the next succeeding Business Day.

“Revolving Extensions of Credit” means, as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (b) the principal amount equal to such Lender’s Revolving Credit Percentage of the L/C Obligations then outstanding and (c) the principal amount equal to such Lender’s Revolving Credit Percentage of the aggregate principal amount of Swing Line Loans then outstanding.

“S&P” means Standard & Poor’s Rating Services (or any successor thereto).

“Sanctioned Country” means a country subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>, or as otherwise published from time to time.

“Sanctioned Person” means (a) a Person named on the list of “Specially Designated Nationals and Blocked Persons” maintained by OFAC available at <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>, or as otherwise published from time to time, or (b) (i) an agency of the government of a Sanctioned Country, (ii) an organization controlled by a Sanctioned Country, or (iii) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“SAP” means with respect to any Insurance Subsidiary, the statutory accounting practices prescribed or permitted by the Department in the jurisdiction of incorporation or organization of such Insurance Subsidiary for the preparation of annual statements and other financial reports by insurance companies of the same type as such Insurance Subsidiary, which are applicable to the circumstances as of the date of determination.

“SEC” means the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

“SFAS” means the Statements of Financial Accounting Standards adopted by the Financial Accounting Standards Board.

“Sirius” means Sirius International Insurance Corporation, a Swedish corporation.

“Sirius International Group” means Sirius International Group Ltd., a company organized under the laws of Bermuda.

“SPC” has the meaning specified in Section 10.7(h).

“Specified Event of Default” means an Event of Default pursuant to Sections 8.1(a), 8.1(b) (with respect to Section 7.1 only) or 8.1(c).

“Stated Rate” has the meaning specified in Section 10.19(a).

“Subsidiary” of a Person means (a) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (b) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a “Subsidiary” shall mean a Subsidiary of the Borrower.

“Swing Line Commitment” means the obligation of the Swing Line Lender to make Swing Line Loans pursuant to Section 2.3 in an aggregate principal amount at any one time outstanding not to exceed \$25,000,000.

“Swing Line Lender” means Wells Fargo Bank, in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

“Swing Line Loans” has the meaning specified in Section 2.3(a).

“Swing Line Participation Amount” has the meaning specified in Section 2.4(c).

“Syndication Agent” means Barclays Bank PLC, HSBC Bank, and any other Lender as may be designated from time to time by the Borrower as a syndication agent, with the consent of such Lender and the Arrangers.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

“Total Consolidated Capitalization” means, as at any date, the sum, without duplication, of (a) Consolidated Net Worth plus (b) Total Consolidated Debt plus, (c) the amounts in respect of Trust Preferred Securities, Mandatory Convertible Securities, Mandatory Redeemable Securities, Conditional Common Equity and any other preferred equity that would, in conformity with GAAP, be reflected on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries prepared as of such date and which are not already included in clause (a) or (b) above.

“Total Consolidated Debt” means, at any date, the sum, without duplication, of (a) all amounts that would, in conformity with GAAP, be reflected and classified as debt on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries prepared as of such date (other than amounts excluded by clauses (b) and (c) below), (b) Indebtedness represented by (i) Trust Preferred Securities or Qualified Securities (in each case, owned by Persons other than the Borrower or any of its consolidated Subsidiaries) but only to the extent that such securities (other than Mandatory Convertible Securities) exceed 15% of Total Consolidated Capitalization or (ii) Mandatory Redeemable Securities (owned by Persons other than the Borrower or any of its consolidated Subsidiaries) other than Qualified Securities, and (c) Indebtedness represented by Mandatory Convertible Securities (owned by Persons other than the Borrower or any of its consolidated Subsidiaries) but only to the extent that such Mandatory Convertible Securities plus Trust Preferred Securities and Qualified Securities (in each case, owned by Persons other than the Borrower or any of its consolidated Subsidiaries) exceed 25% of Total Consolidated Capitalization; provided, that in the event that the notes related to the Mandatory Convertible Securities remain outstanding following the exercise of forward purchase contracts related to such Mandatory Convertible Securities, then such outstanding notes will be included in Total Consolidated Debt

thereafter. Total Consolidated Debt shall, in any event, not include (1) Hedge Agreements entered into in the ordinary course of business for non-speculative purposes, (2) Indebtedness of the type described in Sections 7.2(b), (c), (d), (f), (g) and (k), (3) Conditional Common Equity, (4) any other amounts in respect of Trust Preferred Securities, Mandatory Redeemable Securities, Mandatory Convertible Securities or Qualified Securities, or (5) any amounts resulting from any entity consolidated as a Variable Interest Entity in “ASC Topic 810 – Consolidations”.

“Total Consolidated Debt to Total Consolidated Capitalization Ratio” means, as at the end of any fiscal quarter of the Borrower, the ratio of (a) Total Consolidated Debt to (b) Total Consolidated Capitalization.

“Total Revolving Credit Commitments” means, at any time, the aggregate amount of Revolving Credit Commitments then in effect. The aggregate amount of the Total Revolving Credit Commitments on the Closing Date is \$425,000,000.

“Total Revolving Extensions of Credit” means, at any time, the aggregate amount of the Revolving Extensions of Credit of the Lenders outstanding at such time.

“Transferee” means a Participant or an assignee of any Lender’s rights and obligations under this Agreement pursuant to an Assignment and Assumption.

“Trust Preferred Securities” means preferred equity issued by a special purpose entity, the proceeds of which are used to purchase subordinated debt securities of the Borrower or any of its Subsidiaries having terms that substantially mirror those of such preferred equity issued by the special purpose entity such that the subordinated debt securities constitute credit support for obligations in respect of such preferred equity and such preferred equity is reflected on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries in accordance with GAAP.

“Type” means, as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

“Unreimbursed Amount” has the meaning specified in Section 3.3(a).

“U.S. Borrower” means the Borrower if it is a U.S. Person.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning assigned to such term in paragraph (g) of Section 2.16.

“Withholding Agent” means the Borrower, any Guarantor and the Administrative Agent.

1.2 Other Definitional Provisions. Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(a) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Borrower or any of its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP or SAP, as the case may be.

(b) References herein to particular pages, columns, lines or sections of any Person's Annual Statement shall be deemed, where appropriate, to be references to the corresponding page, column, line or section of such Person's Interim Statement, or if no such corresponding page, column, line or section exists or if any report form changes, then to the corresponding item referenced thereby.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(e) The word "or" is not exclusive and the words "include", "includes" or "including" shall be deemed to be followed by the phrase "without limitation".

(f) References to "preferred equity" includes Capital Stock designated as preferred stock, preference shares, preferred shares or any similar term.

(g) Unless the context requires otherwise, any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

1.3 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

1.4 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.5 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.6 Accounting Terms; Utilization of GAAP for Purposes of Calculations Under Agreement. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if (i) either (x) the Borrower, by notice to the Administrative Agent or (y) the Administrative Agent or the Majority Lenders, by notice to the Borrower, requests an amendment to any provision in this Agreement or any other Loan Document to eliminate the effect of any change occurring after the Closing Date in GAAP or in the application thereof on the operation of such provision, regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance the terms of Section 10.1 and (ii) notwithstanding any change in GAAP that would require that obligations in respect of leases (whether currently existing or hereafter entered into) which would be treated as operating leases under GAAP as of the Closing Date to be thereafter treated as capital leases or otherwise reflected on a consolidated balance sheet, such lease obligations shall continue to be treated as operating leases for all purposes under this Agreement.

## 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 Revolving Credit Commitments. (a) Subject to the terms and conditions hereof each Lender severally agrees to make revolving credit loans ("Revolving Credit Loans") to the Borrower from time to time on any Business Day during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding for each Lender which, when added to such Lender's Revolving Credit Percentage of the sum of (A) the L/C Obligations then outstanding and (B) the aggregate principal amount of the Swing Line Loans then outstanding, does not exceed the amount of such Lender's Revolving Credit Commitment. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Credit Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.9, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan during the one month period immediately prior to the Revolving Credit Termination Date.

(b) The Borrower shall repay to the Lenders all outstanding Revolving Credit Loans on the Revolving Credit Termination Date.

2.2 Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Revolving Credit Commitments on any Business Day during the Revolving Credit Commitment Period, provided that the Borrower shall give the Administrative Agent a borrowing request in the form of Exhibit B-1 hereto (hereinafter, a "Borrowing Request") (which Borrowing Request must be received by the Administrative Agent prior to 11:00 A.M., (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) on the requested Borrowing Date,

in the case of Base Rate Loans, provided that requests for Base Rate Loans not received prior to 11:00 A.M. on the requested Borrowing Date shall be deemed received on the following Business Day), and must specify (i) the amount and Type of Revolving Credit Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the length of the initial Interest Period therefor; provided, however, that if the Borrower wishes to request Eurodollar Loans having an Interest Period of twelve months in duration as provided in the definition of "Interest Period," the applicable notice must be received by the Administrative Agent not later than 11:00 A.M., four Business Days prior to the requested date of such borrowing, whereupon the Administrative Agent shall give prompt notice to the Lenders of such request and determine whether the requested Interest Period is unavailable to any of them. Not later than 10:00 A.M., three Business Days before the requested date of such borrowing, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period is unavailable to any Lender. If the Borrower requests a borrowing of Eurodollar Loans in any Borrowing Request, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Each borrowing of Revolving Credit Loans under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, \$1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Credit Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; provided, that the Swing Line Lender may request, on behalf of the Borrower, borrowings of Base Rate Loans under the Revolving Credit Commitments in other amounts pursuant to Section 2.4. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make its Revolving Credit Percentage of the amount of each borrowing of Revolving Credit Loans available to the Administrative Agent for the account of the Borrower at the Administrative Agent's Office prior to 12:00 Noon, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent in like funds as received by the Administrative Agent.

2.3 Swing Line Commitment. (a) Subject to the terms and conditions hereof, the Swing Line Lender agrees, in reliance on the agreements of the other Lenders set forth in Section 2.4, that during the Revolving Credit Commitment Period, it will make available to the Borrower in the form of swing line loans ("Swing Line Loans") a portion of the credit otherwise available to the Borrower under the Revolving Credit Commitments; provided that (i) the aggregate principal amount of Swing Line Loans outstanding at any time shall not exceed the Swing Line Commitment then in effect (notwithstanding that the Swing Line Loans outstanding at any time, when aggregated with the Swing Line Lender's other outstanding Revolving Credit Loans hereunder, may exceed the Swing Line Commitment then in effect or such Swing Line Lender's Revolving Credit Commitment then in effect), (ii) the Borrower shall not request, and the Swing Line Lender shall not make, any Swing Line Loan if, after giving effect to the making of such Swing Line Loan, the aggregate amount of the Available Revolving Credit Commitments would be less than zero and (iii) so long as any Lender is a Defaulting Lender, the Swing Line Lender shall not be required to fund any Swing Line Loan unless it is satisfied it will have no Fronting Exposure after giving effect to such Swing Line Loan. During the Revolving Credit Commitment Period, the Borrower may use the Swing Line Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swing Line Loans shall be Base Rate Loans only.



(b) The Borrower shall repay all outstanding Swing Line Loans on the Revolving Credit Termination Date.

2.4 Procedure for Swing Line Borrowing; Refunding of Swing Line Loans.

(a) The Borrower may borrow under the Swing Line Commitment on any Business Day during the Revolving Credit Commitment Period, provided, the Borrower shall give the Swing Line Lender irrevocable telephonic notice confirmed promptly in writing in the form of Exhibit B-2 (which telephonic notice must be received by the Swing Line Lender not later than 1:00 P.M. on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing under the Swing Line Commitment shall be in an amount equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. Not later than 3:00 P.M. time, on the Borrowing Date specified in the borrowing notice in respect of such Swing Line Loan, the Swing Line Lender shall make available to the Administrative Agent at the Administrative Agent's Office an amount in immediately available funds equal to the amount of such Swing Line Loan. The Administrative Agent shall make the proceeds of such Swing Line Loan available to the Borrower on such Borrowing Date in like funds as received by the Administrative Agent.

(b) The Swing Line Lender, not less frequently than once each week shall, and at any other time, from time to time, as the Swing Line Lender elects in its sole and absolute discretion, may, on behalf of the Borrower (which hereby irrevocably directs the Swing Line Lender to act on its behalf), on one Business Day's notice given by the Swing Line Lender no later than 12:00 Noon request each Lender to make, and each Lender hereby agrees to make, a Revolving Credit Loan, in an amount equal to such Lender's Revolving Credit Percentage of the aggregate amount of the Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date of such notice, to repay the Swing Line Lender. Each Lender shall make an amount equal to its Revolving Credit Percentage of such Revolving Credit Loan available to the Administrative Agent at the Administrative Agent's Office in immediately available funds, not later than 10:00 A.M. one Business Day after the date of such notice. The proceeds of such Revolving Credit Loans (and any Cash Collateral available with respect to the applicable Swing Line Loan, if so applied by the Administrative Agent to refund such Swing Line Loan) shall be made immediately available by the Administrative Agent to the Swing Line Lender for application by the Swing Line Lender to the repayment of the Refunded Swing Line Loans. Upon the written request of any Lender, the Administrative Agent will, within three Business Days of such request, inform such Lender of the aggregate amount of Swing Line Loans outstanding on the date of such request.

(c) If prior to the time a Revolving Credit Loan would have otherwise been made pursuant to Section 2.4(b), one of the events described in Section 8.1(c) shall have occurred and be continuing with respect to the Borrower, or if for any other reason, as determined by the Swing Line Lender in its sole discretion, Revolving Credit Loans may not be made as contemplated by Section 2.4(b), each Lender shall, on the date such Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.4(b) (the "Refunding Date"), purchase for cash an undivided participating interest in the then outstanding Swing Line Loans by paying to the Swing Line Lender an amount (the "Swing Line Participation Amount") equal to (i) such Lender's Revolving Credit Percentage times (ii) the sum of the aggregate principal amount of Swing Line Loans then outstanding which were to have been repaid with such Revolving Credit Loans.

(d) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.4 by the time specified in Section 2.4(b), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate as reasonably determined by the Swing Line Lender in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Swing Line Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Loan included in the relevant borrowing or funded participation in the relevant Swing Line Loan, as the case may be. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this paragraph (d) shall be conclusive absent manifest error.

