

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

FORM 10-Q

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

For the period ended March 31, 2017

OR

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, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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 April 28, 2017, 4,572,792 common shares with a par value of \$1.00 per share were outstanding (which includes 60,139 restricted common shares that were not vested at such date).

WHITE MOUNTAINS INSURANCE GROUP, LTD.

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Part I. FINANCIAL INFORMATION.
Item 1. Financial Statements
WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Millions, except share amounts)	March 31, 2017	December 31, 2016
Assets	Unaudited	
Fixed maturity investments, at fair value	\$ 4,175.4	\$ 4,250.2
Short-term investments, at amortized cost (which approximates fair value)	230.9	287.0
Common equity securities, at fair value	601.0	474.3
Other long-term investments	331.7	323.3
Total investments	5,339.0	5,334.8
Cash	125.0	149.8
Reinsurance recoverable on unpaid losses	174.7	172.9
Reinsurance recoverable on paid losses	3.4	6.6
Insurance premiums receivable	227.5	229.9
Deferred acquisition costs	110.4	106.9
Deferred tax asset	125.5	126.7
Ceded unearned insurance premiums	52.4	44.2
Accrued investment income	27.2	26.1
Accounts receivable on unsettled investment sales	24.5	6.2
Goodwill and other intangible assets	53.0	55.9
Other assets	254.3	274.6
Assets held for sale	—	10.1
Total assets	\$ 6,516.9	\$ 6,544.7
Liabilities		
Loss and loss adjustment expense reserves	\$ 1,368.8	\$ 1,365.6
Unearned insurance premiums	678.1	658.0
Debt	284.7	285.9
Accrued incentive compensation	83.2	140.0
Funds held under insurance contracts	148.7	153.0
Accounts payable on unsettled investment purchases	17.3	—
Other liabilities	178.5	199.9
Liabilities held for sale	—	5.1
Total liabilities	2,759.3	2,807.5
Equity		
White Mountains's common shareholders' equity		
White Mountains's common shares at \$1 par value per share - authorized 50,000,000 shares;		
issued and outstanding 4,572,792 and 4,563,814 shares	4.6	4.6
Paid-in surplus	802.5	806.1
Retained earnings	2,821.8	2,797.2
Accumulated other comprehensive loss, after tax:		
Net unrealized foreign currency translation losses	(.6)	(1.4)
Pension liability	(3.1)	(3.2)
Total White Mountains's common shareholders' equity	3,625.2	3,603.3
Non-controlling interests	132.4	133.9
Total equity	3,757.6	3,737.2
Total liabilities and equity	\$ 6,516.9	\$ 6,544.7

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	
	March 31,	
	2017	2016
Revenues:		
Earned insurance premiums	\$ 264.8	\$ 282.1
Net investment income	26.1	17.9
Net realized and unrealized investment gains	51.3	29.5
Other revenue	43.7	39.8
Total revenues	385.9	369.3
Expenses:		
Loss and loss adjustment expenses	151.7	161.1
Insurance acquisition expenses	46.6	52.7
Other underwriting expenses	51.8	55.4
General and administrative expenses	94.2	87.1
Interest expense	3.7	4.5
Total expenses	348.0	360.8
Pre-tax income from continuing operations	37.9	8.5
Income tax (expense) benefit	(3.9)	9.7
Net income from continuing operations	34.0	18.2
Loss from sale of discontinued operations, net of tax	(1.0)	—
Net income from discontinued operations, net of tax	—	1.1
Net income	33.0	19.3
Net loss (income) attributable to non-controlling interests	1.3	(6.3)
Net income attributable to White Mountains's common shareholders	34.3	13.0
Other comprehensive income, net of tax:		
Change in foreign currency translation, pension liability and other, net of tax	.9	.1
Change in foreign currency translation and other from discontinued operations, net of tax	—	37.2
Comprehensive income attributable to White Mountains's common shareholders	\$ 35.2	\$ 50.3
Income per share attributable to White Mountains's common shareholders		
Basic income (loss) per share		
Continuing operations	\$ 7.72	\$ 2.14
Discontinued operations	(.22)	.20
Total consolidated operations	\$ 7.50	\$ 2.34
Diluted income (loss) per share		
Continuing operations	\$ 7.72	\$ 2.14
Discontinued operations	(.22)	.20
Total consolidated operations	\$ 7.50	\$ 2.34
Dividends declared per White Mountains's common share	\$ 1.00	\$ 1.00

See Notes to Consolidated Financial Statements

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

(Millions)	White Mountains's Common Shareholders' Equity					
	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2017	\$ 810.7	\$ 2,797.2	\$ (4.6)	\$ 3,603.3	\$ 133.9	\$ 3,737.2
Net income	—	34.3	—	34.3	(1.3)	33.0
Net change in foreign currency translation and pension liability	—	—	.9	.9	—	.9
Total comprehensive income	—	34.3	.9	35.2	(1.3)	33.9
Dividends declared on common shares	—	(4.6)	—	(4.6)	—	(4.6)
Dividends to non-controlling interests	—	—	—	—	(6.6)	(6.6)
Repurchases and retirements of common shares	(1.4)	(5.1)	—	(6.5)	(1.1)	(7.6)
Deconsolidation of non-controlling interests associated with the sale of Star & Shield	—	—	—	—	(4.4)	(4.4)
Issuance of shares to non-controlling interests	(4.8)	—	—	(4.8)	4.8	—
Net contributions from non-controlling interests	—	—	—	—	6.9	6.9
Amortization of restricted share awards	2.6	—	—	2.6	.2	2.8
Balance at March 31, 2017	\$ 807.1	\$ 2,821.8	\$ (3.7)	\$ 3,625.2	\$ 132.4	\$ 3,757.6

(Millions)	White Mountains's Common Shareholders' Equity					
	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2016	\$ 978.2	\$ 3,084.9	\$ (149.9)	\$ 3,913.2	\$ 454.8	\$ 4,368.0
Net income	—	13.0	—	13.0	6.3	19.3
Net change in foreign currency translation and pension liability	—	—	37.3	37.3	—	37.3
Total comprehensive income	—	13.0	37.3	50.3	6.3	56.6
Dividends declared on common shares	—	(5.4)	—	(5.4)	—	(5.4)
Dividends to non-controlling interests	—	—	—	—	(6.2)	(6.2)
Repurchases and retirements of common shares	(39.8)	(132.9)	—	(172.7)	—	(172.7)
Acquisition from non-controlling interests - OneBeacon	(2.7)	—	—	(2.7)	(8.8)	(11.5)
Issuances of shares to non-controlling interests	—	—	—	—	.3	.3
Net contributions from non-controlling interests	—	—	—	—	4.8	4.8
Amortization of restricted share awards	3.2	—	—	3.2	.2	3.4
Balance at March 31, 2016	\$ 938.9	\$ 2,959.6	\$ (112.6)	\$ 3,785.9	\$ 451.4	\$ 4,237.3

See Notes to Consolidated Financial Statements

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

(Millions)	Three Months Ended March 31,	
	2017	2016
Cash flows from operations:	Unaudited	Unaudited
Net income	\$ 33.0	\$ 19.3
Charges (credits) to reconcile net income to net cash used for operations:		
Net realized and unrealized investment (gains) losses	(51.3)	(29.5)
Deferred income tax (benefit) expense	(1.1)	5.0
Net income from discontinued operations	—	(1.1)
Net loss on sale of discontinued operations	1.0	—
Amortization and depreciation	14.6	11.4
Other operating items:		
Net change in loss and loss adjustment expense reserves	2.9	(46.2)
Net change in reinsurance recoverable on paid and unpaid losses	1.4	26.5
Net change in unearned insurance premiums	20.7	13.9
Net change in deferred acquisition costs	(3.5)	(2.2)
Net change in ceded unearned premiums	(8.2)	(6.8)
Net change in funds held under insurance treaties	(4.3)	(2.8)
Net change in insurance premiums receivable	2.7	(11.0)
Net change in restricted cash	—	(2.6)
Net change in other assets and liabilities, net	(64.0)	(19.8)
Net cash used for operations - continuing operations	(56.1)	(45.9)
Net cash used for operations - discontinued operations	—	(40.7)
Net cash used for operations	(56.1)	(86.6)
Cash flows from investing activities:		
Net change in short-term investments	55.6	(50.4)
Sales of fixed maturity and convertible investments	868.5	202.3
Maturities, calls and paydowns of fixed maturity and convertible investments	175.8	155.9
Sales of common equity securities	17.7	767.5
Distributions and redemptions of other long-term investments	16.5	3.0
Net settlement of investment cash flows and contributions with discontinued operations	—	(559.8)
Purchases of other long-term investments	(22.4)	(10.9)
Purchases of common equity securities	(113.4)	(86.1)
Purchases of fixed maturity and convertible investments	(957.6)	(315.2)
Purchases of unconsolidated affiliates and consolidated subsidiaries, net of cash acquired	—	(8.1)
Net change in unsettled investment purchases and sales	(1.0)	44.3
Net acquisitions of property and equipment	(.4)	(1.3)
Net cash provided from investing activities - continuing operations	39.3	141.2
Net cash provided from investing activities - discontinued operations	—	33.6
Net cash provided from investing activities	39.3	174.8
Cash flows from financing activities:		
Draw down of debt and revolving line of credit	—	102.5
Repayment of debt and revolving line of credit	(1.2)	—
Cash dividends paid to the Company's common shareholders	(4.6)	(5.4)
Common shares repurchased	—	(166.8)
OneBeacon Ltd. common shares repurchased and retired	—	(10.6)
Distribution to non-controlling interest shareholders	(5.1)	(4.7)
Contributions to discontinued operations	—	(3.0)
Payments of contingent consideration related to purchases of consolidated subsidiaries	—	(7.8)
Capital contributions from BAM members	9.6	6.7
Other financing activities, net	(7.6)	(7.2)
Net cash used for financing activities - continuing operations	(8.9)	(96.3)
Net cash used for financing activities - discontinued operations	—	(8.3)
Net cash used for financing activities	(8.9)	(104.6)
Effect of exchange rate changes on cash (excludes \$0.0 and \$4.2 related to discontinued operations)	—	—
Net change in cash during the period - continuing operations	(25.7)	(1.0)
Cash balances at beginning of period (excludes restricted cash balances of \$0.0 and \$5.8 and discontinued operations cash balances of \$0.0 and \$150.2)	149.8	167.2
Add: cash held for sale at the beginning of period	.9	1.2
Less: cash held for sale at the end of period	—	2.1

Cash balances at end of period (excludes restricted cash balances of \$0.0 and \$8.4 and discontinued operations cash balances of \$0.0 and \$139.9)	\$	125.0	\$	165.3
Supplemental cash flows information:				
Interest paid	\$	(.2)	\$	(.2)
Net income tax refund from national governments	\$	—	\$	13.5

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and include the accounts of White Mountains Insurance Group, Ltd. (the “Company” or the “Registrant”), its subsidiaries (collectively, with the Company, “White Mountains”) and other entities required to be consolidated under GAAP. The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its insurance subsidiaries and other affiliates. The Company’s headquarters is located at 26 Reid Street, Hamilton, Bermuda HM 11, its principal executive office is located at 80 South Main Street, Hanover, New Hampshire 03755-2053 and its registered office is located at Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11. White Mountains’s reportable segments are OneBeacon, HG Global/BAM and Other Operations.