(e) Each Lender's obligation to make the Loans referred to in Section 2.4(b) and to purchase participating interests pursuant to Section 2.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 4; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower or any Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(f) Whenever, at any time after the Swing Line Lender has received from any Lender such Lender's Swing Line Participation Amount, the Swing Line Lender receives any payment on account of the Swing Line Loans, the Swing Line Lender will distribute to such Lender its Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swing Line Loans then due); provided, however, that in the event that such payment received by the Swing Line Lender is required to be returned, such Lender will return to the Swing Line Lender any portion thereof previously distributed to it by the Swing Line Lender. The obligation of the Lenders under this paragraph (f) shall survive the payment in full of the Loans and other obligations hereunder and the termination of this Agreement.

(g) The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Lender funds its Refunded Swing Line Loan or risk participation pursuant to this Section 2.4 to refinance such Lender's Revolving Credit Percentage of any Swing Line Loan, interest in respect of such Revolving Credit Percentage shall be solely for the account of the Swing Line Lender.

(h) The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Administrative Agent for the account of the Swing Line Lender.

2.5 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Lender (i) the then unpaid principal amount on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8.2) of each Revolving Credit Loan of such Lender, and (ii) the then unpaid principal amount on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8.2) of each Swing Line Loan of the Swing Line Lender. The Borrower hereby further agrees to pay interest to the Administrative Agent for the account of the appropriate Lender on the unpaid principal amount of the Loans made to it from time to time outstanding from the Closing Date until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.11.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.7(c), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan to the Borrower made hereunder and any Note evidencing such Loan, the Type of such Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from or for the account of the Borrower and each Lender's share thereof. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.5(b) shall, to the extent permitted by applicable Law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to it by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, it will execute and deliver to such Lender a promissory note of the Borrower evidencing any Revolving Credit Loans or Swing Line Loans, as the case may be, made by such Lender to the Borrower, substantially in the forms of Exhibit C-1 or C-2, respectively, with appropriate insertions as to date and principal amount. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(f) In addition to the accounts and records referred to herein above, each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.6 Facility Fee, etc. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, computed at the Facility Fee Rate on the average daily amount of the Revolving Credit Commitment (or, if the Revolving Credit Commitments have been terminated, on the outstanding amount of all Revolving Credit Loans plus such Lender's applicable Revolving Credit Percentage of Swing Line Loans and L/C Obligations then outstanding), of such Lender during the period for which payment is made, regardless of usage, subject to adjustment as provided in Section 2.24. The facility fee shall accrue at all times during the Revolving Credit Commitment Period (and thereafter so long as any Revolving Credit Loans, Swing Line Loans or L/C Obligations remain outstanding), including at any time during which one or more of the conditions in Section 4.2 is not met, and shall be payable quarterly in arrears on the last Business Day of each of March, June, September and December and on the last day of the Revolving Credit Commitment Period (and, if applicable, thereafter on demand), commencing on the first of such dates to occur after the Closing Date. The facility fee shall be calculated quarterly in arrears, and if there is any change in the Facility Fee Rate during any quarter, the actual daily amount shall be computed and multiplied by the Facility Fee Rate separately for each period during such quarter that the Facility Fee Rate was in effect.

(b) The Borrower agrees to pay to the Administrative Agent and Wells Fargo Securities, LLC the fees in the amounts and on the dates from time to time agreed to in the Agent Fee Letter.

(c) The Borrower agrees to pay to Barclays Bank PLC the fees in the amounts and on the dates from time to time agreed to in the Barclays Fee Letter.

(d) The Borrower agrees to pay to HSBC Bank and HSBC Securities (USA) Inc. the fees in the amounts and on the dates from time to time agreed to in the HSBC Fee Letter.

2.7 Termination or Reduction of Revolving Credit Commitments. The Borrower shall have the right, upon notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the aggregate amount of the Revolving Credit Commitments; provided that (a) no such termination or reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans and Swing Line Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Total Revolving Credit Commitments, (b) any such reduction shall be in an amount equal to \$1,000,000, or a whole multiple thereof (or the remaining amount of the Revolving Credit Commitments), (c) any such notice shall be received by the Administrative Agent not later than 11:00 A.M. three Business Days prior to the date of termination or reduction and (d) if, after giving effect to any reduction of the Revolving Credit Commitments, the L/C Commitment or the Swing Line Commitment exceeds the amount of the Revolving Credit Commitment, such

Commitment shall be automatically reduced by the amount of such excess; provided, further, that a notice of termination of the Revolving Credit Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, transactions or borrowings in general, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. The Administrative Agent will promptly notify the Lenders of any notice of termination or reduction of the Revolving Credit Commitments. Any reduction of the Revolving Credit Commitments shall be applied to the Revolving Credit Commitment of each Lender according to its Revolving Credit Percentage. All fees accrued until the effective date of any termination of the Revolving Credit Commitment shall be paid on the effective date of such termination. Any reduction shall reduce permanently the Revolving Credit Commitments then in effect.

2.8 Prepayments. (a) The Borrower may at any time and from time to time prepay the Loans made to the Borrower, in whole or in part, without premium or penalty, upon notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and on the date of prepayment in the case of Base Rate Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Base Rate Loans; provided, that (i) if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.17 and (ii) no prior notice is required for the prepayment of Swing Line Loans; provided, further, that, a notice of prepayment delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, transactions or borrowings in general, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified prepayment date) if such condition is not satisfied. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Base Rate Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Revolving Credit Loans shall be in an aggregate principal amount of \$1,000,000 or a whole multiple thereof. Partial prepayments of Swing Line Loans shall be in an aggregate principal amount of \$100,000 or a whole multiple thereof.

(b) If for any reason the Total Revolving Extensions of Credit at any time exceed the Total Revolving Credit Commitments then in effect, the Borrower shall immediately prepay the Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.8(b) unless after the prepayment in full of the Loans the Total Revolving Extensions of Credit exceed the Total Revolving Credit Commitments then in effect.

2.9 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans made to the Borrower to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice (which may be telephonic) of such election. The Borrower may elect from time to time to convert Base Rate Loans made to the Borrower to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice (which may be telephonic) of such election (which notice shall specify the length of the initial Interest Period therefor); provided, however, that if the Borrower wishes to request Eurodollar Loans having an Interest Period of twelve months in duration as provided in the definition of "Interest Period", the applicable notice must be received by the Administrative Agent not later than 11:00 A.M. four Business Days prior to the requested date of such conversion or continuation, whereupon the Administrative Agent shall give prompt notice to the Lenders of such request and determine whether the requested Interest Period is unavailable to any of them. Not later than 10:00 A.M. three Business Days before the requested date of such conversion or continuation, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period is unavailable to any of the Lenders, provided, further that no Base Rate Loan may be converted to a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have determined in its or their sole discretion not to permit such conversions or (ii) during the one month period immediately prior to the Revolving Credit Termination Date. Each telephonic notice by the Borrower pursuant to this Section 2.9 must be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Request appropriately completed and signed by a Responsible Officer of the Borrower. If the Borrower requests a conversion to a Eurodollar Loan in any Borrowing Request, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof.

(b) The Borrower may elect to continue any Eurodollar Loan made to the Borrower as such upon the expiration of the then current Interest Period with respect thereto by giving irrevocable notice (which may be telephonic) to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have determined in its or their sole discretion not to permit such continuations or (ii) during the one month period immediately prior to the Revolving Credit Termination Date, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso, such Loans shall be converted automatically to Base Rate Loans on the last day of such then expiring Interest Period. Each telephonic notice by the Borrower pursuant to this Section 2.9 must be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Request appropriately completed and signed by a Responsible Officer of the Borrower. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof.

2.10 Maximum Number of Eurodollar Loans. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made

pursuant to such elections so that no more than ten Eurodollar Loans shall be outstanding at any one time.

2.11 Interest Rates and Payment Dates. (a) Subject to the provisions of paragraph (c) below, each Eurodollar Loan shall bear interest on the outstanding principal amount thereof for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such Interest Period plus the Applicable Margin for Eurodollar Loans.

(b) Each Base Rate Loan, including Swing Line Loans, shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Margin for Base Rate Loans.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum that is equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section 2.11 plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans plus 2%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any facility fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (each of the foregoing collectively, the “Default Rate”).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section 2.11 shall be payable from time to time on demand (after as well as before judgment and before and after the commencement of any proceeding under any Debtor Relief Law).

2.12 Computation of Interest and Fees; Retroactive Adjustments of Applicable Margin and Facility Fee Rate. (a) Interest (including interest on Base Rate Loans determined by reference to the Eurodollar Rate), fees and commissions payable pursuant hereto shall be calculated on the basis of a 365-day (or 366-day, as the case may be) year for the actual days elapsed, except that, with respect to Eurodollar Loans, the interest thereon shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in any interest rate. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.14(d), bear interest for one day.

(b) If, as a result of any restatement of or other adjustment to the financial statements of the Borrower or for any other reason, the Borrower, the Administrative Agent or the Majority Lenders determine that (i) the Total Consolidated Debt to Total Consolidated Capitalization Ratio as calculated by the Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Total Consolidated Debt to Total Consolidated Capitalization Ratio would have resulted in higher pricing for such period, the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders or the applicable Issuing Lenders, as the case may be, promptly on demand by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under any Debtor Relief Law, automatically and without further action by the Administrative Agent, any Lender or any Issuing Lender), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent, any Lender or any Issuing Lender under this Agreement. The Borrower's obligations under this paragraph shall survive the termination of the Revolving Credit Commitments and the repayment of all Loans and other obligations hereunder.

(c) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error.

2.13 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period or in connection with an existing or proposed Base Rate Loan, or

(b) the Administrative Agent shall have received notice from the Majority Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period, the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent (x) no further Eurodollar Loans shall be made or continued as such, (y) the Borrower shall not have the right to convert Loans to Eurodollar Loans and (z) the utilization of the Eurodollar Rate component in determining the Base Rate shall be suspended.

2.14 Pro Rata Treatment and Payments. (a) Subject to Section 2.24, each borrowing, other than borrowings of Swing Line Loans, by the Borrower from the Lenders



hereunder, and any reduction of the Revolving Credit Commitments of the Lenders, shall be made pro rata according to the respective Revolving Credit Percentages of the Lenders. Subject to Section 2.24, each payment by the Borrower on account of any facility fee, Letter of Credit fee, or interest on the Revolving Credit Loans of the Borrower shall be made pro rata according to the respective amounts thereof owed to the Lenders.

(b) Subject to Section 2.24, each payment (including each prepayment) by the Borrower on account of principal of the Revolving Credit Loans of the Borrower shall be made pro rata according to the respective outstanding principal amounts of the Revolving Credit Loans of the Borrower then held by the Lenders. Each payment in respect of Reimbursement Obligations in respect of any Letter of Credit shall be made to the relevant Issuing Lender.

(c) Unless otherwise directed by the Borrower, the application of any payment of Loans shall be made, first, to Base Rate Loans and, second, to Eurodollar Loans. Each payment of the Eurodollar Loans shall be accompanied by accrued interest to the date of such payment on the amount paid.

(d) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff and shall be made prior to 12:00 Noon on the due date thereof to the Administrative Agent, for the account of the relevant Lenders, at the Administrative Agent's Office, in Dollars and in immediately available funds. Any payment made by the Borrower after 12:00 Noon on any Business Day shall be deemed to have been made on the next following Business Day. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Borrower or any Lender has notified the Administrative Agent, prior to the time any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date

such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the “Compensation Period”) at a rate per annum equal to the greater of the Federal Funds Rate and a rate as reasonably determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender’s Revolving Credit Percentage of the Loan included in the applicable borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent’s demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Revolving Credit Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (e) shall be conclusive, absent manifest error.

(f) The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments under Section 10.6 are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 10.6 on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or make its payment under Section 10.6.

2.15 Requirements of Law. (a) If the adoption or taking effect of or any change in any Requirement of Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or compliance by any Lender with any request, rule, guideline or directive (whether or not having the force of law) from any central bank or other Governmental Authority made or occurring subsequent to the Closing Date:

(i) shall subject any Recipient to any Taxes (other than Indemnified Taxes and Excluded Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on any Lender or any Issuing Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining any Eurodollar Loan to the Borrower or issuing or participating in Letters of Credit issued at the request of the Borrower, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section 2.15, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or liquidity requirements or in the administration, interpretation, implementation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy or liquidity requirements (whether or not having the force of law) from any Governmental Authority made subsequent to the Closing Date shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) In addition to, and without duplication of, amounts which may become payable from time to time pursuant to paragraphs (a) and (b) of this Section 2.15, the Borrower agrees to pay to each Lender which requests compensation under this paragraph (c) by notice to the Borrower, on the last day of each Interest Period with respect to any Eurodollar Loan made by such Lender to the Borrower, at any time when such Lender shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or, at any time when such Lender may be required by the Board of Governors of the Federal Reserve System or by any other Governmental Authority, whether within the United States or in another relevant jurisdiction, to maintain reserves against any other category of liabilities which includes deposits by reference to which the Eurodollar Rate is determined as provided in this

Agreement or against any category of extensions of credit or other assets of such Lender which includes any such Eurodollar Loans), an additional amount (determined by such Lender's calculation or, if an accurate calculation is impracticable, reasonable estimate using such reasonable means of allocation as such Lender shall determine) equal to the actual costs, if any, incurred by such Lender during such Interest Period as a result of the applicability of the foregoing reserves to such Eurodollar Loans.

(d) A certificate as to any additional amounts payable pursuant to this Section 2.15 submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. No Lender shall be entitled to compensation under this Section 2.15 from the Borrower for any costs incurred or reductions suffered more than 180 days prior to the date that such Lender notifies the Borrower of the circumstances giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided that if a change of law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. The obligations of the Borrower pursuant to this Section 2.15 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

For purposes of this Agreement, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III, shall, in the case of the foregoing clauses (x) and (y), be deemed to have been adopted after the Closing Date, regardless of the date enacted or adopted.