As discussed further in the Company’s consolidated financial statements in **Note 2 — “Significant Transactions”**, on April 18, 2016, White Mountains completed its sale of Sirius International Insurance Group, Ltd., and its subsidiaries (collectively, “Sirius Group”) to CM International Holding PTE Ltd. (“CMI”), the Singapore-based investment arm of China Minsheng Investment Corp., Ltd. Also, on July 21, 2016, White Mountains completed its sale of Tranzact Holdings, LLC (“Tranzact”) to an affiliate of Clayton, Dubilier & Rice, LLC. For the three months ended March 31, 2016, Sirius Group and Tranzact have been presented as discontinued operations in the statement of operations and comprehensive income. See **Note 17 — “Held for Sale and Discontinued 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. As of March 31, 2017 and December 31, 2016, White Mountains owned 75.7% and 76.1% of OneBeacon Ltd.’s outstanding common shares.

The HG Global/BAM segment consists of HG Global Ltd. (“HG Global”) and the consolidated results of Build America Mutual Assurance Company (“BAM”). BAM is the first and only mutual bond insurance company in the United States. By insuring the timely payment of principal and interest, BAM provides market access to, and lowers interest expense for, issuers of municipal bonds used to finance essential public purposes such as schools, utilities and transportation facilities. BAM is owned by and operated for the benefit of its members, the municipalities that purchase BAM’s insurance for their debt issuances. HG Global was established to fund the startup of BAM and, through its wholly-owned subsidiary, HG Re Ltd. (“HG Re”), to provide 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of \$503.0 million of surplus notes issued by BAM (the “BAM Surplus Notes”). As of March 31, 2017 and December 31, 2016, White Mountains owned 96.9% of HG Global’s preferred equity and 88.4% of its common equity. White Mountains does not have an ownership interest in BAM. However, GAAP requires White Mountains to consolidate BAM’s results in its financial statements. BAM’s results are attributed to non-controlling interests.

White Mountains’s Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC (“WM Advisors”) and certain consolidated and unconsolidated private capital investments. The consolidated private capital investments consist of QL Holdings LLC (“MediaAlpha”), Wobi Insurance Agency Ltd. (“Wobi”) and Removal Stars Ltd. (“Buzzmove”). White Mountains’s Other Operations segment also includes its variable annuity reinsurance business, White Mountains Life Reinsurance (Bermuda) Ltd. (“Life Re Bermuda”), which completed its runoff with all of its contracts maturing by June 30, 2016, and its U.S.-based service provider, White Mountains Financial Services LLC (collectively, “WM Life Re”) and Star & Shield Services LLC, Star & Shield Risk Management LLC, and Star & Shield Claims Services LLC (collectively “Star & Shield”). Star & Shield provides management services for a fee to Star & Shield Insurance Exchange (“SSIE”), a reciprocal that is owned by its members, who are policyholders. White Mountains was required to consolidate SSIE in its GAAP financial statements until White Mountains completed the sale of Star & Shield and its investment in SSIE Surplus Notes to K2 Insurance Services, LLC on March 7, 2017. White Mountains has presented Star & Shield’s and SSIE’s assets and liabilities as held for sale as of December 31, 2016. See **Note 17 — “Held for Sale and Discontinued Operations”**.

All significant intercompany transactions have been eliminated in consolidation. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation. These interim financial statements include all adjustments considered necessary by management to fairly state the financial position, results of operations and cash flows of White Mountains. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company’s 2016 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. Refer to the Company's 2016 Annual Report on Form 10-K for a complete discussion regarding White Mountains's significant accounting policies.

Recently Adopted Changes in Accounting Principles

Stock Compensation

Effective January 1, 2017, White Mountains adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting (ASC 718)* which simplifies certain aspects of the accounting for share-based compensation. The new guidance provides an accounting policy election to account for forfeitures by either applying an assumption, as required under existing guidance, or by recognizing forfeitures when they actually occur. At adoption, White Mountains did not change its accounting policy for forfeitures, which is to apply an assumed forfeiture rate. The new guidance has also changed the threshold for partial cash settlement to settle statutory withholding requirements for equity classified awards, increasing the threshold up to the maximum statutory tax rate. As a result of adoption White Mountains reported \$6.5 million and \$5.8 million of statutory withholding tax payments made in connection with the settlement of restricted shares as financing cash flows for the three-month periods ended March 31, 2017 and 2016. Such payments were classified as operating cash flows prior to adoption.

In addition, the new guidance changed the treatment for excess tax benefits which arise from the difference between the deduction for tax purposes and the compensation costs recognized for financial reporting. Under the new guidance, a reporting entity will recognize excess tax benefits or expense in current period earnings, regardless of whether it is in a taxes payable position.

Short-Duration Contracts

Effective December 31, 2016, White Mountains adopted ASU 2015-09, *Disclosures about Short Duration Contracts (ASC 944)*, which requires expanded footnote disclosures about loss and loss adjustment expense ("LAE") reserves. Upon adoption, White Mountains modified its footnote disclosures to include loss development tables on a disaggregated basis by accident year and a reconciliation of loss development data to the loss and LAE reserves reflected on the balance sheet. The footnotes disclosures have also been expanded to include information about claim frequency data, including a description of how the claims frequency data is measured. Prior year disclosures have been modified to conform to the new disclosures. See **Note 3 — "Reserves for Unpaid Losses and Loss Adjustment Expenses"**.

Business Combinations - Measurement Period Adjustments

Effective January 1, 2016, White Mountains adopted ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which requires adjustments to provisional amounts recorded in connection with a business combination that are identified during the measurement period to be recorded in the reporting period in which the adjustment amounts are determined, rather than as retroactive adjustments to prior periods. White Mountains has not recognized any adjustments to estimated purchase accounting amounts for the year to date period ended March 31, 2016 and accordingly, there was no effect to White Mountains's financial statements upon adoption.

Amendments to Consolidation Analysis

On January 1, 2016, White Mountains adopted ASU 2015-02, *Amendments to the Consolidation Analysis (ASC 810)* which amends the guidance for determining whether an entity is a variable interest entity ("VIE"). ASU 2015-02 eliminates the separate consolidation guidance for limited partnerships and, with it, the presumption that a general partner should consolidate a limited partnership. In addition, ASU 2015-02 changes the guidance for determining if fee arrangements qualify as variable interests and the effect fee arrangements have on the determination of the primary beneficiary. Adoption of ASU 2015-02 did not affect the consolidation analysis for any of White Mountains's investments.

Share-Based Compensation Awards

On January 1, 2016, White Mountains adopted ASU 2014-12, *Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (ASC 718)*. The new guidance requires that a performance target that affects vesting and that can be achieved after the requisite service period be treated as a performance condition. Compensation cost is to be recognized in the period when it becomes probable the performance target will be achieved in an amount equal to the compensation cost attributable to the periods for which service has been rendered. Adoption did not have a significant effect on White Mountains's financial position, results of operations, cash flows, presentation or disclosures.

Debt Issuance Costs

On January 1, 2016, White Mountains adopted ASU 2015-03, *Imputation of Interest* (ASC 835), which requires debt issuance costs to be presented as a deduction from the carrying amount of the related debt, consistent with the treatment required for debt discounts. The new guidance requires amortization of debt issuance costs to be classified within interest expense and also requires disclosure to the debt's effective interest rate. White Mountains has applied the guidance retrospectively and as a result has reclassified \$1.9 million of unamortized debt issuance costs from other assets to debt as of December 31, 2015, reflecting these amounts as a reduction from the related debt, and has modified its disclosures to include the required effective interest rate on its debt. As of March 31, 2017, the unamortized debt issuance costs included in debt is \$1.8 million.

Recently Issued Accounting Pronouncements

Cash Flow Statement

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (ASC 230), which addresses the classification and presentation of certain items, including debt prepayment and extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees, for which there was diversity in practice.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* (ASC 230). Under current guidance, restricted amounts of cash or cash equivalents are excluded from the cash flow statement. The new guidance requires restricted cash and restricted cash equivalents to be included in the reconciliation of beginning and end-of-period amounts presented on the statement of cash flows. In addition, the new guidance requires a description of the nature of the changes in restricted cash and cash equivalents during the periods presented.

The updated guidance in ASU 2016-15 and ASU 2016-18 are both effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. White Mountains is evaluating the expected impact of this new guidance.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASC 326), which establishes new guidance for the recognition of credit losses for financial assets measured at amortized cost. The new ASU, which applies to financial assets that have the contractual right to receive cash requires reporting entities to estimate the credit losses expected over the life of a credit exposure using historical information, current information and reasonable and supportable forecasts that affect the collectability of the financial asset. The types of assets included in the scope of the new guidance includes premium receivables, reinsurance recoverables and loans. ASU 2016-13 is effective for annual periods beginning after January 1, 2020, including interim periods. White Mountains is evaluating the expected impact of this new guidance.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). The new guidance requires lessees to recognize lease assets and liabilities on the balance sheet for both operating and financing leases, with the exception of leases with an original term of 12 months or less. Under existing guidance recognition of lease assets and liabilities is not required for operating leases. The lease assets and liabilities to be recognized are both measured initially based on the present value of the lease payments. Under the new guidance, a sale-leaseback transaction must meet the recognition criteria under ASC 606, *Revenues* in order to be accounted for as sale. The new guidance is effective for White Mountains for years beginning after December 15, 2018, including interim periods therein. White Mountains is evaluating the expected impact of this new guidance and available adoption methods.

Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASC 825-10). The new ASU modifies the guidance for financial instruments, including investments in equity securities. Under the new guidance, all equity securities with readily determinable fair values are required to be measured at fair value with changes therein recognized through current period earnings. In addition, the new ASU requires a qualitative assessment for equity securities without readily determinable fair values to identify impairment, and for impaired equity securities to be measured at fair value. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. White Mountains measures its portfolio of investment securities at fair value with changes therein recognized through current period earnings accordingly, does not expect the adoption of ASU 2016-01 to have a significant impact on its financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), which modifies the guidance for revenue recognition. Under ASU 2014-09, revenue is to be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods or services transferred to customers. The new guidance sets forth the steps to be followed to recognize revenue: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Subsequently, the FASB issued additional ASUs clarifying the guidance in and providing implementation guidance for ASU 2014-09. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers*, which delays the effective date of ASU 2014-09 and all related ASUs to annual and interim reporting periods beginning after December 15, 2017. Most of White Mountains's revenue from customers relates to insurance contracts, which are excluded from the scope of ASU 2014-09, as are investment income and investments gains and losses. However, the new guidance is applicable to some of White Mountains's revenue streams, including certain fee arrangements as well as commissions and other non-insurance revenues. White Mountains is evaluating the new guidance, but does not expect ASU 2014-09 to have a significant effect on recognition of White Mountains's non-insurance revenues from customers.

Note 2. Significant Transactions

Sale of Star and Shield

On March 7, 2017, White Mountains completed its sale of Star & Shield and its investment in SSIE Surplus Notes to K2 Insurances LLC. White Mountains did not recognize any gain or loss on the sale. Through December 31, 2016, Star & Shield's assets and liabilities are reported as held for sale within White Mountains's GAAP financial statements. See **Note 17 — "Held for Sale and Discontinued Operations"**.

Buzzmove

On August 4, 2016, White Mountains acquired a 70.9% ownership share in Buzzmove for a purchase price of GBP 6.1 million (approximately \$8.1 million based upon the foreign exchange spot rate at the date of acquisition). White Mountains recognized total assets acquired related to Buzzmove of \$11.5 million, including \$7.6 million of goodwill and \$1.1 million of intangible assets, and total liabilities assumed of \$0.1 million, reflecting acquisition date fair values.

Sale of Tranzact

On July 21, 2016, White Mountains completed the sale of Tranzact to Clayton, Dubilier & Rice, LLC and received net proceeds of \$221.3 million. In connection with the sale of Tranzact, the purchaser directly repaid \$56.3 million for the portion of Tranzact's debt attributable to White Mountains's common shareholders. On October 5, 2016, White Mountains received additional proceeds of \$1.2 million following the release of the post-closing purchase price adjustment escrow.

White Mountains recorded a \$51.9 million gain from the sale of Tranzact in discontinued operations, which included a \$30.2 million tax expense for the reversal of a tax valuation allowance that is offset by a tax benefit recorded in continuing operations. See **Note 8 — "Income Taxes"**. The increase to White Mountains's book value from the sale of Tranzact was \$82.1 million. A reconciliation of the gain reported in discontinued operations to the impact to White Mountains's book value is as follows:

Gain from sale of Tranzact reported in discontinued operations	\$	51.9
Add back reclassification from continuing operations for the release of a tax valuation allowance		<u>30.2</u>
Increase to White Mountains book value from sale of Tranzact	\$	<u>82.1</u>

In the first quarter of 2017, White Mountains recorded a \$1.0 million reduction to the gain from sale of Tranzact in discontinued operations as a result of 2016 tax payments.

Through July 21, 2016, Tranzact's results of operations are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements. See **Note 17 — "Held for Sale and Discontinued Operations"**.

Sale of Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI for approximately \$2.6 billion. \$161.8 million of this amount was used to purchase certain assets to be retained by White Mountains out of Sirius Group, including shares of OneBeacon. The amount paid at closing was based on an estimate of Sirius Group's closing date tangible common shareholder's equity. During the third quarter of 2016, there was a final true-up to Sirius Group's tangible common shareholder's equity that resulted in a \$4.0 million reduction to the gain. During 2016, White Mountains recorded \$363.2 million of gain from sale of Sirius Group in discontinued operations and \$113.3 million in other comprehensive income from discontinued operations.

Through April 18, 2016, Sirius Group's results are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements.

The transactions to purchase the investments in OneBeacon and the other investments held by Sirius Group prior to the closing are presented in the statement of cash flows as net settlement of investment cash flows within discontinued operations. See **Note 17 — "Held for Sale and Discontinued Operations"**.

Symetra

On February 1, 2016, Symetra closed its merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life") and White Mountains received proceeds of \$658.0 million, or \$32.00 per common share. White Mountains also received a special dividend of \$0.50 per share as part of the transaction that was paid in the third quarter of 2015. See **Note 14 — "Investments in Unconsolidated Affiliates"**

OneBeacon Crop Business

On July 31, 2015, OneBeacon exited its multiple peril crop insurance ("MPCI") and its related crop-hail business (collectively, "Crop Business") as its exclusive managing general agency, Climate Crop Insurance Agency ("CCIA"), exited the business through a sale of the agency to an affiliate of AmTrust. As a result of the transaction, OneBeacon and CCIA agreed to an early termination of the existing five-year agreement. In connection with the termination of the agreement, OneBeacon received a payment of \$3.0 million. Also related to the transaction, OneBeacon withdrew its 2016 Plan of Operations, which previously authorized it to write MPCI for the 2016 Reinsurance Year, and affiliates of AmTrust agreed to reinsure the Company's remaining net Crop Business exposure for the 2015 Reinsurance Year under a related 100% quota share reinsurance agreement which, coupled with other transfer and assignment agreements as well as communications with policyholders and agents, had the effect of assumption reinsurance. As a result of this transaction, the Company has no material net exposure related to the Crop Business.

MediaAlpha

On March 14, 2014, White Mountains acquired 60.0% of the outstanding Class A common units of MediaAlpha. White Mountains paid an initial purchase price of \$28.1 million. The purchase price was subject to adjustment equal to 62.5% of the 2015 gross profit in excess of the 2013 gross profit. On February 26, 2016, White Mountains paid \$7.8 million in settlement of the final purchase adjustment. After adjustment for the estimated contingent purchase price adjustment, White Mountains recognized total assets acquired related to MediaAlpha of \$70.1 million, including \$18.3 million of goodwill and \$38.5 million of other intangible assets, and total liabilities assumed of \$10.0 million, reflecting acquisition date fair values.

On January 15, 2016, MediaAlpha acquired certain assets from Oversee.net for a purchase price of \$3.9 million. The majority of assets acquired, which are included in other intangible assets, consists of customer relationships, a customer contract, a non-compete agreement from the seller, domain names and technology.

Wobi

On February 19, 2014, White Mountains acquired 54% of the outstanding common shares of Wobi for NIS 14.4 million (approximately \$4.1 million based upon the foreign exchange spot rate at the date of acquisition). During 2014, in addition to the common shares, White Mountains also purchased NIS 31.5 million (approximately \$9.0 million based upon the foreign exchange spot rate at the dates of acquisition) of convertible preferred shares of Wobi. As of the acquisition date, White Mountains recognized total assets acquired related to Wobi of \$13.4 million, including \$5.5 million of goodwill and \$2.9 million of other intangible assets; and total liabilities assumed of \$0.7 million at their estimated acquisition date fair values.

During 2015, White Mountains purchased NIS 79.6 million (approximately \$20.7 million based upon the foreign exchange spot rate at the dates of acquisition) of convertible preferred shares of Wobi. In addition, during 2015 White Mountains also purchased NIS 11.8 million (approximately \$3.1 million based upon the foreign exchange spot rate at the date of acquisition) of common shares of Wobi.

On February 23, 2015, Wobi acquired 56.2% of the outstanding share capital of Tnuva Finansit Ltd. (“Cashboard”) for NIS 9.5 million (approximately \$2.4 million). The acquisition of Cashboard accelerated Wobi’s development of its pension products comparison service. As of the acquisition date, Wobi recognized total assets acquired of \$5.5 million, including \$0.3 million of goodwill and \$2.8 million of other intangible assets; and total liabilities assumed of \$1.2 million at their estimated acquisition date fair values. During 2015, Wobi purchased the remaining share capital of Cashboard for NIS 26.4 million (approximately \$6.5 million).

During 2016, White Mountains purchased NIS 35.9 million (approximately \$9.6 million based upon the foreign exchange spot rates at the dates of acquisitions) of convertible preferred shares of Wobi. As of both March 31, 2017 and December 31, 2016, White Mountains’s ownership share was 95.0% .

Note 3. Loss and Loss Adjustment Expense Reserves

The following table summarizes the loss and loss adjustment expense (“LAE”) reserve activities of White Mountains’s insurance and reinsurance subsidiaries for the three months ended March 31, 2017 and 2016:

Millions	Three Months Ended	
	March 31,	
	2017	2016
Gross beginning balance	\$ 1,365.6	\$ 1,389.8
Less beginning reinsurance recoverable on unpaid losses	(172.9)	(186.0)
Net loss and LAE reserves	1,192.7	1,203.8
Add: SSIE reserves held for sale at beginning of the period ⁽¹⁾	4.7	5.5
Loss and LAE incurred relating to:		
Current year losses	151.7	161.2
Prior year losses	—	(.1)
Total incurred losses and LAE	151.7	161.1
Loss and LAE paid relating to:		
Current year losses	(21.5)	(23.1)
Prior year losses	(129.1)	(148.6)
Total loss and LAE payments	(150.6)	(171.7)
Less: Deconsolidation of SSIE ⁽¹⁾	4.4	—
Less: SSIE reserves held for sale at end of the period ⁽¹⁾	—	5.3
Net ending balance	1,194.1	1,193.4
Plus ending reinsurance recoverable on unpaid losses	174.7	150.4
Gross ending balance	\$ 1,368.8	\$ 1,343.8

⁽¹⁾Resulting from the sale of Star & Shield in the first quarter of 2017, SSIE is no longer consolidated. See Note 17 — “Held for Sale and Discontinued Operations”.

Loss and LAE incurred relating to prior year losses for the three months ended March 31, 2017

For the three months ended March 31, 2017, White Mountains did not experience any net loss reserve development on prior accident year reserves, as unfavorable reserve development at OneBeacon, primarily in Healthcare due to an adverse settlement on a single claim was offset by favorable reserve development driven by Technology, Accident & Health and Entertainment resulting from favorable loss experience.

Loss and LAE incurred relating to prior year losses for the three months ended March 31, 2016

For the three months ended March 31, 2016, White Mountains experienced net favorable loss reserve development of \$0.1 million. For the three months ended March 31, 2016, OneBeacon did not experience any net loss reserve development on prior accident year reserves, as favorable development from several businesses, including Technology and Accident, was offset by unfavorable development primarily in Healthcare. For the three months ended March 31, 2016, SSIE had net favorable loss reserve development of \$0.1 million.

Note 4. Third Party Reinsurance

In the normal course of business, White Mountains's insurance 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 March 31, 2017, OneBeacon had \$3.4 million and \$174.7 million of reinsurance recoverables on paid and unpaid losses. At December 31, 2016, OneBeacon had \$6.6 million and \$172.9 million of reinsurance recoverables on paid and 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 and ratings of its reinsurers on an ongoing basis. Uncollectible amounts related to the ongoing specialty business historically have not been significant.

Effective May 1, 2017, OneBeacon renewed its property catastrophe reinsurance program through April 30, 2018. 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, with 100.0% of the next \$110.0 million of losses resulting from the catastrophe being reinsured. Any part of a catastrophe loss in excess of \$130.0 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.

Note 5. Investments Securities

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

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

Realized investment gains (losses) resulting from sales of investment securities are accounted for using the specific identification method. Premiums and discounts on all fixed maturity investments are amortized or accreted to income over the anticipated life of the investment. Short-term investments consist of interest-bearing money market funds, 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 March 31, 2017 and December 31, 2016.

Other long-term investments consist primarily of hedge funds, private equity funds, unconsolidated private capital investments and the OneBeacon Surplus Notes.

Net Investment Income

White Mountains's net investment income is comprised primarily of interest income associated with White Mountains's fixed maturity investments and short-term investments and dividend income from its common equity securities and other long-term investments. Pre-tax net investment income for the three months ended March 31, 2017 and 2016 consisted of the following:

Millions	Three Months Ended	
	March 31,	
	2017	2016
Investment income:		
Fixed maturity investments	\$ 24.5	\$ 14.5
Short-term investments	.3	.2
Common equity securities	2.1	1.2
Other long-term investments	(.1)	2.8
Total investment income	26.8	18.7
Third-party investment expenses	(.7)	(.8)
Net investment income, pre-tax	\$ 26.1	\$ 17.9

Net Realized and Unrealized Investment Gains (Losses)

Net realized and unrealized investment gains (losses) consisted of the following:

Millions	Three Months Ended	
	March 31,	
	2017	2016
Net realized investment gains, pre-tax	\$ 1.1	\$ 256.8
Net unrealized investment gains (losses), pre-tax	50.2	(227.3)
Net realized and unrealized investment gains, pre-tax	51.3	29.5
Income tax expense attributable to net realized and unrealized investment gains	(7.2)	(8.5)
Net realized and unrealized investment gains, after tax	\$ 44.1	\$ 21.0

Net realized investment gains (losses)

Net realized investment gains (losses) for the three months ended March 31, 2017 and 2016 consisted of the following:

Millions	Three Months Ended			Three Months Ended		
	March 31, 2017			March 31, 2016		
	Net realized (losses) gains	Net foreign currency gains	Total net realized (losses) gains reflected in earnings	Net realized (losses) gains	Net foreign currency gains (losses)	Total net realized (losses) gains reflected in earnings
Fixed maturity investments	\$ (2.2)	\$.1	\$ (2.1)	\$ (1.1)	\$ —	\$ (1.1)
Common equity securities	1.2	.1	1.3	257.6	—	257.6
Other long-term investments	1.9	—	1.9	.3	—	.3
Net realized investment gains, pre-tax	.9	.2	1.1	256.8	—	256.8
Income tax expense attributable to net realized investment gains	(.7)	—	(.7)	(42.9)	—	(42.9)
Net realized investment gains, after tax	\$.2	\$.2	\$.4	\$ 213.9	\$ —	\$ 213.9

Net unrealized investment gains (losses)

The following table summarizes net unrealized investment gains (losses) and changes in the carrying value of investments measured at fair value:

Millions	Three Months Ended			Three Months Ended		
	March 31, 2017			March 31, 2016		
	Net unrealized gains	Net foreign currency gains (losses)	Total net unrealized gains reflected in earnings	Net unrealized gains (losses)	Net foreign currency gains	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	\$ 17.5	\$ 1.7	\$ 19.2	\$ 21.7	\$ —	\$ 21.7
Common equity securities	29.1	.5	29.6	(249.8)	2.4	(247.4)
Other long-term investments	4.2	.2	4.4	(2.0)	.4	(1.6)
Forward contracts	—	(3.0)	(3.0)	—	—	—
Net unrealized investment gains (losses), pre-tax	50.8	(.6)	50.2	(230.1)	2.8	(227.3)
Income tax (expense) benefit attributable to net unrealized investment gains (losses)	(6.5)	—	(6.5)	34.4	—	34.4
Net unrealized investment gains (losses), after tax	\$ 44.3	\$ (.6)	\$ 43.7	\$ (195.7)	\$ 2.8	\$ (192.9)

The following table summarizes the amount of total gains (losses) included in earnings attributable to unrealized investment gains (losses) for Level 3 investments for the three months ended March 31, 2017 and 2016:

Millions	Three Months Ended	
	March 31,	
	2017	2016
Fixed maturity investments	\$.2	\$.5
Other long-term investments	(1.9)	1.1
Total unrealized investment (losses) gains, pre-tax - Level 3 investments	\$ (1.7)	\$ 1.6

Investment Holdings

The cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains (losses), and carrying values of White Mountains's fixed maturity investments as of March 31, 2017 and December 31, 2016 were as follows:

Millions	March 31, 2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
U.S. Government and agency obligations	\$ 110.7	\$ —	\$ (.4)	\$ —	\$ 110.3
Debt securities issued by corporations	1,680.2	10.5	(7.6)	3.7	1,686.8
Municipal obligations	328.9	2.8	(1.4)	—	330.3
Mortgage and asset-backed securities	2,020.0	5.1	(8.7)	—	2,016.4
Foreign government, agency and provincial obligations	17.3	.4	—	.2	17.9
Preferred stocks	8.3	5.4	—	—	13.7
Total fixed maturity investments	\$ 4,165.4	\$ 24.2	\$ (18.1)	\$ 3.9	\$ 4,175.4

Millions	December 31, 2016				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
U.S. Government and agency obligations	\$ 281.7	\$.1	\$ (3.5)	\$ —	\$ 278.3
Debt securities issued by corporations	1,512.6	8.4	(13.7)	2.1	1,509.4
Municipal obligations	308.8	1.9	(1.7)	—	309.0
Mortgage and asset-backed securities	2,141.7	2.6	(11.4)	—	2,132.9
Foreign government, agency and provincial obligations	12.9	.3	—	—	13.2
Preferred stocks	8.3	5.7	—	—	14.0
Total fixed maturity investments	<u>\$ 4,266.0</u>	<u>\$ 19.0</u>	<u>\$ (30.3)</u>	<u>\$ 2.1</u>	<u>\$ 4,256.8</u>
Less: fixed maturity investments reclassified to assets held for sale related to SSIE					(6.6)
Total fixed maturity investments					<u>\$ 4,250.2</u>

The cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains (losses), and carrying values of White Mountains's common equity securities and other long-term investments as of March 31, 2017 and December 31, 2016 were as follows:

Millions	March 31, 2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	\$ 537.9	\$ 65.0	\$ (2.4)	\$.5	\$ 601.0
Other long-term investments	\$ 321.9	\$ 39.7	\$ (23.3)	\$ (6.6)	\$ 331.7

Millions	December 31, 2016				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency (losses)	Carrying value
Common equity securities	\$ 440.8	\$ 35.9	\$ (2.4)	\$ —	\$ 474.3
Other long-term investments	\$ 314.9	\$ 40.3	\$ (28.0)	\$ (3.9)	\$ 323.3

Other Long-term Investments

Other long-term investments consist of the following as of March 31, 2017 and December 31, 2016:

Millions	Carrying Value at	
	March 31, 2017	December 31, 2016
Hedge funds and private equity funds, at fair value	\$ 147.2	\$ 131.0
Private equity securities and limited liability companies, at fair value ⁽¹⁾	72.4	72.0
OneBeacon Surplus Notes, at fair value ⁽¹⁾	69.6	71.9
Private convertible preferred securities, at fair value ⁽¹⁾	30.7	30.6
Tax advantaged federal affordable housing development fund ⁽³⁾	11.7	12.3
Partnership investments accounted for under the equity method	3.0	3.5
Forward Contracts	(4.2)	(1.2)
Other	1.3	3.2
Total other-long term investments	<u>\$ 331.7</u>	<u>\$ 323.3</u>

⁽¹⁾ See *Fair Value Measurements by Level* table.

⁽²⁾ White Mountains holds a 20% ownership interest in OneTitle Holdings LLC ("OTH") and has provided a \$10.0 million surplus note facility under which OTH's wholly-owned insurance subsidiary, OneTitle National Guaranty Company, Inc. may, under certain circumstances, draw funds. At March 31, 2017, no funds had been drawn on the surplus note facility.

⁽³⁾ Fund accounted for using the proportional amortization method.