2.16 Taxes. (a) Defined Terms. For purposes of this Section 2.16, the term "Lender" includes any Issuing Lender.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower or any Guarantor under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Law. If any applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower or such Guarantor (as applicable) shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable Law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Borrower and each Guarantor shall indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower and any Guarantor has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower and any Guarantor to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.7(d) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower or any Guarantor to a Governmental Authority pursuant to this Section 2.16, the Borrower or such Guarantor shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Borrower or the

Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.16(g)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Borrower,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(ii) executed originals of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit D-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)

(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed originals of IRS Form W-8BEN; or

(iv) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit D-2 or Exhibit D-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit D-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C) (i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.16 (including by the payment of additional amounts pursuant to this Section 2.16), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.16 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

2.17 Compensation for Losses. The Borrower agrees to, upon demand of any Lender (with a copy to the Administrative Agent) from time to time, to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender sustains or incurs as a consequence of (a) default by the Borrower in making a borrowing of, conversion to or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of a Eurodollar Loan after the Borrower has given a notice thereof in accordance with the provisions of this Agreement (regardless of whether such notice has been revoked as permitted by Section 2.8) or (c) the making by the Borrower of a prepayment or conversion of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto; provided that any request for indemnification made by a Lender pursuant to this Section 2.17 shall be made within six months of the incurrence of the loss or expense requested to be indemnified. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such



Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. A certificate as to any amounts payable pursuant to this Section 2.17 submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.18 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Loans whose interest is determined by reference to the Eurodollar Rate as contemplated by this Agreement, then upon delivery by such Lender of written notice of such circumstances to the Administrative Agent and the Borrower, (a) the commitment of such Lender hereunder to make or maintain such Loans and convert Base Rate Loans to Eurodollar Loans shall be suspended until such time as such Lender may make or maintain such Loans and convert Base Rate Loans to Eurodollar Loans hereunder and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans (without reference to the Eurodollar Rate component thereof) on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by Law and all Base Rate Loans of such Lender whose interest is determined by reference to the Eurodollar Rate shall forthwith be determined without reference to the Eurodollar Rate component of the definition of "Base Rate." If any such conversion of a Eurodollar Loan to a Base Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.17.

2.19 Change of Office. Each Lender agrees that, upon the occurrence of any event that it knows to give rise to the operation of Sections 2.15, 2.16(b), 2.16(c) or 2.18 with respect to such Lender, it will use all commercially reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, or to assign its rights and obligations hereunder with respect to such Loans to another of its offices, branches or affiliates with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the reasonable sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section 2.19 shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Sections 2.15, 2.16(b), 2.16(c) or 2.18. The Borrower hereby agrees to pay all reasonable out-of-pocket costs and expenses incurred by any Lender in connection with any such designation or assignment.

2.20 Replacement of Lenders under Certain Circumstances. The Borrower may, at its sole expense and effort, upon notice to the applicable Lender and the Administrative Agent, require any Lender (a) that requests reimbursement for amounts owing pursuant to Section 2.15 or gives a notice under Section 2.18, (b) with respect to which the Borrower is required to pay any amounts under Sections 2.16 or 2.18, (c) that is a Defaulting Lender or (d) that fails to approve any amendment which, pursuant to Section 10.1, requires the approval of each Lender or each affected Lender, provided, that such amendment is approved by at least the Majority Lenders, to assign and

delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.7), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that (i) such assignment does not conflict with any Requirement of Law, (ii) with respect to a condition described in clause (a) or (b) above, such assignment will result in a reduction in such compensation or payments thereafter, (iii) the assignee shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of such assignment, (iv) except with respect to clause (c) above, the Borrower shall be liable to such replaced Lender under Section 2.17 (as though Section 2.17 were applicable) if any Eurodollar Loan to the Borrower owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (v) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.7(b), (vi) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.15, 2.16 or 2.18, as the case may be, in respect of any period prior to the date on which such assignment shall be consummated, and (vii) any such assignment shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender. A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

2.21 Guaranty of Payment and Performance. Subject to Section 10.17, the payment and performance of the obligations of the Borrower hereunder may (as contemplated by the definition of Guarantor) be guaranteed by each Guarantor pursuant to the terms of the Guaranty.

2.22 Increase in Commitments.

(a) Request for Increase. Upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Borrower may from time to time, increase the Total Revolving Credit Commitments by an amount not to exceed (x) \$75,000,000 minus (y) the aggregate amount of all prior increases of the Total Revolving Credit Commitment pursuant to this Section 2.22. Such increase in the Total Revolving Credit Commitments may be effectuated by obtaining additional Revolving Credit Commitments from existing Lenders or new Revolving Credit Commitments from Eligible Assignees designated by the Borrower to become Lenders (pursuant to an instrument of accession in the form of Exhibit G hereto, an “Instrument of Accession”); provided that (i) any such increase shall be in a minimum amount of \$5,000,000, (ii) the aggregate amount of the Total Revolving Credit Commitments after giving effect to any such increase shall not at any time exceed \$500,000,000 and (iii) that any such new Lender so designated by the Borrower shall be reasonably acceptable to the Administrative Agent. Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Revolving Credit Commitment hereunder.

(b) Effective Date and Allocations. If the Total Revolving Credit Commitments are increased in accordance with this Section 2.22, the Administrative Agent and the Borrower shall determine the effective date (the “Increase Effective Date”) and the Borrower, in consultation with the Administrative Agent, shall determine the final allocation of such increase. The Administrative

Agent shall promptly notify the Lenders of the final allocation of such increase and the Increase Effective Date.

(c) Conditions to Effectiveness of Increase. As a condition precedent to such increase, (i) no Default or Event of Default shall exist, (ii) the Borrower shall (x) deliver to the Administrative Agent (1) an Instrument of Accession executed by the Borrower and the applicable Lender(s), and (2) a certificate dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of the Borrower (A) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such increase, and (B) certifying that, before and after giving effect to such increase no Default shall exist and (iii) the Borrower shall pay any fees then due that the Borrower shall have agreed to pay in connection with such increase. Upon the effectiveness of any increase in the Total Revolving Credit Commitments pursuant hereto, (i) each Lender (new or existing) shall be deemed to have accepted an assignment from the existing Lenders, and the existing Lenders shall be deemed to have made an assignment at par to each new or existing Lender accepting a new or increased Revolving Credit Commitment, of an interest in each then outstanding Revolving Credit Loan (in each case, on the terms and conditions set forth in the Assignment and Assumption) and (ii) the credit exposure hereunder of the existing and new Lenders in respect of Swing Line Loans and Letters of Credit shall be automatically adjusted such that, after giving effect to such assignments and adjustments, all Revolving Credit Loans and all such credit exposure is held ratably by the Lenders in proportion to their respective Revolving Credit Percentages (giving effect to such increase in the Total Revolving Credit Commitments). Payments received by assigning Lenders pursuant to this Section in respect of the principal amount of any Eurodollar Loan shall, for purposes of Section 2.17 be deemed prepayments of such Loan.

(d) Conflicting Provisions. This Section 2.22 shall supersede any provisions in Section 2.14 or 10.1 to the contrary.

### 2.23 Cash Collateral.

(a) Certain Credit Support Events. Upon the request of the Administrative Agent or any Issuing Lender, if (i) as of the day that is one month prior to the Revolving Credit Termination Date, Letters of Credit with expiry dates occurring after the Revolving Credit Termination Date remain outstanding, the Borrower shall immediately Cash Collateralize the then outstanding amount of all L/C Obligations in respect of such Letters of Credit and (ii) as of the Revolving Credit Termination Date, any L/C Obligations (which are not Cash Collateralized in accordance with clause (i) above or otherwise in accordance with the terms of this Agreement) for any reason remain outstanding, the Borrower shall immediately Cash Collateralize the then outstanding amount of all such L/C Obligations. At any time that there shall exist a Lender that is a Defaulting Lender, promptly (and in any event within three (3) Business Days thereafter) upon the request of the Administrative Agent, any Issuing Lender or the Swing Line Lender, the Borrower shall deliver to the Administrative Agent Cash Collateral in an amount sufficient to cover all Fronting Exposure (after giving effect to Section 2.24(a)(iv) and any Cash Collateral provided by the Defaulting Lender).

(b) Grant of Security Interest. All Cash Collateral (other than credit support not constituting funds subject to deposit) shall be maintained in blocked, non-interest bearing deposit

accounts at the Administrative Agent. The Borrower, and to the extent provided by any Lender, such Lender, hereby grants to (and subjects to the control of) the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Lenders and the Lenders (including the Swing Line Lender), and agrees to maintain, a first priority security interest in all such cash, deposit accounts and all balances therein, and all other property so provided as collateral pursuant hereto, and in all proceeds of the foregoing, all as security for the obligations to which such Cash Collateral may be applied pursuant to Section 2.23(c). If at any time the Administrative Agent reasonably determines that Cash Collateral is subject to any priority right or claim of any Person other than the Administrative Agent as herein provided, or that the total amount of Cash Collateral provided in respect of any applicable Fronting Exposure and/or relevant L/C Obligations, in each case, for which Cash Collateral is required to be provided pursuant to the terms of this Agreement, is less than the amount of such Fronting Exposure and/or such L/C Obligations, as the case may be, the Borrower or, in the case of any applicable Fronting Exposure, the relevant Defaulting Lender will, promptly upon demand by the Administrative Agent (and in any event, within three (3) Business Days thereafter), pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency.

(c) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under any of this Section 2.23 or Sections 2.4, 2.8, 2.24, 3.1 or 8.2 in respect of Letters of Credit or Swing Line Loans shall be held and applied to the satisfaction of the specific L/C Obligations, Swing Line Loans, obligations to fund participations therein (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) and, in the case of any Defaulting Lender, other funding obligations, for which the Cash Collateral was so provided (or in the case of any Defaulting Lender, deemed provided).

(d) Release. Cash Collateral (or the appropriate portion thereof) provided to reduce Fronting Exposure, to collateralize L/C Obligations or, in the case of Cash Collateral provided or deemed provided by any Defaulting Lender, to collateralize funding obligations of such Defaulting Lender shall, in each case, be released promptly following (i) the elimination of the applicable Fronting Exposure, L/C Obligations or such funding obligations giving rise thereto (including by the termination of Defaulting Lender status of the applicable Revolving Credit Lender (or, as appropriate, its assignee following compliance with Section 10.7(b)(vi))) or (ii) the Administrative Agent's good faith determination that there exists excess Cash Collateral; provided, however, (x) that Cash Collateral furnished by or on behalf of the Borrower shall not be released during the continuance of a Default or Event of Default, and (y) the Person providing Cash Collateral and the applicable Issuing Lender or Swing Line Lender, as applicable, may agree that Cash Collateral shall not be released but instead held to support future anticipated Fronting Exposure or, in the case of Cash Collateral provided or deemed provided by any Defaulting Lender, funding obligations of such Defaulting Lender.

#### 2.24 Defaulting Lenders.

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendments. That Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in Section 10.1.

(ii) Reallocation of Payments. Any payment of principal, interest, fees or other amounts received by the Administrative Agent under any Loan Document for the account of that Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 8.2 or otherwise, and including any amounts made available to the Administrative Agent by that Defaulting Lender pursuant to Section 10.8), shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by that Defaulting Lender to the Issuing Lenders or Swing Line Lender hereunder; *third*, if so reasonably determined by the Administrative Agent or requested by any Issuing Lender or Swing Line Lender, to be held as Cash Collateral for future funding obligations of that Defaulting Lender of any participation in any Swing Line Loan or Letter of Credit; *fourth*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement; *fifth*, if so determined by the Administrative Agent and the Borrower, to be held as Cash Collateral in a non-interest bearing deposit account and released in order to satisfy obligations of that Defaulting Lender to fund Loans or provide Cash Collateral for Fronting Exposure under this Agreement; *sixth*, to the payment of any amounts owing to the Lenders, the Issuing Lenders or Swing Line Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, any Issuing Lender or Swing Line Lender against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; *seventh*, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and *eighth*, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Borrowings in respect of which that Defaulting Lender has not fully funded its appropriate share and (y) such Loans or L/C Borrowings were made at a time when the conditions set forth in Section 4.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Borrowings owed to, all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Borrowings owed to, that Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations and Swing Line Loans are held by the Lenders pro rata in accordance with their respective Revolving Credit Percentages without giving effect to Section 2.24(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral

pursuant to this Section 2.24(a)(ii) shall be deemed paid to and redirected by that Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. That Defaulting Lender (x) shall be entitled to receive any facility fee pursuant to Section 2.6 for any period during which that Lender is a Defaulting Lender only to the extent allocable to the sum of (1) the outstanding amount of the Loans funded by it and (2) its Revolving Credit Percentage of the stated amount of Letters of Credit and Swing Line Loans for which it has provided Cash Collateral pursuant to Section 2.4, Section 2.23, Section 2.24(a)(ii) or Section 3.1, as applicable (and the Borrower shall (A) be required to pay to each of the Issuing Lenders and the Swing Line Lender, as applicable, the amount of such fee allocable to its Fronting Exposure arising from that Defaulting Lender and (B) not be required to pay the remaining amount of such fee that otherwise would have been required to have been paid to that Defaulting Lender) and (y) shall be limited in its right to receive letter of credit fees as provided in Section 3.8.

(iv) Reallocation of Applicable Percentages to Reduce Fronting Exposure. During any period in which there is a Lender that is a Defaulting Lender, for purposes of computing the amount of the obligation of each non-Defaulting Lender to acquire, refinance or fund participations in Letters of Credit or Swing Line Loans pursuant to Sections 2.4 and 3.3, the "Revolving Credit Percentage" of each non-Defaulting Lender shall be computed without giving effect to the Revolving Credit Commitment of that Defaulting Lender; provided, that, (i) each such reallocation shall be given effect only if, at the date such reallocation is made, no Default or Event of Default exists; and (ii) the aggregate obligation of each non-Defaulting Lender to acquire, refinance or fund participations in Letters of Credit and Swing Line Loans shall not exceed the positive difference, if any, of (1) the Revolving Credit Commitment of that non-Defaulting Lender minus (2) the aggregate outstanding amount of Revolving Extensions of Credit of that Lender.

(v) Cash Collateral, Repayment of Swing Line Loans. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, prepay Swing Line Loans in an amount equal to the Swing Line Lender's Fronting Exposure and (y) second, Cash Collateralize the Issuing Lenders' Fronting Exposure in accordance with the procedures set forth in Section 2.23.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent, and in the case of the Lender that is a Defaulting Lender, the Swing Line Lender and the Issuing Lenders, agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swing Line Loans to be held on a pro rata basis by

the Lenders in accordance with their Revolving Credit Percentages (without giving effect to Section 2.24(a)(iv)), whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

### 3. LETTERS OF CREDIT

3.1 L/C Commitment. (a) Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.3, agrees to issue Letters of Credit for the account of the Borrower or any of its Subsidiaries and to amend or extend Letters of Credit previously issued by it, in accordance with Section 3.2(b), on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by such Issuing Lender; provided, that no Issuing Lender shall issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Credit Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is one year after the Revolving Credit Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (it being understood that in the event the expiry date of any requested Letter of Credit would occur after the Revolving Credit Termination Date, all L/C Obligations in respect of such Letters of Credit shall be Cash Collateralized no later than one month prior to the Revolving Credit Termination Date in accordance with Section 2.23) as set forth in Section 3.2(c). All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(b) No Issuing Lender shall at any time be obligated to issue any Letter of Credit hereunder if:

(i) such issuance would conflict with, or cause such Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law;

(ii) such issuance would violate one or more policies of such Issuing Lender applicable to letters of credit generally;

(iii) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Letter of Credit, or any Law applicable to such Issuing Lender or any request or directive (whether or not having the force of Law) from any Governmental Authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the issuance of letters of credit generally, or such Letter of Credit in particular;

(iv) any Lender is at that time a Defaulting Lender, unless such Issuing Lender has entered into arrangements, including the delivery of Cash Collateral, satisfactory to such Issuing Lender (in its sole discretion) with the Borrower or such Lender to eliminate such Issuing Lender's actual or potential Fronting Exposure (after giving effect to Section 2.24(a)(iv)) with respect to the Defaulting Lender arising from either the Letter of Credit then proposed to be issued or that Letter of Credit and all other L/C Obligations as to which such Issuing lender has actual or potential Fronting Exposure, as it may elect in its sole discretion; provided, however, that in the event that the Borrower delivers Cash Collateral in accordance with the terms hereof, such Issuing Bank shall not be entitled to rely on this clause (iv) as justification for not issuing such Letter of Credit.

3.2 Procedure for Issuance and Amendment of Letter of Credit; Auto-Extension Letters of Credit. (a) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to an Issuing Lender (with a copy to the Administrative Agent) in the form of an Application, completed and signed by a Responsible Officer of the Borrower. Such Application must be received by the applicable Issuing Lender and the Administrative Agent not later than 11:00 A.M. at least two Business Days (or such later date and time as the Administrative Agent and the applicable Issuing Lender may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Application shall specify in form and detail reasonably satisfactory to the applicable Issuing Lender: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the applicable Issuing Lender may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Application shall specify in form and detail reasonably satisfactory to the applicable Issuing Lender (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the applicable Issuing Lender may reasonably require. Additionally, the Borrower shall furnish to the applicable Issuing Lender and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as such Issuing Lender or the Administrative Agent may reasonably require.

(b) Promptly after receipt of any Application, the applicable Issuing Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Application from the Borrower and, if not, the applicable Issuing Lender will provide the Administrative Agent with a copy thereof. Unless the applicable Issuing Lender has received written notice from any Lender or the Administrative Agent, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Section 4 shall not then be satisfied, then, subject to the terms and conditions hereof, the applicable Issuing Lender shall, on the requested date, issue a Letter of Credit for the account of the Borrower or the applicable Subsidiary of the Borrower or



enter into the applicable amendment, as the case may be, in each case in accordance with such Issuing Lender's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the applicable Issuing Lender a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Revolving Credit Percentage times the amount of such Letter of Credit.

(c) If the Borrower so requests in any applicable Application, the relevant Issuing Lender may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such Issuing Lender to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by an Issuing Lender, the Borrower shall not be required to make a specific request to such Issuing Lender for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) such Issuing Lender to permit the extension of such Letter of Credit; provided, however, that such Issuing Lender shall not permit any such extension if (A) such Issuing Lender has determined that it would not be permitted, or would have no obligation at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of Section 3.1 or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Majority Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.2 is not then satisfied, and in each such case directing such Issuing Lender not to permit such extension.

(d) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable Issuing Lender will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

3.3 Drawings and Reimbursements; Funding of Participations. (a) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall notify the Borrower and the Administrative Agent thereof. The Borrower shall reimburse the applicable Issuing Lender, through the Administrative Agent, for the amount of any drawing under a Letter of Credit not later than 1:00 P.M. on the date that such drawing is made, if the Borrower has received notice from such Issuing Lender of such drawing prior to 10:00 A.M. on such date, or, if the Borrower has not received notice of such drawing prior to such time on such date, then not later than 1:00 P.M. on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 A.M. on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to 10:00 A.M. on the day of such receipt (the date on which such reimbursement by the Borrower is due pursuant to this sentence being referred to herein as the "Requested Reimbursement Date"). If the Borrower fails to so reimburse such Issuing Lender by such time,

the Administrative Agent shall promptly notify each Lender of the Requested Reimbursement Date, the amount of the unreimbursed drawing (the “Unreimbursed Amount”), and the amount of such Lender’s Revolving Credit Percentage thereof. In such event, the Borrower shall be deemed to have requested a borrowing of Base Rate Loans to be disbursed on the Requested Reimbursement Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples, and notice periods, specified in Section 2.2 for the principal amount of Base Rate Loans. Such Base Rate Loans may from time to time be converted to Eurodollar Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Section 2.9, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date. Any notice given by any Issuing Lender or the Administrative Agent pursuant to this Section 3.3(a) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(b) Each Lender (including any Lender acting as an Issuing Lender) shall upon any notice pursuant to Section 3.3(a) make funds available (and the Administrative Agent may apply Cash Collateral provided for this purpose) for the account of the applicable Issuing Lender at the Administrative Agent’s Office in an amount equal to its Revolving Credit Percentage of the Unreimbursed Amount not later than 4:00 P.M. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 3.3(a), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received and any Cash Collateral so applied to such Issuing Lender.

(c) If any drawing is made under a Letter of Credit and is not reimbursed or refinanced on the date such drawing is made, for any reason, the Borrower shall be deemed to have incurred from the applicable Issuing Lender an L/C Borrowing in the amount of the Unreimbursed Amount that is not so reimbursed or refinanced, which L/C Borrowing (i) shall bear interest at the rate applicable to Base Rate Loans from and including the date that such drawing is paid by such Issuing Lender to but excluding the earlier of the date that such Unreimbursed Amount is so reimbursed or refinanced or the date that is the next Business Day following the Requested Reimbursement Date and, if not so reimbursed or refinanced on or prior to the date that is the next Business Day following the Requested Reimbursement Date, then, from and after the date that is the next Business Day following the Requested Reimbursement Date to but excluding the date so reimbursed or refinanced, the rate applicable to Base Rate Loans plus 2% and (ii) shall, on and after the date that is the next Business Day following the Requested Reimbursement Date, be due and payable on demand. In such event, each Lender’s payment to the Administrative Agent for the account of the applicable Issuing Lender pursuant to Section 3.3(b) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 3.3.

(d) Until each Lender funds its Loan or L/C Advance pursuant to this Section 3.3 to reimburse the applicable Issuing Lender for any amount drawn under any Letter of Credit, interest in respect of such Lender’s Revolving Credit Percentage of such amount shall be solely for the account of such Issuing Lender.

(e) Each Lender's obligation to make Loans or L/C Advances to reimburse each Issuing Lender for amounts drawn under Letters of Credit, as contemplated by this Section 3.3, shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against any Issuing Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Revolving Credit Loans pursuant to this Section 3.3 is subject to the conditions set forth in Section 4.2 (other than delivery by the Borrower of a Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse each Issuing Lender for the amount of any payment made by such Issuing Lender under any Letter of Credit, together with interest as provided herein.

(f) If any Lender fails to make available to the Administrative Agent for the account of the applicable Issuing Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 3.3 by the time specified in Section 3.3(b), then, without limiting the other provisions of this Agreement, such Issuing Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such Issuing Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate as reasonably determined by such Issuing Lender in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by such Issuing Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Loan included in the relevant borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of an Issuing Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this paragraph (f) shall be conclusive absent manifest error.

3.4 Repayment of Participations. (a) At any time after an Issuing Lender has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 3.3(b), if the Administrative Agent receives for the account of such Issuing Lender any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Revolving Credit Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(b) If any payment received by the Administrative Agent for the account of an Issuing Lender pursuant to Section 3.3(b) is required to be returned under any of the circumstances described in Section 10.8 (including pursuant to any settlement entered into by such Issuing Lender in its discretion), each Lender shall pay to the Administrative Agent for the account of such Issuing Lender its Revolving Credit Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

3.5 Obligations Absolute. The obligation of the Borrower to reimburse each Issuing Lender for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower or any of its Subsidiaries may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), such Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by such Issuing Lender under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by such Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any of its Subsidiaries.

3.6 Role of Issuing Lender. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, no Issuing Lender shall have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the Issuing Lenders, any Agent-Related Person nor any of the respective correspondents, participants or assignees of any Issuing Lender shall be liable to any Lender for (a) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Majority Lenders, as applicable; (b) any action taken or omitted in the absence of gross negligence or willful misconduct; or (c) the due execution, effectiveness, validity or enforceability of any document or instrument related to

any Letter of Credit or Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the Issuing Lenders, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of any Issuing Lender, shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 3.5; provided, however, that anything in such clauses (i) through (v) to the contrary notwithstanding, the Borrower may have a claim against an Issuing Lender, and such Issuing Lender may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by such Issuing Lender's willful misconduct or gross negligence or such Issuing Lender's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, each Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and no Issuing Lender shall be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.7 Applicability of ISP98. Unless otherwise expressly agreed by the applicable Issuing Lender and the Borrower when a Letter of Credit is issued including any such agreement as applicable to an Existing Letter of Credit, the rules of the ISP shall apply to each standby Letter of Credit.

3.8 Fees and Other Charges. (a) The Borrower will pay to the Administrative Agent, for the account of the Lenders, a fee on the daily amount available to be drawn under all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans, to be shared ratably among the Lenders in accordance with their respective Revolving Credit Percentages and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date; provided, however, that (i) any letter of credit fees otherwise payable for the account of a Defaulting Lender with respect to any Letter of Credit as to which such Defaulting Lender has not provided Cash Collateral satisfactory to the applicable Issuing Lender pursuant to Section 3.1 shall be payable, to the maximum extent permitted by applicable Law, to the other Lenders in accordance with the upward adjustments in their respective Revolving Credit Percentages allocable to such Letter of Credit pursuant to Section 2.24(a)(iv), with the balance of such fee, if any, payable to the applicable Issuing Lender for its own account and (ii) the Borrower shall not be required to pay letter of credit fees pursuant to this Section 3.8 in respect of such portion of the outstanding Letters of Credit for which it has furnished Cash Collateral in accordance with the terms hereof to reduce the Fronting Exposure of any Defaulting Lender. In addition, the Borrower shall pay to the relevant Issuing Lender for its own account a fronting fee on the daily amount available to be drawn under all outstanding Letters of Credit issued by such Issuing Lender at a rate and at the times to be agreed upon by the Borrower and such Issuing Lender. For purposes of computing the daily amount available to be drawn under the Letters of Credit, the amount of such Letters of Credit shall be determined in accordance with Section 1.3.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.9 Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the applicable Issuing Lender hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries is being made at the request of the Borrower and in reliance on the Borrower's agreement to reimburse the applicable Issuing Lender hereunder for any and all drawings under any such Letter of Credit.

3.10 Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

#### 4. CONDITIONS PRECEDENT

4.1 Conditions to Closing. The occurrence of the Closing Date is subject to the satisfaction on such date of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the Borrower, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance reasonably satisfactory to the Administrative Agent:

(i) executed counterparts of this Agreement in such number as the Administrative Agent may reasonably specify;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note so long as such request is made at least three (3) Business Days prior to the Closing Date;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers or the secretary of the Borrower as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which the Borrower is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that the Borrower is duly organized or formed, and that the Borrower is validly existing, in good standing and qualified to engage in business in the jurisdiction where the Borrower is organized;

(v) a Closing Certificate of the Borrower with appropriate insertions and attachments, if any;

(vi) a certificate signed by a Responsible Officer on behalf of the Borrower either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by the Borrower and the validity against the Borrower of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by a Responsible Officer on behalf of the Borrower certifying that there has been no event or circumstance since December 31, 2012 that has had or could be reasonably expected to have a Material Adverse Effect; and

(viii) if requested at least 10 days prior to the Closing Date, the Administrative Agent and the Lenders shall have received, at least 5 days prior to the Closing Date (or such shorter period agreed to by the Administrative Agent), all documentation and other information reasonably requested by them and required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the PATRIOT Act.

(b) Fees. (i) The Administrative Agent and the Arrangers shall have received all fees required to be paid by the Borrower on or prior to the Closing Date.

(ii) The Borrower shall have paid all reasonable and documented fees, charges and disbursements of Winston & Strawn LLP, as counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent), to the extent required to be paid by the Borrower and an invoice has been received by the Borrower prior to the Closing Date.

(c) Legal Opinions. The Administrative Agent shall have received (i) the legal opinion of Robert Seelig, Esquire, counsel to the Borrower, in form and substance reasonably satisfactory to the Administrative Agent and (ii) the legal opinion of Conyers Dill & Pearman, Bermuda counsel to the Borrower, in form and substance reasonably satisfactory to the Administrative Agent.

(d) Termination of Existing Credit Facility. The Administrative Agent shall have received evidence (including, without limitation, a payoff letter), reasonably satisfactory to the Administrative Agent in its reasonable discretion, that all commitments under the Existing Credit Agreement have been or are concurrently with the Closing Date being terminated, and all Loans (as defined in the Existing Credit Agreement) and all accrued but unpaid interest and fees payable under the Existing Credit Agreement have been, or concurrently with the effectiveness hereof will be, paid in full; provided that any such payments shall be permitted to be made with the proceeds of concurrent Borrowings made hereunder that may be made upon notice by 1:00 P.M. on the Closing Date.