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 are generally estimated using the net asset value (“NAV”) of the funds. As of March 31, 2017, White Mountains held investments in 5 hedge funds and 20 private equity funds. The largest investment in a single fund was \$54.2 million as of March 31, 2017 and \$36.5 million as of December 31, 2016. The following table summarizes investments in hedge funds and private equity funds by investment objective and sector as of March 31, 2017 and December 31, 2016:

Millions	March 31, 2017		December 31, 2016	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Hedge funds				
Long/short banks and financials	\$ 54.2	\$ —	\$ 36.5	\$ —
Long/short equity REIT	19.7	—	19.9	—
Other	2.2	—	3.4	—
Total hedge funds	76.1	—	59.8	—
Private equity funds				
Aerospace/Defense/Government	24.4	23.6	19.4	25.9
Manufacturing/Industrial	18.8	22.2	15.9	22.4
Multi-sector	11.0	2.0	11.4	2.0
Direct lending/Mezzanine debt	5.5	32.0	1.8	35.7
Healthcare	3.4	.4	3.5	.4
Energy infrastructure & services	2.8	3.0	14.1	3.2
Private equity secondaries	2.5	2.1	3.0	2.1
Financial Services	1.5	4.5	1.0	5.0
Insurance	.9	41.3	.8	41.3
Real estate	.3	.1	.3	.1
Total private equity funds	71.1	131.2	71.2	138.1
Total hedge funds and private equity funds included in other long-term investments	\$ 147.2	\$ 131.2	\$ 131.0	\$ 138.1

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. As of March 31, 2017, one hedge fund with a fair value of \$38.3 million was subject to a lock-up period that expires on September 1, 2018.

The following summarizes the March 31, 2017 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	
Monthly	\$ —	\$ —	\$ —	\$ —
Quarterly	15.9	—	—	15.9
Semi-annual	38.3	19.7	—	58.0
Annual	—	—	2.2	2.2
Total	\$ 54.2	\$ 19.7	\$ 2.2	\$ 76.1

Certain of White Mountains’s investments in hedge funds 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. As of March 31, 2017, the hedge funds in liquidation had no value. The actual amount of any final distribution remittances remain subject to market fluctuations. The date at which such remittances, if any, will be received is not determinable as of March 31, 2017.

White Mountains has also submitted redemption requests for certain of its investments in active hedge funds. As of March 31, 2017, redemptions of \$2.2 million are outstanding that would be subject to market fluctuations. The date at which such redemptions will be received is not determinable as of March 31, 2017. 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.

As of March 31, 2017, 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	\$18.4	\$23.3	\$22.2	\$7.2	\$71.1

OneBeacon Surplus Notes

In the fourth quarter of 2014, in conjunction with OneBeacon's sale of its runoff business to an affiliate of Armour Group Holdings Limited (the "OneBeacon Runoff Transaction"), OneBeacon provided financing in the form of the OneBeacon Surplus Notes with a par value of \$101.0 million, which had a fair value of \$69.6 million and \$71.9 million as of March 31, 2017 and December 31, 2016. Subsequent to closing, the OneBeacon Surplus Notes are included in OneBeacon's investment portfolio, classified within other long-term investments.

The internal valuation model used to estimate the fair value of the OneBeacon Surplus Notes is based on discounted expected cash flows using information as of the measurement date. The estimated fair value of the surplus notes is sensitive to changes in public debt credit spreads, as well as changes in estimates with respect to other variables including a discount to reflect the private nature of the notes (and the related lack of liquidity), the credit quality of the notes, based on the financial performance of the Issuer relative to expectations, and the timing, amount, and likelihood of interest and principal payments on the notes, which are subject to regulatory approval and therefore may vary from the contractual terms. For the purposes of estimating fair value, OneBeacon has assumed that all accrued but unpaid interest on the seller priority note since the date of issuance is paid in 2020, with regular annual interest payments on both the seller priority note and the pari passu note beginning in 2021, all accrued but unpaid interest on the pari passu note since the date of issuance is paid in 2025 and principal repayments begin on a graduated basis in 2030 for the seller priority note and 2035 for the pari passu note. Although these variables involve considerable judgment, OneBeacon does not currently expect any resulting changes in the estimated value of the surplus notes to be material to its financial position. An interest payment of \$2.4 million was received in the three months ended March 31, 2016.

Below is a table illustrating the valuation adjustments taken to arrive at estimated fair value of the OneBeacon Surplus Notes as of March 31, 2017 and December 31, 2016:

Millions	Type of Surplus Note		Total as of March 31, 2017	Total as of December 31, 2016
	Seller Priority	Pari Passu		
Par Value	\$ 57.9	\$ 43.1	\$ 101.0	\$ 101.0
Fair value adjustments to reflect:				
Current market rates on public debt and contract-based repayments ⁽¹⁾	7.2	1.8	9.0	5.1
Regulatory approval ⁽²⁾	2.9	(13.2)	(10.3)	(15.6)
Liquidity adjustment ⁽³⁾	(19.9)	(10.2)	(30.1)	(18.6)
Total adjustments	(9.8)	(21.6)	(31.4)	(29.1)
Fair value ⁽⁴⁾	\$ 48.1	\$ 21.5	\$ 69.6	\$ 71.9

⁽¹⁾ Represents the value of the surplus notes, at current market yields on comparable publicly traded debt, and assuming issuer is allowed to make principal and interest payments when its financial capacity is available, as measured by statutory capital in excess of a 250% RBC score under the National Association of Insurance Commissioners' risk-based capital standards for property and casualty companies. The favorable year-to-date change in impact is due principally to the narrowing of non-investment grade credit spreads as well as the time value of money benefit from moving three months closer to modeled cash receipts.

⁽²⁾ Represents anticipated delay in securing regulatory approvals of interest and principal payments to reflect graduated changes in Issuer's statutory surplus. The monetary impact of the anticipated delay is measured based on credit spreads of public securities with roughly equivalent percentages of discounted payments missed. The favorable year-to-date change in impact is driven primarily by the narrowing of non-investment grade credit spreads, which causes negative valuation impact from the anticipated delay in securing regulatory approval to be lower.

⁽³⁾ Represents impact of liquidity spread to account for OneBeacon's sole ownership of the notes, lack of a trading market, and unique nature of the ongoing regulatory approval process. The unfavorable year-to-date change in impact is due largely to an increase in the assumed liquidity spread to 400 basis points at March 31, 2017 from 250 basis points at December 31, 2016.

⁽⁴⁾ The decrease in the fair value of the surplus notes during the three months ended March 31, 2017 was driven primarily by an increase in the assumed liquidity spread, partially offset by the narrowing of non-investment grade credit spreads as well as the time value of money benefit generated by moving three months closer to modeled cash receipts.

Fair value measurements as of March 31, 2017

Fair value measurements are categorized into a hierarchy that distinguishes between inputs based on market data from independent sources (“observable inputs”) and a reporting entity’s internal assumptions based upon the best information available when external market data is limited or unavailable (“unobservable inputs”). Quoted prices in active markets for identical assets or liabilities have the highest priority (“Level 1”), followed by observable inputs other than quoted prices, including prices for similar but not identical assets or liabilities (“Level 2”) and unobservable inputs, including the reporting entity’s estimates of the assumptions that market participants would use, having the lowest priority (“Level 3”). As of March 31, 2017 and December 31, 2016, White Mountains used quoted market prices or other observable inputs to determine fair value for approximately 93% and 94% of its investment portfolio. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, short-term investments, which include U.S. Treasury Bills and common equity securities. Investments valued using Level 2 inputs are primarily comprised of fixed maturity investments, which have been disaggregated into classes, including debt securities issued by corporations, municipal obligations, mortgage and asset-backed securities, foreign government, agency and provincial obligations and preferred stocks. Investments valued using Level 2 inputs also include certain passive exchange traded funds (“ETFs”) that track U.S. stock indices such as the S&P 500 but are traded on foreign exchanges and that management values using the fund manager’s published NAV to account for the difference in market close times. 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’s investments in the OneBeacon Surplus Notes, as well as certain investments in fixed maturity investments, common equity securities and other long-term investments where quoted market prices are unavailable or are not considered reasonable. Transfers between levels are based on investments held as of the beginning of the period.

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

White Mountains’s process to assess the reasonableness of the market prices obtained from the outside pricing sources covers substantially all of its fixed maturity investments and includes, but is not limited to, the evaluation of pricing methodologies and a review of the pricing services’ quality control processes and procedures on at least an annual basis, a comparison of its invested asset prices obtained from alternate independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices and a review of the underlying assumptions utilized by the pricing services for select measurements on an ad hoc basis throughout the year. White Mountains also performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price on an ad-hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and \$1.0 million from the expected price based on these assessment procedures are considered outliers. Also considered outliers are prices that have not changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of White Mountains’s review process does not appear to support the market price provided by the pricing services, White Mountains challenges the vendor provided price. If White Mountains cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question.

The valuation process described above is generally applicable to all of White Mountains's fixed maturity investments. The techniques and inputs specific to asset classes within White Mountains's fixed maturity investments for Level 2 securities that use observable inputs are as follows:

Debt securities issued by corporations: The fair value of debt securities issued by corporations is determined from a pricing evaluation technique that uses information from market sources and integrates relative credit information, observed market movements, and sector news. Key inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features and market research publications.

Mortgage and asset-backed securities: The fair value of mortgage and asset-backed securities is determined from a pricing evaluation technique that uses information from market sources and leveraging similar securities. Key inputs include benchmark yields, reported trades, underlying tranche cash flow data, collateral performance, plus new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including issuer, vintage, loan type, collateral attributes, prepayment speeds, default rates, recovery rates, cash flow stress testing, credit quality ratings and market research publications.

Municipal obligations: The fair value of municipal obligations is determined from a pricing evaluation technique that uses information from market makers, brokers-dealers, buy-side firms, and analysts along with general market information. Key inputs include benchmark yields, reported trades, issuer financial statements, material event notices and new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including type, coupon, credit quality ratings, duration, credit enhancements, geographic location and market research publications.