(e) Material Adverse Effect. Up to and including the Closing Date, since December 31, 2012 there has been no event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

4.2 Conditions to Closing and Each Extension of Credit. The occurrence of the Closing Date and the agreement of each Lender to make any extension of credit requested to be made by it hereunder on any date (including, without limitation, its initial extension of credit or any issuance, or increase in the amount of, any Letter of Credit but excluding conversions or continuations of Loans) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower in Section 5 (other than Section 5.5) or pursuant to any of the other Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent that they expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) Borrowing Request. Except as provided in Section 3.3, the Administrative Agent shall have received a Borrowing Request or, as applicable, an Application.

Each borrowing by and issuance of a Letter of Credit for the account of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit (including any issuance, or increase in the amount of, any Letter of Credit) that the conditions contained in this Section 4.2 (a) and (b) have been satisfied on and as of the date of the applicable extension of credit.

## 5. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

### 5.1 Financial Statements.

(a) The audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries, as at December 31, 2012 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on and accompanied by unqualified reports from PricewaterhouseCoopers LLP or another independent certified public accounting firm of nationally recognized standing, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries, as at such date, and the consolidated results of their operations and their consolidated cash flows for such fiscal year then ended in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein).



(b) The unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries, as of and for the fiscal quarter ended June 30, 2013, and the related unaudited consolidated statements of income and cash flows for such fiscal quarter ended on such date, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such date, and the consolidated results of their operations and their consolidated cash flows for the fiscal quarter then ended in accordance with GAAP applied consistently throughout the periods involved (except (x) as disclosed therein or (y) for normal year-end audit adjustments and the absence of footnotes).

5.2 Corporate Existence; Compliance with Law. The Borrower and each of its Subsidiaries (a) is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization, except to the extent that the failure of the Subsidiaries to be so organized, validly existing and in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (b) has the corporate or other power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, except to the extent that the failure to have such power, authority and legal right could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (c) is duly qualified as a foreign corporation and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification, except to the extent failure to so qualify or be in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law, including, without limitation, with respect to environmental laws, except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.3 Corporate Power; Authorization; Enforceable Obligations. The Borrower has the corporate or other power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and to borrow hereunder. The Borrower has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except consents, authorizations, filings and notices described in Schedule 5.3, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and except to the extent failure to obtain any consents, authorizations, filings, and notices could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Loan Document to which the Borrower is a party has been duly executed and delivered on behalf of the Borrower. This Agreement constitutes, and each other Loan Document to which the Borrower is a party upon execution will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.4 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate the certificate of incorporation, by-laws or other organizational documents, any Requirement of Law or any Contractual Obligation of the Borrower or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation, except to the extent such violation or Lien could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.5 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of their respective properties or assets that (a) purport to affect or pertain to this Agreement or any other Loan Document or any of the transactions contemplated hereby or thereby, or (b) could reasonably be expected to have a Material Adverse Effect.

5.6 Ownership of Property; Liens. The Borrower and each of its Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3, except to the extent such defects in title could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.7 Intellectual Property. The Borrower and each of its Subsidiaries owns, or is licensed to use, all Intellectual Property material to the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the Borrower know of any valid basis for any such claim, other than claims that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. The use of Intellectual Property by the Borrower and each of its Subsidiaries does not infringe on the rights of any Person in any material respect, except for infringements that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.8 Taxes. The Borrower and each of its Subsidiaries has filed or caused to be filed all material Federal, state and other tax returns that are required to be filed (taking into account any applicable extensions) and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority and, to the knowledge of the Borrower, no tax Lien has been filed, and no claim is being asserted, with respect to any such tax, fee or other charge, except (i) those in respect of which the amount or validity are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Borrower or any of its Subsidiaries, as the case may be, and (ii) any amount the failure of which to pay could not reasonably be expected to result in a Material Adverse Effect.

5.9 Federal Regulations. No part of the proceeds of any Loans will be used for “purchasing” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

5.10 ERISA. (a) Except as could not reasonably be expected to result in a Material Adverse Effect, each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state laws. Each Pension Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the Internal Revenue Service. To the best knowledge of the Borrower, nothing has occurred that would prevent or cause the loss of such tax-qualified status.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred, and neither the Borrower nor any ERISA Affiliate is aware of any fact, event or circumstance that could reasonably be expected to constitute or result in an ERISA Event with respect to any Pension Plan; (ii) the Borrower and each ERISA Affiliate has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan (other than any Multiemployer Plan), and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained; (iii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is 60% or higher and neither the Borrower nor any ERISA Affiliate knows of any facts or circumstances that could reasonably be expected to cause the funding target attainment percentage for any such plan to drop below 60% as of the most recent valuation date; (iv) neither the Borrower nor any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due that are unpaid; (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA; and (vi) no Pension Plan has been terminated by the plan administrator thereof nor by the PBGC, and to the best knowledge of the Borrower, no event or circumstance has occurred or exists that could reasonably be expected to cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Pension Plan, in each case, except as could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

5.11 Investment Company Act; Other Regulations. The Borrower is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not subject to regulation under any Requirement of Law (other than Regulation X of the Board) which limits its ability to incur Indebtedness hereunder.

5.12 Use of Proceeds. The proceeds of the Loans and the Letters of Credit shall be used for working capital and general corporate purposes of the Borrower or any of its Subsidiaries, including, without limitation, (a) acquisitions, (b) the issuance of Letters of Credit, (c) refinancings of outstanding indebtedness, if any, of the Borrower or any of its Subsidiaries (including under the Existing Credit Agreement and the Existing Letters of Credit), (d) share repurchases, (e) special dividends and (f) for payment of fees and expenses incurred in connection with this Agreement.

5.13 Accuracy of Information, etc. No statement or information contained in any document, certificate or statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of the Borrower for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, taken as a whole contained, as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statement, information, document or certificate was made or furnished. The projections and pro forma financial information contained in the materials referenced above were prepared in good faith based on assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

5.14 Insurance Regulatory Matters. No License of any Insurance Subsidiary, the loss of which could reasonably be expected to have a Material Adverse Effect, is the subject of a proceeding for suspension or revocation. To the knowledge of the Borrower, there is no sustainable basis for such suspension or revocation, and no such suspension or revocation has been threatened by any Governmental Authority.

5.15 Indebtedness and Liens. As of the Closing Date, (i) no Subsidiary of the Borrower had outstanding any Indebtedness that was created, incurred or assumed after June 30, 2013, except Indebtedness that would have been permitted by Section 7.2 (without giving effect to the Indebtedness permitted by Section 7.2(a), except for refinancings, refundings, renewals or extensions permitted by such Section) if created, incurred or assumed by such Subsidiary on the Closing Date and (ii) there does not exist (a) any Lien that was created, incurred or assumed after June 30, 2013, upon any stock or Indebtedness of any Subsidiary to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder) or (b) any Lien that was created, incurred or assumed after June 30, 2013, upon any other Property, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder), except, in the case of (a) or (b), Liens that would have been permitted by Section 7.3 hereof (without giving effect to the Liens that would have been permitted by Section 7.3(i)(x)) if so created, incurred or assumed on the Closing Date.

5.16 Taxpayer Identification Number. As of the Closing Date, the Borrower's true and correct U.S. taxpayer identification number is set forth on Schedule 10.02.

5.17 OFAC. The Borrower has implemented and will maintain in effect and enforce policies and procedures designed to ensure compliance with (a) the Trading with the Enemy Act (50 U.S.C. §1 et seq., as amended), (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), (c) any enabling legislation or executive order relating thereto and (d) the PATRIOT Act. Neither the Borrower nor any of its Subsidiaries, nor to the knowledge of the Borrower, any director, officer or employee thereof, is a Sanctioned Person.

## 6. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, from and after the Closing Date and so long as, the Commitments remain in effect, any Letter of Credit remains outstanding (except for those Cash Collateralized in accordance with Section 2.23), there exists any unpaid Reimbursement Obligations or any principal or interest on any Loan or any fee payable hereunder is owing to any Lender or the Administrative Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

6.1 Financial Statements. Furnish to the Administrative Agent (either electronically or with sufficient copies for distribution by the Administrative Agent to each Lender):

(a) (i) not later than the date required to be filed pursuant to the Act of 1934 (after giving effect to any extension permitted or granted by the SEC), but in any event not later than 95 days after the end of each fiscal year of the Borrower ending subsequent to the Closing Date, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year, and the related audited consolidated statements of income and of cash flows for such fiscal year, setting forth in each case in comparative form the figures as of the end of and for the previous fiscal year, accompanied by an opinion by PricewaterhouseCoopers LLP, or other independent certified public accounting firm of nationally recognized standing, which report shall be prepared in accordance with generally accepted auditing standards and applicable securities laws and shall not be subject to a "going concern" or like qualification or exception, or qualification as to the scope of the audit (for purposes hereof, delivery of the Borrower's annual report on Form 10-K (which shall be deemed delivered on the date when such document is posted on the SEC's website at [www.sec.gov](http://www.sec.gov) or any replacement website) will be sufficient in lieu of delivery of such financial statements); and (ii) not later than the date required to be filed pursuant to the Act of 1934 (after giving effect to any extension permitted or granted by the SEC), but in any event not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower ending subsequent to the Closing Date, a copy of the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal quarter and the related unaudited consolidated statements of income and of cash flows for such fiscal quarter and the portion of the fiscal year through the end of such fiscal quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer on behalf of the Borrower as being fairly stated in all material respects in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes) (for purposes hereof, delivery of the Borrower's Quarterly

Report on Form 10-Q (which shall be deemed delivered on the date when such document is posted on the SEC's website at www.sec.gov or any replacement website) will be sufficient in lieu of delivery of such financial statements and certifications); all such financial statements, together with notes to such financial statements, to fairly present in all material respects the financial condition and income and cash flows of the subject thereof as at the dates and for the periods covered thereby in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except (x) as approved by such accountants or officer, as the case may be, and disclosed therein or (y) in the case of unaudited financial statements, subject to normal year-end adjustments and the absence of footnotes);

(b) not later than the date required by Law to be prepared (or such later date as may be allowed by the applicable Governmental Authority), but in any event not later than (i) 150 days after the end of each fiscal year of OneBeacon Insurance Group, copies of the unaudited combined Annual Statement of OneBeacon Insurance Group, certified by a Responsible Officer on behalf of OneBeacon Limited; provided, that any such combined Annual Statement shall only be required to be so furnished to the extent such statement is required by Law to be prepared and on any date if OneBeacon Limited is required to be consolidated on the balance sheet of the Borrower in accordance with GAAP on such date, and (ii) 95 days after the end of each fiscal year of a Material Insurance Subsidiary (as of the date of delivery pursuant hereto), copies of the unaudited Annual Statement of such Material Insurance Subsidiary, certified by a Responsible Officer on behalf of such Material Insurance Subsidiary; all such statements to be prepared in accordance with SAP consistently applied throughout the periods reflected therein and, if required by the applicable Governmental Authority, audited and certified by independent certified public accounting firm of recognized national standing (it being understood that delivery of audited statements shall be made within 10 days following the delivery of such statements to the applicable Governmental Authority); provided, however, that in the case of Sirius, such Annual Statement shall be due not later than 150 days after the end of each fiscal year;

(c) not later than the date required by Law to be prepared (or such later date as may be allowed by the applicable Governmental Authority), but in any event not later than 70 days after the end of each interim financial period of each Material Insurance Subsidiary ending on or after June 30, 2013 in respect of which an Interim Statement is required to be prepared (as of the date delivery of such Interim Statement is required), copies of the Interim Statement of such Material Insurance Subsidiary for such interim financial period, all such statements to be prepared in accordance with SAP consistently applied throughout the period reflected herein; provided, that, in the case of Sirius, such Interim Statement shall be due not later than 90 days after the end of such interim period;

(d) within 15 days after being delivered to any Material Insurance Subsidiary subsequent to the Closing Date, any final Report on Examination issued by the applicable Department or the NAIC that results in material adjustments to the financial statements referred to in paragraphs (b) or (c) above;

(e) to the extent such a statement is required by Law to be prepared, within 10 days following the delivery to the applicable Department, a copy of each “Statement of Actuarial Opinion” and “Management Discussion and Analysis” for a Material Insurance Subsidiary which is provided to the applicable Department as to the adequacy of loss reserves of such Material Insurance Subsidiary, such opinion to be in the format prescribed by the insurance code of the state of domicile of such Material Insurance Subsidiary; and

(f) promptly after the Borrower’s receipt thereof, subject to any restrictions imposed by such independent accountants, copies of any management letters submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the annual audit of the Borrower or any of its Subsidiaries.

6.2 Certificates; Other Information. Furnish to the Administrative Agent (either electronically or with sufficient copies for distribution by the Administrative Agent to each Lender) or, in the case of clause (d) below, to the relevant Lender:

(a) within 5 Business Days after the delivery of the audited financial statements referred to in Section 6.1(a)(i), a certificate of the independent certified public accounting firm reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default (it being understood that (i) such certificate shall only be required if delivery by such independent certified public accounting firm of such a certificate is not prohibited by its policies and (ii) any such certificate may be limited in scope and qualified in accordance with customary practices of the accounting profession), except as specified in such certificate;

(b) within 5 Business Days after the deadline for the delivery of any financial statements pursuant to Section 6.1(a), (i) a certificate of a Responsible Officer of the Borrower stating that such Responsible Officer has obtained no knowledge of any continuing Default or Event of Default except as specified in such certificate and (ii) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Borrower with Section 7.1 as of the last day of the fiscal quarter or fiscal year of the Borrower (which delivery may, unless the Administrative Agent, or a Lender requests executed originals, be by electronic communication including fax or email and shall be deemed to be an original authentic counterpart thereof for all purposes);

(c) within 10 days after the same are filed with the SEC (unless posted on the SEC’s website at [www.sec.gov](http://www.sec.gov) or any replacement website), all reports and filings on Forms 10-K, 10-Q and 8-K that the Borrower may make to, or file with, the SEC, including any request of an extension of time for the filing of any such reports; and

(d) promptly, such additional financial and other information as the Administrative Agent or any Lender may from time to time reasonably request.

(e) The Borrower hereby acknowledges that (a) unless otherwise directed by the Borrower, the Administrative Agent and/or the Arrangers will make available to the Lenders and the Issuing Lender materials and/or information provided by or on behalf of the Borrower hereunder

(collectively, “Borrower Materials”) by posting the Borrower Materials on SyndTrak or another similar electronic system (the “Platform”), subject to confidentiality undertakings reasonably acceptable to the Borrower and the Arrangers, and (b) certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a “Public Lender”). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent, the Arrangers, the Issuing Lender and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws; (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Investor;” and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Investor.” Notwithstanding any of the foregoing, if the Borrower also delivers any materials and/or information pursuant to this Section 6.2(e) in paper format to the Administrative Agent, such paper materials shall be deemed to be Borrower Materials for all purposes. Nothing in this Section 6.2(e) shall limit the obligations of the Administrative Agent and the Lenders under Section 10.16.

6.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature (other than Indebtedness), except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or any of its Subsidiaries, as the case may be; provided, that the Borrower may, in the ordinary course of business, extend payments on those payables if beneficial to the operation of their businesses.

6.4 Conduct of Business and Maintenance of Existence, etc. (a) Except as otherwise would not be a Fundamental Change (i) with respect to each Subsidiary of the Borrower, preserve, renew and keep in full force and effect its corporate existence and (ii) with respect to the Borrower and each of its Subsidiaries, take all reasonable action to maintain all licenses, permits, rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in the case of clause (i) above and clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations (other than in respect of Indebtedness) and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5 Maintenance of Property; Insurance. (a) Keep all Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies (other than with the Borrower or any of its Subsidiaries) insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the



same or a similar business (it being understood that, to the extent consistent with prudent business practices of Persons carrying on a similar business in a similar location, a program of self-insurance for first and other loss layers may be utilized).

6.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP (or SAP as applicable) and all Requirements of Law shall be made of all material dealings and transactions in relation to its business and activities and (b) upon reasonable prior notice, permit representatives of the Administrative Agent (who may be accompanied by representatives of other Lenders) and, during the continuance of an Event of Default, any Lender to (x) visit and inspect any of its properties, (y) during the continuance of an Event of Default, conduct reasonable examinations of (and, with the consent of the Borrower, such consent not to be unreasonably withheld, make abstracts from) any of its books and records at any reasonable time and as often as may reasonably be requested and (z) discuss the business, operations, properties and financial and other condition of the Borrower with officers and employees of the Borrower. It is understood that (i) any information obtained by the Administrative Agent or any Lender in any visit or inspection pursuant to this Section 6.6 shall be subject to the confidentiality requirements of Section 10.16, (ii) the Borrower may impose, with respect to any Lender or any Affiliate of any Lender reasonably deemed by the Borrower to be engaged significantly in a business which is directly competitive with any material business of the Borrower and its Subsidiaries, reasonable restrictions on access to proprietary information of the Borrower or any of its Subsidiaries and (iii) the Lenders will coordinate their visits through the Administrative Agent with a view to preventing the visits provided for by this Section 6.6 from becoming unreasonably burdensome to the Borrower or any of its Subsidiaries.

6.7 Notices. Give notice to the Administrative Agent (it being agreed that the Administrative Agent shall, upon receipt of such notice, notify each Lender thereof) of the following within the time periods specified:

(a) Promptly after any Responsible Officer of the Borrower obtains knowledge thereof, the occurrence of any Default or Event of Default;

(b) Within five days after any Responsible Officer of the Borrower obtains knowledge thereof, the occurrence of:

(i) any default or event of default under any Contractual Obligation (other than in respect of Indebtedness) of the Borrower or any of its Subsidiaries or any litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect; and

(ii) (A) any litigation or proceeding affecting the Borrower or any of its Subsidiaries (other than claims-related litigation involving an Insurance Subsidiary) in which (x) the amount involved (and not covered by insurance) is \$50,000,000 or more or (y) in which injunctive or similar relief is sought that could reasonably be

expected to have a Material Adverse Effect and (B) any claims-related litigation affecting any Insurance Subsidiary which could reasonably be expected to have a Material Adverse Effect; and

(c) As soon as possible and, in any event, within 30 days after a Responsible Officer of the Borrower obtains knowledge thereof, the occurrence of any ERISA Event which could reasonably be expected to result in liability to the Borrower in excess of \$50,000,000.

Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer on behalf of the Borrower setting forth details of the occurrence or such default referred to therein and stating what action the Borrower or the relevant Subsidiary proposes to take with respect thereto.

6.8 Taxes. Pay, discharge, or otherwise satisfy before the same shall become overdue, all taxes, assessments and other governmental charges imposed upon it and its real estate, sales and activities, or any part thereof, or upon the income or profits therefrom, other than where failure to pay such taxes could not reasonably be expected to result in a Material Adverse Effect; provided that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Borrower or any of its Subsidiaries, as the case may be.

6.9 Use of Proceeds. Use the proceeds of the Loans and the Letters of Credit solely for the purposes set forth in Section 5.12.

6.10 Further Assurances. The Borrower will, and will cause each of its Subsidiaries to, cooperate with the Lenders and the Administrative Agent and execute such further instruments and documents as the Lenders or the Administrative Agent shall reasonably request to give effect to the transactions contemplated by this Agreement and the other Loan Documents.

## 7. NEGATIVE COVENANTS

The Borrower hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Letter of Credit remains outstanding (except for those Cash Collateralized in accordance with Section 2.23), there exist any unpaid Reimbursement Obligations or any principal or interest on any Loan or any fee payable hereunder is owing to any Lender or the Administrative Agent hereunder:

### 7.1 Financial Condition Covenants.

(a) Maintenance of Consolidated Net Worth. The Borrower shall not permit its Consolidated Net Worth, as of the end of any fiscal quarter, commencing with the first fiscal quarter ending after the Closing Date, to be less than an amount equal to:

(i) sixty-five percent (65%) of Consolidated Net Worth of the Borrower as at the fiscal quarter ended June 30, 2013 (provided that if any of OneBeacon Limited, Sirius International Group or any other entity that is consolidated in the

Borrower's consolidated balance sheet and in which the Borrower's consolidated balance sheet reflects a non-controlling interest as of June 30, 2013 is subsequently not required to be consolidated on the consolidated balance sheet of the Borrower in accordance with GAAP as of the end of any such fiscal quarter after the fiscal quarter ended June 30, 2013, the amount in this clause (i) shall be adjusted to remove sixty-five percent (65%) of the Borrower's non-controlling interests related to OneBeacon Limited, Sirius International Group or such other entity, as applicable, as at the fiscal quarter ended June 30, 2013), plus

(ii) fifty percent (50%) of positive Consolidated Net Income for each fiscal quarter ended following the Closing Date, minus

(iii) the lesser of \$400,000,000 and an amount equal to sixty-five percent (65%) of the sum of the following: (1) the aggregate consideration paid by the Borrower for repurchases of or exchanges for its Capital Stock, plus (2) special dividends paid by the Borrower in respect of its Capital Stock, plus (3) to the extent OneBeacon Limited is required to be consolidated on the consolidated balance sheet of the Borrower in accordance with GAAP, the aggregate consideration paid by OneBeacon Limited for repurchases of or exchanges for its Capital Stock (which Capital Stock is not held by the Borrower or any Subsidiary of the Borrower), plus (4) to the extent OneBeacon Limited is required to be consolidated on the consolidated balance sheet of the Borrower in accordance with GAAP, special dividends paid by OneBeacon Limited in respect of its Capital Stock (which Capital Stock is not held by the Borrower or any Subsidiary of the Borrower), plus (5) to the extent Sirius International Group is required to be consolidated on the consolidated balance sheet of the Borrower in accordance with GAAP, the aggregate consideration paid by Sirius International Group for repurchases of or exchanges for its Preference Shares (which Preference Shares are not held by the Borrower or any Subsidiary of the Borrower), in each case of this clause (A), since the fiscal quarter ended June 30, 2013.

(b) Maintenance of Total Consolidated Debt to Total Consolidated Capitalization Ratio. The Borrower shall not permit its Total Consolidated Debt to Total Consolidated Capitalization Ratio, as of the end of any fiscal quarter, commencing with the first fiscal quarter ending after the Closing Date, to exceed thirty-five percent (35%).

7.2 Limitation on Indebtedness. The Borrower will not permit any of its Subsidiaries to create, incur or assume or suffer to exist any Indebtedness, except:

(a) Indebtedness outstanding as of the Closing Date and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof, other than by the amount of any necessary pre-payment premiums, unpaid accrued interest and other costs of refinancing, or any shortening of the final maturity of any principal amount thereof to a date prior to the Revolving Credit Termination Date);

(b) Indebtedness of any Insurance Subsidiary incurred or issued in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary and letters of credit, bank guarantees, surety bonds or similar instruments issued for the account of any Insurance Subsidiary in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary;

(c) Indebtedness in respect of letters of credit, bank guarantees, bids, leases, statutory obligations, surety and appeal bonds, or performance bonds or other obligations of a like nature arising in the ordinary course of business and not for capital raising purposes and issued for the account of any Non-Regulated Operating Subsidiary;

(d) short-term Indebtedness (i.e. with a maturity of less than one year when issued, provided that such Indebtedness may include an option to extend for up to an additional one year period) of any Insurance Subsidiary incurred or issued to provide short-term liquidity to facilitate claims payment in the event of catastrophe;

(e) Indebtedness of a Subsidiary acquired after the Closing Date or a corporation merged into or consolidated with a Subsidiary after the Closing Date and Indebtedness assumed in connection with the acquisition of assets, which Indebtedness, in each case, exists at the time of such acquisition, merger or consolidation and is not created in contemplation of such event, as well as any refinancings, refunds, renewals or extensions of such Indebtedness (without increase in the principal amount thereof other than by the amount of any necessary pre-payment premiums, unpaid accrued interest and other costs of refinancing);

(f) Indebtedness owing or issued by a Subsidiary to any other Subsidiary or to the Borrower;

(g) Guarantee Obligations made by the Guarantors in respect of the obligations of the Borrower or by a Subsidiary in respect of obligations of another Subsidiary;

(h) Indebtedness under the Loan Documents;

(i) Indebtedness of any Guarantor;

(j) Indebtedness represented by Qualified Securities, Trust Preferred Securities or Mandatory Convertible Securities (except to the extent such Indebtedness is included in the calculation of Total Consolidated Debt);

(k) to the extent constituting Indebtedness, liabilities representing collateral held with respect to securities lending activities and not exceeding 10% of the Borrower's consolidated investment assets as of the end of the most recent fiscal quarter for which consolidated financial statements have been furnished pursuant to Section 6.1(a); and

(l) other Indebtedness of such Subsidiaries, provided that at the time such Indebtedness is incurred or issued, the aggregate principal amount of such Indebtedness when added

to all other Indebtedness incurred or issued pursuant to this clause (l) and then outstanding, does not exceed 15% of the Consolidated Net Worth of the Borrower.

7.3 Limitation on Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist (a) any Lien upon any stock or Indebtedness of any Subsidiary, whether owned on the date of this Agreement or hereafter acquired, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder) or (b) any Lien upon any other Property of the Borrower or any of its Subsidiaries, whether owned or leased on the date of this Agreement, or thereafter acquired, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder), except:

(i) (x) any Lien on any property or asset of the Borrower or any Subsidiary existing as of the Closing Date or (y) any Lien upon any stock or Indebtedness or other Property of any Person existing at the time such Person becomes a Subsidiary or existing upon stock or Indebtedness of a Subsidiary or any other Property at the time of acquisition of such stock or Indebtedness or other Property (provided that such Lien was not created in connection with such Person becoming a Subsidiary or the acquisition of such stock or Indebtedness or other Property), and any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any such Lien in clauses (x) or (y) above; provided, however, that the principal amount of Debt secured by such Lien shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement; and provided, further, that such Lien shall be limited to all or such part of the stock or Indebtedness or other Property which secured the Lien so extended, renewed or replaced;

(ii) any Permitted Liens; and

(iii) any Lien upon any Property if the aggregate amount of all Debt then outstanding secured by such Lien and all other Liens permitted pursuant to this clause (iii) does not exceed 10% of the total consolidated shareholders' equity (including preferred equity) of the Borrower as shown on the audited consolidated balance sheet contained in the latest annual report to shareholders of the Borrower; provided that Debt secured by Liens permitted by clauses (i) and (ii) shall not be included in the amount of such secured Debt.

7.4 Limitation on Changes in Fiscal Periods. The Borrower shall not permit its fiscal year to end on a day other than December 31 or change its method of determining fiscal quarters.

7.5 Limitation on Lines of Business. The Borrower shall not engage to any extent that is material for the Borrower and its Subsidiaries, taken as a whole, in any business, either directly or through any Subsidiary, other than a Principal Business.

7.6 Guarantors. The Borrower shall not permit any Guarantor or any Subsidiary of any Guarantor to merge, consolidate, liquidate, wind-up or dissolve itself, or make a transfer of

material assets; provided that any such transaction shall be permitted if, at the time of such transaction, no Default or Event of Default shall exist either immediately before or immediately after giving effect to such transaction and the Borrower shall have delivered to the Administrative Agent a certificate of a Responsible Officer of the Borrower to such effect substantially contemporaneously with such transaction.

7.7 Anti-Terrorism Laws and OFAC. No part of the proceeds of any extension of credit hereunder will be borrowed, obtained or used by the Borrower or its Subsidiaries for the purpose of directly or indirectly funding any operations in, financing any investments or activities in or making any payments to, a Sanctioned Person or a Sanctioned Country except, in each case, to the extent such activities are permitted for a U.S. Person to engage in under sanctions administered by OFAC.