Foreign government, agency and provincial obligations: The fair value of foreign government, agency and provincial obligations is determined from a pricing evaluation technique that uses feeds from data sources in each respective country, including active market makers and inter-dealer brokers. Key inputs include benchmark yields, reported trades, broker-dealer quotes, two-sided markets, benchmark securities, bids, offers, local exchange prices, foreign exchange rates and reference data including coupon, credit quality ratings, duration and market research publications.

Preferred stocks: The fair value of preferred stocks is determined from a pricing evaluation technique that calculates the appropriate spread over a comparable security for each issue. Key inputs include exchange prices (underlying and common stock of same issuer), benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features and market research publications.

Level 3 valuations are generated from techniques that use assumptions not observable in the market. These unobservable assumptions reflect White Mountains's assumptions that market participants would use in valuing the investment. Generally, certain securities may start out as Level 3 when they are originally issued but as observable inputs become available in the market, they may be reclassified to Level 2.

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 periodic and audited annual financial statements of hedge funds and private equity funds and discussing each fund's pricing with the fund manager throughout the year. However, since the fund managers do not provide sufficient information to evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable. The fair value of White Mountains's investments in hedge funds and private equity funds has generally been determined using the fund manager's NAV. In the event White Mountains believes that its estimate of NAV of a hedge fund or private equity fund differs from that reported by the fund manager due to illiquidity or other factors, White Mountains will adjust the reported NAV to more appropriately represent the fair value of its interest in the hedge fund or private equity fund investment. As of March 31, 2017 and December 31, 2016, White Mountains recorded negative adjustments of \$1.0 million and \$5.0 million to the reported NAV of certain investments in hedge funds and private equity funds.

Fair Value Measurements by Level

The following tables summarize White Mountains's fair value measurements for investments as of March 31, 2017 and December 31, 2016 by level. The major security types were based on the legal form of the securities. White Mountains has disaggregated its fixed maturity investments based on the issuing entity type, which impacts credit quality, with debt securities issued by U.S. government entities carrying minimal credit risk, while the credit and other risks associated with other issuers, such as corporations, foreign governments, municipalities or entities issuing mortgage and asset-backed securities vary depending on the nature of the issuing entity type. White Mountains further disaggregates debt securities issued by corporations and common equity securities by industry sector because investors often reference commonly used benchmarks and their subsectors to monitor risk and performance. Accordingly, White Mountains has further disaggregated these asset classes into subclasses based on the similar sectors and industry classifications it uses to evaluate investment risk and performance against commonly used benchmarks, such as the Bloomberg Barclays U.S. Intermediate Aggregate and S&P 500 indices. The fair value measurements for derivative assets associated with White Mountains's variable annuity business are presented in **Note 9**.

Millions	March 31, 2017			
	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	\$ 110.3	\$ 100.8	\$ 9.5	\$ —
Debt securities issued by corporations:				
Consumer	362.9	—	362.9	—
Financials	263.3	—	263.3	—
Health Care	248.4	—	248.4	—
Utilities	229.3	—	229.3	—
Industrial	174.5	—	174.5	—
Communications	135.9	—	135.9	—
Technology	118.1	—	118.1	—
Materials	101.9	—	101.9	—
Energy	52.5	—	52.5	—
Total debt securities issued by corporations	1,686.8	—	1,686.8	—
Mortgage and asset-backed securities	2,016.4	—	1,958.1	58.3
Municipal obligations	330.3	—	330.3	—
Foreign government, agency and provincial obligations	17.9	.6	17.3	—
Preferred stocks	13.7	—	13.7	—
Total fixed maturity investments	4,175.4	101.4	4,015.7	58.3
Short-term investments ⁽⁴⁾	230.9	227.9	3.0	—
Common equity securities:				
Exchange traded funds ⁽¹⁾	384.8	330.6	54.2	—
Consumer	32.2	32.2	—	—
Health Care	27.1	27.1	—	—
Financials	18.2	18.2	—	—
Technology	16.1	16.1	—	—
Communications	13.9	13.9	—	—
Industrial	9.0	9.0	—	—
Energy	7.7	7.7	—	—
Materials	5.1	5.1	—	—
Utilities	1.0	1.0	—	—
Other	85.9	—	85.9	—
Total common equity securities	601.0	460.9	140.1	—
Other long-term investments ⁽²⁾⁽³⁾	174.0	—	—	174.0
Total investments	\$ 5,181.3	\$ 790.2	\$ 4,158.8	\$ 232.3

⁽¹⁾ ETFs traded on foreign exchanges are priced using the fund's published NAV to account for the difference in market close times and are therefore designated a level 2 measurement.

⁽²⁾ Excludes carrying value of \$3.0 associated with other long-term investment limited partnerships accounted for using the equity method and \$(4.2) related to foreign currency forward contracts.

Excludes carrying value of \$11.7 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

⁽³⁾ Excludes carrying value of \$147.2 associated with hedge funds and private equity funds for which fair value is measured at NAV using the practical expedient.

⁽⁴⁾ Short-term investments are measured at amortized cost, which approximates fair value.

Millions	December 31, 2016			
	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	\$ 278.3	\$ 268.8	\$ 9.5	\$ —
Debt securities issued by corporations:				
Consumer	385.6	—	385.6	—
Health Care	244.2	—	244.2	—
Utilities	180.3	—	180.3	—
Financials	176.0	—	176.0	—
Industrial	146.4	—	146.4	—
Communications	131.4	—	131.4	—
Materials	102.6	—	102.6	—
Technology	89.4	—	89.4	—
Energy	53.5	—	53.5	—
Total debt securities issued by corporations	1,509.4	—	1,509.4	—
Mortgage and asset-backed securities	2,132.9	—	2,132.9	—
Municipal obligations	309.0	—	309.0	—
Foreign government, agency and provincial obligations	13.2	.6	12.6	—
Preferred stocks	14.0	—	14.0	—
Total fixed maturity investments ⁽⁴⁾	4,256.8	269.4	3,987.4	—
Short-term investments ⁽⁴⁾⁽⁵⁾	287.1	274.4	12.7	—
Common equity securities:				
Exchange traded funds ⁽¹⁾	321.6	270.4	51.2	—
Health Care	20.9	20.9	—	—
Consumer	12.9	12.9	—	—
Financials	11.6	11.6	—	—
Technology	11.0	11.0	—	—
Communications	10.5	10.5	—	—
Energy	3.7	3.7	—	—
Industrial	2.2	2.2	—	—
Other	79.9	—	79.9	—
Total common equity securities	474.3	343.2	131.1	—
Other long-term investments ⁽²⁾⁽³⁾	177.7	—	—	177.7
Total investments ⁽⁴⁾	\$ 5,195.9	\$ 887.0	\$ 4,131.2	\$ 177.7

⁽¹⁾ ETFs traded on foreign exchanges are priced using the fund's published NAV to account for the difference in market close times and are therefore designated a level 2 measurement.

⁽²⁾ Excludes carrying value of \$3.5 associated with other long-term investment limited partnerships accounted for using the equity method and \$(1.2) related to foreign currency forward contracts.

Excludes carrying value of \$12.3 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

⁽³⁾ Excludes carrying value of \$131.0 associated with hedge funds and private equity funds for which fair value is measured at NAV using the practical expedient.

⁽⁴⁾ Includes carrying value of \$6.6 in fixed maturity investments and \$0.1 in short-term investments that are classified as assets held for sale related to SSIE.

⁽⁵⁾ Short-term investments are measured at amortized cost, which approximates fair value.

Debt securities issued by corporations

The following table summarizes the ratings of debt securities issued by corporations held in White Mountains's investment portfolio as of March 31, 2017 and December 31, 2016:

Millions	Fair Value at	
	March 31, 2017	December 31, 2016
AA	93.1	100.9
A	484.7	381.9
BBB	846.5	786.5
BB	240.2	214.0
B	22.3	26.1
Debt securities issued by corporations ⁽¹⁾	\$ 1,686.8	\$ 1,509.4

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

Mortgage and Asset-backed Securities

White Mountains purchases commercial mortgage-backed securities ("CMBS") and residential mortgage-backed securities ("RMBS") with the goal of maximizing risk adjusted returns in the context of a diversified portfolio. 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 did not hold any RMBS categorized as sub-prime as of March 31, 2017.

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's review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. As of March 31, 2017, White Mountains did not hold any RMBS classified as non-prime. White Mountains's non-agency RMBS portfolio is generally moderate-term and structurally senior. White Mountains does not own any collateralized loan obligations. White Mountains does not own any collateralized debt obligations, with the exception of \$33.9 million of non-agency RMBS resecuritization tranches, each a senior tranche in its own right and each collateralized by a single earlier vintage Super Senior or Senior non-agency RMBS.

The following table summarizes the carrying value of White Mountains's mortgage and asset-backed securities as of March 31, 2017 and December 31, 2016:

Millions	March 31, 2017			December 31, 2016		
	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
Mortgage-backed securities:						
Agency:						
GNMA	\$ 249.0	\$ 249.0	\$ —	\$ 283.9	\$ 283.9	\$ —
FNMA	270.1	270.1	—	278.3	278.3	—
FHLMC	86.1	86.1	—	89.8	89.8	—
Total Agency ⁽¹⁾	605.2	605.2	—	652.0	652.0	—
Non-agency:						
Residential	309.9	251.6	58.3	205.3	205.3	—
Commercial	126.9	126.9	—	127.5	127.5	—
Total Non-agency	436.8	378.5	58.3	332.8	332.8	—
Total mortgage-backed securities	1,042.0	983.7	58.3	984.8	984.8	—
Other asset-backed securities:						
Credit card receivables	383.0	383.0	—	438.3	438.3	—
Vehicle receivables	353.0	353.0	—	479.5	479.5	—
Other	238.4	238.4	—	230.3	230.3	—
Total other asset-backed securities	974.4	974.4	—	1,148.1	1,148.1	—
Total mortgage and asset-backed securities	\$ 2,016.4	\$ 1,958.1	\$ 58.3	\$ 2,132.9	\$ 2,132.9	\$ —

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

Non-agency Mortgage-backed Securities

The security issuance years of White Mountains's investments in non-agency RMBS and non-agency CMBS securities as of March 31, 2017 are as follows:

Millions	Fair Value	Security Issuance Year											
		2004	2005	2006	2008	2010	2011	2012	2013	2014	2015	2016	2017
Non-agency RMBS	\$ 309.9	\$ 18.1	\$ 5.3	\$ 2.8	\$ 2.4	\$ 6.0	\$ 8.4	\$ 4.2	\$ 19.8	\$ 49.4	\$ 104.2	\$ 34.5	\$ 54.8
Non-agency CMBS	126.9	—	—	—	—	4.1	—	18.1	11.5	23.4	44.2	25.6	—
Total	\$ 436.8	\$ 18.1	\$ 5.3	\$ 2.8	\$ 2.4	\$ 10.1	\$ 8.4	\$ 22.3	\$ 31.3	\$ 72.8	\$ 148.4	\$ 60.1	\$ 54.8

Non-agency Residential Mortgage-backed Securities

The classification of the underlying collateral quality and the tranche levels of White Mountains's non-agency RMBS securities are as follows as of March 31, 2017:

Millions	Fair Value	Super Senior ⁽¹⁾	Senior ⁽²⁾	Subordinate ⁽³⁾
Prime	\$ 309.9	\$ 104.9	\$ 205.0	\$ —
Non-prime	—	—	—	—
Sub-prime	—	—	—	—
Total	\$ 309.9	\$ 104.9	\$ 205.0	\$ —

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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

White Mountains's non-agency CMBS portfolio is generally short-term and structurally senior, with more than 25 points of subordination on average for both fixed rate and floating rate as of March 31, 2017. In general, subordination represents the percentage principal loss on the underlying collateral that would have to be absorbed by other securities lower in the capital structure before the more senior security incurs a loss. As of March 31, 2017, none of the underlying loans of the non-agency CMBS held by White Mountains were reported as non-performing.

The amount of fixed and floating rate securities and their tranche levels of White Mountains's non-agency CMBS securities are as follows as of March 31, 2017:

Millions	Fair Value	Super Senior ⁽¹⁾	Senior ⁽²⁾	Subordinate ⁽³⁾
Fixed rate CMBS	\$ 115.2	\$ 1.6	\$ 70.1	\$ 43.5
Floating rate CMBS	11.7	—	—	11.7
Total	\$ 126.9	\$ 1.6	\$ 70.1	\$ 55.2

⁽¹⁾ 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 Ratings ("Fitch") and were senior to other "AAA" or "Aaa" bonds.

⁽²⁾ 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.

⁽³⁾ 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, and other long-term investments as of March 31, 2017 and 2016 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's fair value measurements by level for the three months ended March 31, 2017 and 2016:

Millions	Level 3 Investments					Hedge Funds and Private Equity Funds measured at NAV ⁽³⁾	Total
	Level 1 investments	Level 2 investments	Fixed maturity investments	Common equity securities	Other long-term investments		
Balance at January 1, 2017	\$ 612.5	\$ 4,118.5	\$ —	\$ —	\$ 177.7	\$ 131.0	\$ 5,039.7 ⁽¹⁾⁽²⁾⁽⁴⁾
Total realized and unrealized gains (losses)	22.4	25.5	.2	—	(1.9)	8.2	54.4
Amortization/Accretion	—	(6.5)	—	—	—	—	(6.5)
Purchases	124.5	890.4	58.1	—	.2	22.1	1,095.3
Sales	(197.1)	(866.9)	—	—	(2.0)	(14.1)	(1,080.1)
Deconsolidation of SSIE	—	(5.2)	—	—	—	—	(5.2)
Transfers in	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—
Balance at March 31, 2017	\$ 562.3	\$ 4,155.8	\$ 58.3	\$ —	\$ 174.0	\$ 147.2	\$ 5,097.6 ⁽¹⁾⁽²⁾

⁽¹⁾ Excludes carrying value of \$3.5 and \$3.0 at January 1, 2017 and March 31, 2017 associated with other long-term investments accounted for using the equity method and \$(1.2) and \$(4.2) related to foreign currency forward contracts. Excludes carrying value of \$12.3 and \$11.7 at January 1, 2017 and March 31, 2017 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

⁽²⁾ Excludes carrying value of \$287.1 and \$230.9 at January 1, 2017 and March 31, 2017 associated with short-term investments, of which \$0.1 is classified as held for sale at January 1, 2017.

⁽³⁾ Investments for which fair value is measured at NAV using the practical expedient are no longer classified within the fair value hierarchy. See **Note 1 — “Summary of Significant Accounting Policies”**.

⁽⁴⁾ Includes carrying value of \$6.6 of fixed maturity investments at January 1, 2017 that is classified as assets held for sale related to SSIE.

Millions	Level 3 Investments					Hedge Funds and Private Equity Funds measured at NAV ⁽³⁾	Total
	Level 1 investments	Level 2 investments	Fixed maturity investments	Common equity securities	Other long-term investments		
Balance at January 1, 2016	\$ 1,152.2	\$ 2,531.4	\$ 70.0	\$ —	\$ 169.5	\$ 127.8	\$ 4,050.9 ⁽¹⁾⁽²⁾⁽⁴⁾
Total realized and unrealized gains (losses)	11.3	19.1	.5	—	1.1	(2.4)	29.6
Amortization/Accretion	—	(4.2)	—	—	—	—	(4.2)
Purchases	109.0	292.4	—	—	2.1	8.9	412.4
Sales	(852.9)	(272.6)	—	—	—	(3.0)	(1,128.5)
Transfers in	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—
Balance at March 31, 2016	\$ 419.6	\$ 2,566.1	\$ 70.5	\$ —	\$ 172.7	\$ 131.3	\$ 3,360.2 ⁽¹⁾⁽²⁾⁽⁴⁾

⁽¹⁾ Excludes carrying value of \$3.8 and \$3.7 at January 1, 2016 and March 31, 2016 associated with other long-term investment limited partnerships accounted for using the equity method. Excludes carrying value of \$14.7 and \$14.1 at January 1, 2016 and March 31, 2016 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

⁽²⁾ Excludes carrying value of \$211.3 million and \$261.7 million at January 1, 2016 and March 31, 2016 associated with short-term investments of which \$0.1 and \$0.3 is classified as held for sale at January 1, 2016 and March 31, 2016.

⁽³⁾ Investments for which fair value is measured at NAV using the practical expedient are no longer classified within the fair value hierarchy. See **Note 1 — “Summary of Significant Accounting Policies”**.

⁽⁴⁾ Includes carrying value of \$9.5 and \$9.4 of fixed maturity investments at January 1, 2016 and March 31, 2016 that is classified as assets held for sale related to SSIE.

Fair Value Measurements — transfers between levels - Three-month period ended March 31, 2017 and 2016

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

During the first three months of 2017 and the first three months of 2016, there were no fixed maturity investments classified as Level 3 measurements in the prior period that were transferred to Level 2 measurements.

Significant Unobservable Inputs

The following summarizes significant unobservable inputs used in estimating the fair value of investment securities, other than hedge funds and private equity funds, classified within Level 3 as of March 31, 2017 and December 31, 2016. The fair value of investments in hedge funds and private equity funds are generally estimated using the NAV of the funds.

Description	March 31, 2017				
	Rating ⁽⁶⁾	Valuation Technique(s)	Fair Value ⁽¹⁾	Unobservable Input	
Non-agency residential mortgage-backed securities	AAA	Broker pricing	\$58.3	Broker quote	102.56
Private equity security	NR	Share price of most recent transaction	\$21.0	Share price	- \$1.00
Private equity security	NR	Discounted cash flow	\$22.1	Discount rate	- 25.0%
Private equity security	NR	Share price of most recent transaction	\$3.4	Share price	- \$2.52
Private convertible preferred security	NR	Multiple of EBITDA	\$3.7	EBITDA multiple	- 6.00
Private convertible preferred security	NR	Share price of most recent transaction	\$27.0	Share price	- \$3.83
Community development tax incentive investment	NR	Member share of GAAP net equity	\$14.5	GAAP net equity	\$14.5
Private equity security	NR	Discounted cash flow/ Option pricing method	\$9.4	Discount rate	- 21.0%
				Time until expiration	- 4 years
				Volatility/Standard deviation	- 50.0%
				Risk free rate	- 1.00%
OneBeacon Surplus Notes:	NR				
- Seller priority		Discounted cash flow	\$48.1	Discount rate ⁽²⁾	- 10.6%
				Timing of interest payments ⁽⁴⁾	- 2020
				Timing of principal payments ⁽⁴⁾	- 2030
- Pari passu		Discounted cash flow	\$21.5	Discount rate ⁽³⁾	- 15.0%
				Timing of interest payments ⁽⁵⁾	- 2021
				Timing of principal payments ⁽⁵⁾	- 2035

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

⁽²⁾ Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the seller priority note is roughly equivalent to that of a conventional debt security with a credit rating of 'B'. The corresponding credit spread, increased to 400 bps as of March 31, 2017 from 250 bps as of December 31, 2016 to reflect an increase in the assumed liquidity spread for the seller priority note.

⁽³⁾ Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the pari passu note is roughly equivalent to that of a conventional debt security with a credit rating of 'CCC'. The corresponding credit spread, increased to 400 bps as of March 31, 2017 from 250 bps as of December 31, 2016 to reflect an increase in the assumed liquidity spread for the pari passu note.

⁽⁴⁾ As of March 31, 2017, OneBeacon has assumed for the purpose of estimating fair value that all accrued but unpaid interest on the seller priority note since the date of issuance is paid in 2020, with regular annual interest payments beginning thereafter. Principal repayments are assumed to begin on a graduated basis in 2030.

⁽⁵⁾ As of March 31, 2017, OneBeacon has assumed for the purpose of estimating fair value that regular annual interest payments on the pari passu note begin in 2021. All accrued but unpaid interest since the date of issuance is assumed to be paid in 2025. Principal repayments are assumed to begin on a graduated basis in 2035.

⁽⁶⁾ Credit ratings are assigned based on the following hierarchy: 1) Standard and Poor's and 2) Moody's.