## 8. EVENTS OF DEFAULT

8.1 Events of Default. If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan made to the Borrower or Reimbursement Obligation owing by the Borrower when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan made to the Borrower or Reimbursement Obligation owing by the Borrower, or any other amount payable by the Borrower hereunder or under any other Loan Document, within three Business Days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) The Borrower shall default in the observance or performance of any agreement contained in Section 6.7(a) or Article 7; or

(c) (i) The Borrower, any Guarantor or any of the Borrower's Material Insurance Subsidiaries shall voluntarily commence any case, proceeding or other action (A) under any Debtor Relief Law, (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower, any Guarantor or any of the Borrower's Material Insurance Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower, any Guarantor or any of the Borrower's Material Insurance Subsidiaries any case, proceeding or other action under any Debtor Relief Law that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) the Borrower, any Guarantor or any of the Borrower's Material Insurance Subsidiaries shall take any corporate action to authorize or effect any of the acts set forth in clause (i) or (ii), above; or (iv) the Borrower, any Guarantor or any of the Borrower's Material Insurance Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(d) A Change of Control; or

(e) A Fundamental Change; or

(f) Any representation or warranty made or deemed made by the Borrower herein or in any other Loan Document or that is contained in any certificate, document or financial or other

statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(g) The Borrower shall default in the observance or performance of any other agreement, covenant, term or condition contained in this Agreement or any other Loan Document (not specified in Sections 8.1(a), 8.1(b) or 8.1(f)); or

(h) The Borrower or any of its Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans and Reimbursement Obligations) on the scheduled or original due date with respect thereto (after giving effect to any applicable grace periods); or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, the effect of which default is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to a mandatory offer to purchase by the obligor thereunder as a result of the occurrence of such default thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default described in clause (i), (ii) or (iii) of this paragraph (h), shall not at any time constitute an Event of Default unless, at such time, one or more defaults of the type described in clauses (i), (ii) and (iii) of this paragraph (h), shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate \$75,000,000; or

(i) (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$75,000,000, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$75,000,000; or

(j) One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving for the Borrower and its Subsidiaries taken as a whole a liability (to the extent not paid or fully covered by insurance above applicable deductions) of \$75,000,000 or more, and shall not have been vacated, discharged, stayed or bonded pending appeal within 45 days from the entry thereof; or

(k) The Guaranty, subsequent to being executed, shall cease, for any reason (other than as provided in Section 10.17) to be in full force and effect or any Guarantor or any Affiliate of a Guarantor shall so assert in writing; or

(l) Any License of any Insurance Subsidiary (i) shall be revoked by the Governmental Authority which issued such License, or any action (administrative or judicial) to

revoke such License shall have been commenced against such Insurance Subsidiary and shall not have been dismissed within thirty days after the commencement thereof, (ii) shall be suspended by such Governmental Authority for a period in excess of thirty days or (iii) shall not be reissued or renewed by such Governmental Authority upon the expiration thereof following application for such reissuance or renewal of such Insurance Subsidiary, which, in the case of each of clauses (i), (ii) and (iii) above, could reasonably be expected to have a Material Adverse Effect.

Notwithstanding the foregoing, in the case of each of paragraphs (f) through (l) of this Section 8.1, such event shall not constitute an Event of Default unless such event continues unremedied for a period of 30 days after the Borrower shall have received written notice of such event from the Administrative Agent or the Majority Lenders.

8.2 Remedies Upon Event of Default. If any Event of Default specified in Section 8.1 occurs and is continuing, then, and in any such event, (a) if such event is an Event of Default specified in clause (i) or (ii) of Section 8.1(c) above with respect to the Borrower, automatically the commitment of each Lender to make Loans and any obligation of the Issuing Lender to make L/C Credit Extensions shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (b) if such event is any other Event of Default specified in Section 8.1, either or both of the following actions may be taken: (i) with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Credit Commitments and the obligation of the Issuing Lender to issue Letters of Credit to be terminated forthwith, whereupon the Revolving Credit Commitments and the L/C Commitment shall immediately terminate; and (ii) with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. In the case of any Letter of Credit issued for the account of the Borrower with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time Cash Collateralize such L/C Obligations in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Such Cash Collateral shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After (a) all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full or (b) all Defaults and Events of Default hereunder and under the other Loan Document shall have been cured or waived, the balance, if any, in such Cash



Collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

## 9. THE ADMINISTRATIVE AGENT

9.1 Appointment. (a) Each of the Lenders and Issuing Lenders hereby irrevocably appoints Wells Fargo Bank to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. Except for the Borrower's rights expressly set forth in Section 9.7, the provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

(b) The Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and each of the Lenders and the Issuing Lenders hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender and such Issuing Lender for purposes of acquiring, holding and enforcing any and all Liens on collateral granted by the Borrower or any Guarantor to secure any Loan or other obligation under this Agreement, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as "collateral agent" and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 9.2 for purposes of holding or enforcing any Lien on any collateral (or any portion thereof) granted under the Loan Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article IX and Article X (including Section 10.6(c)), as though such co-agents, sub-agents and attorneys-in-fact were the "collateral agent" under the Loan Documents) as if set forth in full herein with respect thereto.

9.2 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Persons. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Persons of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

9.3 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by

the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(d) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.1 and 8.2) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or an Issuing Lender.

(e) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Loan Documents, (v) the value or the sufficiency of any collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.4 Reliance by Administrative Agent. (a) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or an Issuing Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender or such Issuing Lender unless the Administrative Agent shall have received notice to the contrary from such Lender or such Issuing Lender prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(b) For purposes of determining compliance with the conditions specified in Section 4.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

9.5 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the each Issuing Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Persons and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and each Issuing Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Persons and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.6 Administrative Agent in its Individual Capacity. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.7 Successor Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders, the Issuing Lenders and the Borrower (which resignation shall be effective upon the earlier to occur of (x) the appointment of a successor Administrative Agent and (y) 30 days after the date such notice is received by the Borrower). Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, with the consent of the Borrower at all times other than during the continuance of a Specified Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed), to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders and the Issuing Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or any Issuing Lender under any of the Loan Documents, the retiring Administrative Agent shall continue to hold

such collateral security until such time as a successor Administrative Agent is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the Issuing Lenders directly, until such time as the Majority Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Sections 10.5 and 10.6 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Persons in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Any resignation by Wells Fargo Bank as Administrative Agent pursuant to this Section shall also constitute its resignation as an Issuing Lender and Swing Line Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Issuing Lender and Swing Line Lender, (ii) the retiring Issuing Lender and Swing Line Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (iii) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the retiring Issuing lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit.

9.8 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to the Borrower or any Guarantor, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Issuing Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the Issuing Lenders and the Administrative Agent under Sections 2.6, 3.8, 10.5, and 10.6) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

(c) and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and each Issuing Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders and the Issuing Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.6(c), 10.5 and 10.6.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or any Issuing Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations of the Borrower hereunder or the rights of any Lender or any Issuing Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender or any Issuing Lender or in any such proceeding.

9.9 Guarantee and Collateral Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Total Revolving Credit Commitments and payment in full of all obligations of the Borrower hereunder or under any of the other Loan Documents (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to Section 10.1, if approved, authorized or ratified in writing by the Majority Lenders;

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.3; and

(c) to effect any release of Guarantee Obligations contemplated by Section 10.17.

Upon request by the Administrative Agent at any time, the Majority Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 9.9. In each case as specified in this Section 9.9, the Administrative Agent will, at the Borrower's expense, execute and deliver such documents as the Borrower may reasonably request to evidence the release of such item of collateral from the assignment and security interest granted under any Loan Document or to subordinate its interest in such item, or to release such Guarantor from its obligations under the Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 9.9.

9.10 Other Agents; Arrangers and Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this

Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

## 10. MISCELLANEOUS

10.1 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Majority Lenders and the Borrower and delivered to the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) extend the expiration date of or increase the Revolving Credit Commitment of any Lender (or reinstate any Revolving Credit Commitment terminated pursuant to Section 8.2) without the written consent of such Lender;

(b) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest or fees payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or, subject to clause (v) of the second proviso to this Section 10.1, any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Majority Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the Default Rate;

(d) change Section 2.14 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender directly affected thereby; or

(e) change any provision of this Section 10.1 or the percentage in the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

(f) amend, modify or waive any provision of Section 2.3 or 2.4 without the written consent of the Swing Line Lender;

(g) amend, modify or waive any provision of Section 3 without the consent of the Issuing Lender;

(h) amend, modify or waive the provisions of the definition of Interest Period regarding twelve month Interest Period for Eurodollar Loans without the consent of each relevant Lender;

(i) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents without the written consent of each Lender; or

(j) release any Guarantor from its Guarantee Obligations under the Guaranty except as provided in Section 10.17, without the consent of all Lenders;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Lender in addition to the Lenders required above, modify the rights or duties of the Issuing Lender under this Agreement or any Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, modify the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, modify the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) Section 10.7(h) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (v) the Fee Letters may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Revolving Credit Commitment of such Lender may not be increased or extended without the consent of such Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section 10.1; provided, that delivery of an executed signature page of any such instrument by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

For the avoidance of doubt, this Agreement may be amended (or amended and restated) with the written consent of the Majority Lenders, the Administrative Agent and the Borrower party to each relevant Loan Document (x) to add one or more additional credit facilities

to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Loans, the L/C Obligations and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Majority Lenders.

#### 10.2 Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telecopier or by electronic mail as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, the Issuing Lender or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.2; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the Issuing Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to service of process or to notices to any Lender or the Issuing Lender pursuant to Article 2. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address



as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED “AS IS” AND “AS AVAILABLE.” THE AGENT-RELATED PERSONS DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT-RELATED PERSONS OR THE BORROWER IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Agent-Related Persons or the Borrower have any liability to any Agent-Related Person, the Borrower, any Lender, or the Issuing Lender for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower’s or the Administrative Agent’s transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent-Related Persons or the Borrower; provided, however, that in no event shall any Agent-Related Persons or the Borrower have any liability to any Agent-Related Person, the Borrower, any Lender, or the Issuing Lender for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages). Each Lender agrees that the Borrower shall be responsible only for the Borrower Materials and shall not have any liability (unless otherwise agreed in writing by the Borrower) for any other materials made available to the Lenders and shall not have any liability for any errors or omissions other than errors or omissions in the materials delivered to the Administrative Agent by the Borrower. Nothing in this Section 10.2(c) shall limit the obligation of the Administrative Agent and the Lenders under Section 10.16.

(d) Change of Address, Etc. The Borrower, the Administrative Agent, the Issuing Lender and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, the Issuing Lender and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Administrative Agent, Issuing Lender and Lenders. The Administrative Agent, the Issuing Lender and the Lenders shall be entitled to rely and act upon any notices (including telephonic and written Borrowing Requests and notices of Swing Line Loans) purportedly given by or on behalf of the Borrower; provided that the foregoing shall not apply to losses, costs, expenses and liabilities caused by the gross negligence or willful misconduct of the relevant Lender or any Agent-Related Person even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice

specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, the Issuing Lender, each Lender and the Agent-Related Persons from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower; provided that the foregoing shall not apply to losses, costs, expenses and liabilities caused by the gross negligence or willful misconduct of the relevant Lender or any Agent-Related Person. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

(f) Effectiveness of Facsimile or Electronic Imaging Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile or other electronic imaging means (e.g., “pdf” or “tif”). The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on the Borrower, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Borrower, the Subsidiaries of the Borrower or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.2 for the benefit of all the Lenders and the Issuing Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) an Issuing Lender or the Swing Line Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as an Issuing Lender or Swing Line Lender, as the case may be) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 10.8(b) (subject to the terms of Section 10.8(a)), or (d) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to the Borrower or any Guarantor under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Majority Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.2 and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject

to Section 10.8(a), any Lender may, with the consent of the Majority Lenders, enforce any rights and remedies available to it and as authorized by the Majority Lenders.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any extension of credit, and shall continue in full force and effect as long as any Loan or any other obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.5 Attorney Costs and Expenses. The Borrower agrees (a) to pay or reimburse the Administrative Agent and the Arrangers for all reasonable and documented out-of-pocket fees and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby (limited, in the case of costs and expenses of counsel, to the reasonable and documented fees and out-of-pocket expenses of a single firm of outside counsel collectively for the Administrative Agent and the Arrangers and, in addition, a single firm of outside local counsel in any applicable jurisdiction as to which such parties collectively reasonably determine that local counsel is appropriate) and (b) to pay or reimburse the Administrative Agent and each Lender for all reasonable and documented out-of-pocket costs and expenses (which may include, to the extent reasonably incurred, all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts) incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any “workout” or restructuring in respect of the obligations of the Borrower hereunder or under any of the other Loan Documents and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all reasonable and documented fees and out-of-pocket costs of counsel. All amounts due under this Section 10.5 shall be payable not later than 30 days following written demand. The agreements in this Section 10.5 shall survive the termination of the Total Revolving Credit Commitments and repayment of all other obligations.

10.6 Indemnification. (a) Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Arranger, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents, shareholders and attorneys-in-fact (collectively the “Indemnitees”) from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, settlement payments and causes of action of any kind or nature whatsoever and reasonable related documented out-of-pocket costs and expenses (limited, in the case of counsel, to the reasonable and documented fees and out-of-pocket expenses of a single firm of outside counsel collectively for all Indemnitees affected thereby and, in addition, a single firm of outside local

counsel in any applicable jurisdiction as to which the Indemnitees affected thereby collectively reasonably determine that local counsel is appropriate except, in either case, to the extent that any Indemnitee shall in good faith determine that representation by a single counsel shall be impractical, shall result in a conflict or shall be disadvantageous to such Indemnitee, in which case an additional firm of outside counsel for such Indemnitee shall be permitted) which may at any time be imposed on, incurred, suffered, sustained, required to be paid by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Revolving Credit Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower or any Subsidiary, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the “Indemnified Liabilities”), **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE**; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, settlement payments, causes of action or costs or expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or the gross negligence or willful misconduct of any of such Indemnitee’s Affiliates, directors, officers, employees, counsel, agents, shareholders and attorneys-in-fact. In all such litigation, or the preparation therefor, the Indemnitees shall be entitled to select counsel to the Indemnitees. All amounts due under this Section 10.6 shall be payable not later than 30 days following written demand. This Section 10.6(a) shall not apply with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim.

(b) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Section 10.5 and Section 10.6(a) to be paid by it to the Administrative Agent (or any sub-agent thereof), the Issuing Lender or any Agent-Related Person of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Issuing Lender or such Agent-Related Person, as the case may be, such Lender’s Revolving Credit Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Issuing Lender in its capacity as such, or against any Agent-Related Person of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or Issuing Lender in connection with such capacity. The obligations of the Lenders under this Section 10.6(b) are subject to the provisions of Section 2.14(f).

(c) To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (a) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(d) The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Total Revolving Credit Commitments and the repayment, satisfaction or discharge of all the other obligations.

For the avoidance of doubt, the reference to each Lender in this Section 10.6 includes, without limitation, a reference to such Lender in its capacity as a Co-Syndication Agent or a Co-Documentation Agent, as applicable.

#### 10.7 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of their rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 10.7(b), (ii) by way of participation in accordance with the provisions of Section 10.7(d), (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.7(f), or (iv) to an SPC in accordance with the provisions of Section 10.7(h) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 10.7(d) and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Revolving Credit Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section 10.7, the aggregate amount of the Revolving Credit Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Revolving Credit Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Specified Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Revolving Credit Commitment assigned, except that this clause (ii) shall not apply to the Swing Line Lender's rights and obligations in respect of Swing Line Loans;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section 10.7 and, provided that:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) a Specified Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender or an Affiliate of the assigning Lender;

(C) the consent of each Issuing Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(D) the consent of the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons. No such assignment shall be made (A) to the Borrower or any of the Borrower's Affiliates or Subsidiaries, or (B) to any Defaulting Lender or any of its Subsidiaries or Affiliates, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B), (C) to a natural person, (D) to an Approved Fund unless a Specified Event of Default has occurred and is continuing, or (E) to an Affiliate of a Lender or an Approved Fund unless it is a financial institution having a senior unsecured debt rating of not less than "A-", or its equivalent, by S&P.

(vi) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swing Line Loans in accordance with its Revolving Credit Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 10.7(c), from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17, 2.18, 10.5 and 10.6 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender and a replacement Note, as applicable, to the assigning Lender.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower (and such agent being solely for tax purposes), shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitments of, and principal amounts of (and stated interest on) the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. In addition, the Administrative Agent shall maintain on the Register information regarding the designation, and revocation of designation, of any Lender as a Defaulting Lender. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person, a Defaulting Lender or any Subsidiary or Affiliate of a Defaulting Lender, or the Borrower or any Affiliates or Subsidiaries of the Borrower) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the Issuing Lender shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.1 that directly affects such Participant. Subject to Section 10.7(e), the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 or 2.17 (subject to the



requirements and limitations therein, including the requirements under Section 2.16(g) (it being understood that the documentation required under Section 2.16(g) shall be delivered to the participating Lender) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.7(b); provided that such Participant agrees to be subject to the provisions of Section 2.20 as if it were an assignee under Section 10.7(b). To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were a Lender, provided such Participant agrees to be subject to Section 2.14 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 2.15, 2.16 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Sections 2.16(g) as though it were a Lender.

(f) Certain Pledges. Notwithstanding anything to the contrary contained herein, any Lender may, with notice to, but without prior consent of the Borrower and the Administrative Agent, at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank (provided that notice to the Borrower and the Administrative Agent shall not be required in the case of a pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank); provided further that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute, or permit the substitution of, any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-

based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Special Purpose Funding Vehicles. Notwithstanding anything to the contrary contained herein, any Lender (a “Granting Lender”) may, with notice to, but without prior consent of the Borrower and the Administrative Agent grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an “SPC”) the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and, if it fails to do so, to make such payment to the Administrative Agent as is required under Section 2.14(e)(ii). Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 2.15), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Loan by an SPC hereunder shall utilize the Revolving Credit Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under any Debtor Relief Laws or any other Laws. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent and with the payment of a processing fee in the amount of \$3,500 (which processing fee may be waived by the Administrative Agent in its sole discretion), assign all or any portion of its right to receive payment with respect to any Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC.

(i) Resignation as Issuing Lender or Swing Line Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Wells Fargo Bank assigns all of its Revolving Credit Commitment and Loans pursuant to Section 10.7(b), Wells Fargo Bank may, (i) upon 30 days’ notice to the Borrower and the Lenders, resign as Issuing Lender, so long as a successor Issuing Lender (consented to by the Borrower, such consent not to be unreasonably withheld or delayed) has been appointed and/or (ii) upon 30 days’ notice to the Borrower, resign as Swing Line Lender, so long as a successor Swing Line Lender (consented to by the Borrower, such consent not to be unreasonably withheld or delayed) has been appointed. In the event of any such resignation as Issuing Lender or Swing Line Lender, the Borrower shall be entitled to appoint

from among the Lenders a successor Issuing Lender or Swing Line Lender hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Wells Fargo Bank as Issuing Lender or Swing Line Lender, as the case may be. If Wells Fargo Bank resigns as Issuing Lender, it shall retain all the rights and obligations of the Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Lender and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 3.3). If Wells Fargo Bank resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.4. Upon the appointment of a successor Issuing Lender and/or Swing Line Lender, (a) such successor shall succeed to and become vested with all of the rights and obligations of the retiring Issuing Lender or Swing Line Lender, as the case may be, and (b) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Wells Fargo Bank to effectively assume the obligations of Wells Fargo Bank with respect to such Letters of Credit.

10.8 Adjustments; Setoff. (a) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) any Loans and other amounts due and payable to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) such Loans and other amounts due and payable to such Lender at such time to (ii) the aggregate amount of Loans and other amounts due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of Loans and other amounts due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Loans and other amounts owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Loans and other amounts owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of Loans and other amounts owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time) of payment on account of Loans and other amounts owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time obtained by all of the Lenders at such time then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and subparticipations in L/C Obligations and Swing Line Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Loans and other amounts then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by or on behalf of the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (y) the application of Cash Collateral provided for in Section 2.23, or (z) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in L/C Obligations or Swing Line Loans to any assignee or participant, other than an assignment to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this Section shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(b) In addition to any rights and remedies of the Lenders provided by Law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable Law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so setoff shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.24 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the obligations owing to such Defaulting Lender as to which it exercised such right of setoff. Each Lender agrees promptly to notify the Borrower, as the case may be, and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

10.9 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.10 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 10.10,

if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, any Issuing Lender or the Swing Line Lender, as applicable, then such provisions shall be deemed to be in effect only to the extent not so limited.

10.11 Integration. This Agreement, the other Loan Documents and the Fee Letters represent the entire agreement of the Borrower, the Administrative Agent, the Arrangers, the Syndication Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Arrangers, the Administrative Agent, the Syndication Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein, in the other Loan Documents or in the Fee Letters. The Borrower agrees that its obligations under the Fee Letters shall survive the execution and delivery of this Agreement.

10.12 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY).

10.13 SUBMISSION TO JURISDICTION; WAIVERS. THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW AND NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, THE ISSUING LENDER OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION;

(c) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(d) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO THE BORROWER AT ITS ADDRESS SET FORTH IN SECTION 10.2 OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO;

(e) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(f) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO IN THIS SECTION 10.13 ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

10.14 WAIVERS OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 10.14 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.15 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Arrangers are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent and the Arrangers, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and the Arrangers each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor any Arranger has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Arrangers and

their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor any Arranger has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent and any Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

10.16 Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the NAIC), (c) to the extent required by applicable Laws or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.16, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.16 or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower, provided that the Administrative Agent or any such Lender, as applicable, will notify the Borrower as soon as practical in advance of any proposed disclosure pursuant to clause (c) above, unless such notification shall be prohibited by applicable law or legal process, so that the Borrower may seek a protective order or other appropriate remedy and the Administrative Agent or any such Lender, as applicable, will disclose only that portion of the Information that it is advised by its counsel is legally required or otherwise necessary to disclose. For purposes of this Section 10.16, "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary, provided that, in the case of information received from the Borrower or any Subsidiary after the Closing Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.16 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the Lenders and the Issuing Lender acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary thereof, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including Federal and state securities Laws

10.17 Release of Guarantee Obligations. Notwithstanding anything to the contrary contained herein or any other Loan Document, when all obligations of the Borrower hereunder and under the other Loan Documents that are guaranteed under the terms of the Guaranty have been paid in full, all Revolving Credit Commitments have terminated, there exist no unpaid Reimbursement Obligations and no Letter of Credit issued for the account of the Borrower shall be outstanding (except for those Cash Collateralized in accordance with Section 2.23), the Administrative Agent shall upon the written request of the Borrower (without vote or consent of any Lender) take such actions as may be required to release all Guarantee Obligations of each Guarantor under any Loan Document, including, without limitation, its Guaranty. Any release of Guarantee Obligations pursuant to the sentence above shall be deemed subject to the provision that such Guarantee Obligations shall be reinstated as to the Guarantors at the time of such release, if after such release any portion of any payment in respect of the obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or such Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or such Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made. In addition, upon the written request of the Borrower, the Administrative Agent shall (without vote or consent of any Lender) so release all Guarantee Obligations of any Guarantor if, at the time of such requested release, no Default or Event of Default shall exist either immediately before or immediately after giving effect to such release and the Borrower shall have delivered to the Administrative Agent a certificate of a Responsible Officer of the Borrower to such effect.

10.18 USA PATRIOT Act Notice. Each Lender that is subject to the PATRIOT Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of Title III of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the PATRIOT Act.

10.19 Interest Rate Limitation.

(a) Notwithstanding anything to the contrary contained in any Loan Document, if at any time the rate of interest payable under any Loan Document (the “Stated Rate”) would exceed the rate of interest permitted to be charged under any applicable Law (the “Maximum Rate”), then for so long as the Maximum Rate would be so exceeded, the rate of interest payable shall be equal to the Maximum Rate; provided that if at any time thereafter, the Stated Rate is less than the Maximum Rate, the Borrower shall, to the extent permitted by applicable Law, continue to pay interest at the Maximum Rate until such time as the total interest received is equal to the total interest which would have been received had the Stated Rate been (but for the operation of this provision) the interest rate payable. Thereafter, the interest rate payable shall be the Stated Rate unless and



until the Stated Rate again would exceed the Maximum Rate, in which event this provision shall again apply.

(b) In no event shall the total interest received by a Lender exceed the amount which it could lawfully have received had the interest been calculated for the full term hereof at the Maximum Rate.

10.20 Entire Agreement. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

*[Remainder of Page Left Intentionally Blank]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

**The Borrower:**

**WHITE MOUNTAINS INSURANCE GROUP, LTD.**

By: \_\_\_\_\_

Name:

Title:

[Signature page to Credit Agreement (White Mountains Insurance Group, Ltd.)]

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as  
Administrative Agent, Issuing Lender, Swing Line Lender and a  
Lender

By: \_\_\_\_\_  
Name:  
Title:

[Signature page to Credit Agreement (White Mountains Insurance Group, Ltd.)]

**[LENDER]**, as a Lender

By: \_\_\_\_\_  
Name:  
Title:

[Signature page to Credit Agreement (White Mountains Insurance Group, Ltd.)]

**HSBC BANK BERMUDA LIMITED**, as a Lender

By: \_\_\_\_\_  
Name:  
Title:

[Signature page to Credit Agreement (White Mountains Insurance Group, Ltd.)]

## COMMITMENT SCHEDULE

<b>Lender</b>	<b>Revolving Credit Commitment</b>
Wells Fargo Bank, National Association	\$52,500,000
Barclays Bank PLC	\$52,500,000
HSBC Bank Bermuda Limited	\$52,500,000
BMO Harris Bank, N.A.	\$42,500,000
Nordea Bank Finland PLC, New York Branch	\$42,500,000
U.S. Bank National Association	\$42,500,000
Lloyds TSB Bank PLC	\$32,500,000
The Bank of New York Mellon	\$32,500,000
Bank of America, N.A.	\$25,000,000
State Street Bank and Trust Company	\$25,000,000
The Royal Bank of Scotland plc	\$25,000,000
<b>TOTAL</b>	<b>\$425,000,000</b>

**EXISTING LETTERS OF CREDIT**

None.

**CONSENTS, AUTHORIZATIONS, FILINGS AND NOTICES**

None.



**ADMINISTRATIVE AGENT'S OFFICE;  
CERTAIN ADDRESSES FOR NOTICES**

**BORROWER:**

White Mountains Insurance Group, Ltd.  
80 South Main Street  
Hanover, NH 03755  
Attention: Robert Seelig, Esq.  
Telephone: 603-640-2202  
Telecopier: 603-643-4592  
Electronic Mail: rseelig@whitemountains.com  
U.S. Taxpayer Identification Number (White Mountains Insurance Group, Ltd.): 94-2708455

with a copy to:

Cravath, Swaine and Moore LLP  
Worldwide Plaza  
825 Eighth Avenue  
New York, NY 10019-7475  
Attention: James Vardell  
Telecopier: 212-474-3700

**ADMINISTRATIVE AGENT:**

Administrative Agent's Office  
(for payments and Requests for Credit Extensions):  
Wells Fargo Bank, National Association  
1525 West W.T. Harris Blvd  
Charlotte, NC 28262  
Mail Code: MAC D1109-019  
Attention: Chris White  
Telephone: 704-427-4325  
Telecopier: 704-715-0017  
Electronic Mail: Chris.White2@wellsfargo.com  
Electronic Mail: agencyervices.requests@wellsfargo.com  
ABA:  
A/C Name:  
ACCT:  
Ref: White Mountains Insurance Group Ltd  
Attn: Financial Cash Controls

**ISSUING LENDER:**

Wells Fargo Bank, National Association  
1525 West W.T. Harris Blvd  
Charlotte, NC 28262  
Mail Code: MAC D1109-019  
Attention: Chris White  
Telephone: 704-427-4325  
Telecopier: 704-715-0017  
Electronic Mail: Chris.White2@wellsfargo.com  
Electronic Mail: agencyervices.requests@wellsfargo.com

**SWING LINE LENDER:**

Wells Fargo Bank, National Association  
1525 West W.T. Harris Blvd  
Charlotte, NC 28262  
Mail Code: MAC D1109-019  
Attention: Chris White  
Telephone: 704-427-4325  
Telecopier: 704-715-0017  
Electronic Mail: Chris.White2@wellsfargo.com  
Electronic Mail: agencyervices.requests@wellsfargo.com  
ABA:  
A/C Name:  
ACCT:  
Ref: White Mountains Insurance Group Ltd  
Attn: Financial Cash Controls

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

I, Raymond Barrette, 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.

October 28, 2013

By:

/s/ Raymond Barrette  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

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

I, David T. Foy, 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.

October 28, 2013

By:

/s/ David T. Foy

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

**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 September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond Barrette, Chairman and 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/ Raymond Barrette

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Chairman and Chief Executive Officer  
(Principal Executive Officer)

October 28, 2013

**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 September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David T. Foy, 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/ David T. Foy

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Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

October 28, 2013