Description	December 31, 2016		
	Valuation Technique(s)	Fair Value ⁽¹⁾	Unobservable Input
Private equity security	Share price of most recent transaction	\$21.0	Share price - \$1.00
Private equity security	Discounted cash flow	\$22.1	Discount rate - 25.0%
Private equity security	Share price of most recent transaction	\$3.2	Share price - \$2.52
Private convertible preferred security	Multiple of EBITDA	\$3.6	EBITDA multiple - 6.00
Private convertible preferred security	Share price of most recent transaction	\$27.0	Share price - \$3.83
Community development tax incentive investment	Member share of GAAP net equity	\$14.3	GAAP net equity \$14.3
Private equity security	Discounted cash flow/ Option pricing method	\$9.3	Discount rate - 21.0%
			Time until expiration - 4 years
			Volatility/Standard deviation - 50.0%
			Risk free rate - 1.00%
OneBeacon Surplus Notes:			
- Seller priority	Discounted cash flow	\$51.1	Discount rate ⁽²⁾ - 9.6%
			Timing of interest payments ⁽⁴⁾ - 2020
			Timing of principal payments ⁽⁴⁾ - 2030
- Pari passu	Discounted cash flow	\$20.8	Discount rate ⁽³⁾ - 15.0%
			Timing of interest payments ⁽⁵⁾ - 2021
			Timing of principal payments ⁽⁵⁾ - 2035

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

⁽²⁾ Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the seller priority note is roughly equivalent to that of a conventional debt security with a credit rating of 'B'. The corresponding credit spread increased by an additional 250 basis points to reflect both a liquidity discount for a private debt instrument and regulatory payment approval uncertainty, was added to the treasury rate to determine the discount rate for the seller priority note.

⁽³⁾ Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the pari passu note is roughly equivalent to that of a conventional debt security with a credit rating of 'CCC'. The corresponding credit spread increased by an additional 250 basis points to reflect both a liquidity discount for a private debt instrument and regulatory payment approval uncertainty, was added to the treasury rate to determine the discount rate for the pari passu note.

⁽⁴⁾ As of December 31, 2016, OneBeacon has assumed for the purpose of estimating fair value that all accrued but unpaid interest on the seller priority note since the date of issuance is paid in 2020, with regular annual interest payments beginning thereafter. Principal repayments are assumed to begin on a graduated basis in 2030.

⁽⁵⁾ As of December 31, 2016, OneBeacon has assumed for the purpose of estimating fair value that regular annual interest payments on the pari passu note begin in 2021. All accrued but unpaid interest since the date of issuance is assumed to be paid in 2025. Principal repayments are assumed to begin on a graduated basis in 2035.

Note 6. Goodwill and Other Intangible Assets

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

On January 15, 2016, MediaAlpha acquired certain assets from Oversee.net for a purchase price of \$3.9 million. The majority of assets acquired, which are included in other intangible assets, consists of customer relationships, a customer contract, a non-compete agreement from the seller, domain names and technology.

The following table shows the change in goodwill and other intangible assets:

Millions	Three Months Ended March 31,					
	2017			2016		
	Goodwill	Other intangible assets	Total	Goodwill	Other intangible assets	Total
Beginning balance	\$ 31.7	\$ 24.2	\$ 55.9	\$ 24.1	\$ 31.3	\$ 55.4
Add: Amounts held for sale at beginning of the period ⁽¹⁾	—	—	—	—	.4	.4
Acquisition of businesses	—	—	—	—	3.9	3.9
Amortization, including foreign currency translation	—	(2.9)	(2.9)	—	(3.1)	(3.1)
Less: Amounts held for sale at end of the period ⁽¹⁾	—	—	—	—	.3	.3
Ending balance	\$ 31.7	\$ 21.3	\$ 53.0	\$ 24.1	\$ 32.2	\$ 56.3

⁽¹⁾ See Note 17 — “Held for Sale and Discontinued Operations”.

Note 7. Debt

White Mountains’s debt outstanding as of March 31, 2017 and December 31, 2016 consisted of the following:

Millions	March 31, 2017	Effective Rate ⁽¹⁾	December 31, 2016	Effective Rate ⁽¹⁾
WTM Bank Facility	\$ —	N/A	\$ —	N/A
OBH Senior Notes, at face value	275.0	4.7%	275.0	4.7%
Unamortized original issue discount and debt issuance costs	(1.8)		(1.8)	
OBH Senior Notes, carrying value	273.2		273.2	
OneBeacon Bank Facility	—	N/A	—	N/A
MediaAlpha Bank Facility	11.7	6.1%	12.9	5.7%
Unamortized issuance cost	(.2)		(.2)	
MediaAlpha Bank Facility, carrying value	11.5		12.7	
Total debt	\$ 284.7		\$ 285.9	

⁽¹⁾ Effective rate considers the effect of the debt issuance costs.

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”). As of March 31, 2017, the WTM Bank Facility was undrawn.

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.

OBH Senior Notes

In November 2012, OneBeacon U.S. Holdings, Inc. (“OBH”) issued \$275.0 million face value of senior unsecured notes (“OBH Senior Notes”) through a public offering, at an issue price of 99.9% and received \$272.9 million of proceeds. The OBH Senior Notes bear an annual interest rate of 4.6% payable semi-annually in arrears on May 9 and November 9, until maturity on November 9, 2022, and are fully and unconditionally guaranteed as to the payment of principal and interest by OneBeacon Ltd. Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the OBH Senior Notes have an effective yield to maturity of approximately 4.7% per annum.

The OBH Senior Notes were issued under indentures that contain restrictive covenants which, among other things, limit the ability of OneBeacon Ltd., OBH, and their respective subsidiaries to create liens and enter into sale and leaseback transactions and limits the ability of OneBeacon Ltd. and OBH to consolidate, merge or transfer its properties and assets. The indentures do not contain any financial ratios or specified levels of net worth or liquidity to which the OneBeacon Ltd. or OBH must adhere. In addition, a failure by OneBeacon Ltd. or OBH or their respective subsidiaries to pay principal and interest on covered debt, where such failure results in the acceleration of at least \$75.0 million of the principal amount of covered debt, could trigger the acceleration of the OBH Senior Notes.

OneBeacon Bank Facility

On September 29, 2015, OneBeacon Ltd. and OneBeacon U.S. Holdings, Inc. (“OBH”), as co-borrowers and co-guarantors, entered into a revolving credit facility administered by U.S. Bank N.A. and also including BMO Harris Bank N.A., which has a total commitment of \$65.0 million and has a maturity date of September 29, 2019 (the “OneBeacon Bank Facility”). As of March 31, 2017, the OneBeacon Bank Facility was undrawn.

The OneBeacon 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.

MediaAlpha Bank Facility

On July 23, 2015, MediaAlpha entered into a secured credit facility with Opus Bank, which has a total commitment of \$20.0 million and has a maturity date of July 23, 2019 (the “MediaAlpha Bank Facility”). The MediaAlpha Bank Facility consists of a \$15.0 million term loan facility, which has an outstanding balance of \$11.7 million as of March 31, 2017, and a revolving loan facility for \$5.0 million, which is undrawn as of March 31, 2017. During the three months ended March 31, 2017, MediaAlpha repaid \$1.2 million under the term loan facility. The MediaAlpha Bank Facility carries a variable interest rate that is based on the Prime Rate, as published by the Wall Street Journal, plus a spread of 1.5% as of March 31, 2017.

The MediaAlpha Bank Facility is secured by intellectual property and the common stock of MediaAlpha’s subsidiaries, and contains various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including a maximum leverage ratio.

Compliance

At March 31, 2017, White Mountains was in compliance with the covenants under all of its debt instruments.

Note 8. 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 Barbados, Gibraltar, Ireland, Israel, Luxembourg, the Netherlands, 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 March 31, 2017, represented a net effective tax rate of 10.3%. The effective tax rate for the three months ended March 31, 2017 was lower than the U.S. statutory rate of 35% due to income generated in jurisdictions other than the United States.

White Mountains’s income tax benefit related to pre-tax income from continuing operations for the three months ended March 31, 2016, represented a net effective tax rate of (114.1)%. As noted below, the effective tax rate for the three months ended March 31, 2016 was impacted by a \$12.8 million tax benefit on the settlement of the 2007-2009 IRS exam. Without the tax benefit on the settlement of the 2007-2009 IRS exam there would have been tax expense, which would have resulted in a net effective tax rate that is approximately the same as the U.S. statutory rate of 35%.

In arriving at the effective tax rate for the three months ended March 31, 2017 and 2016, 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, 2017 and 2016.

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. 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's deferred tax assets and tax expense.

In the first and second quarters of 2016 White Mountains recorded tax benefits of \$12.8 million and \$3.5 million respectively related to the settlement of IRS audits of certain subsidiaries of OneBeacon for tax years 2007-2009 and 2010-2012.

In the second quarter of 2016 White Mountains recorded an increase in deferred tax assets of \$0.6 million and a corresponding increase in valuation allowance of \$0.6 million related to the settlement of the IRS audit of Guilford Holdings, Inc. and subsidiaries for tax year 2012.

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

Note 9. Derivatives

Variable Annuity Reinsurance

White Mountains entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. During the third quarter of 2015, the variable annuity contracts reinsured by WM Life Re began to mature and were fully runoff by June 30, 2016. The reinsurance agreement was commuted in December 2016.

The following table summarizes the pre-tax operating results of WM Life Re for the three months ended March 31, 2016.

Millions	Three Months Ended	
	March 31,	
	2016	
Fees, included in other revenue	\$	1.0
Change in fair value of variable annuity liability, included in other revenue		(.4)
Change in fair value of derivatives, included in other revenue		(1.7)
Foreign exchange, included in other revenue		.9
Other investment income and losses		—
Total revenue		(.2)
Death benefit claims paid, included in general and administrative expenses		(.1)
General and administrative expenses		(.8)
Pre-tax loss	\$	(1.1)

The following summarizes realized and unrealized derivative gains (losses) recognized in other revenue for the three months ended March 31, 2016 and the carrying values, included in other assets, as of December 31, 2016 by type of instrument:

Millions	Gains (losses)	
	Three Months Ended	Carrying Value
	March 31,	As of
	2016	December 31, 2016
Fixed income/interest rate	\$ 1.8	\$ —
Foreign exchange	(4.2)	—
Equity	.7	—
Total	\$ (1.7)	\$ —

The following tables summarize the changes in White Mountains's variable annuity reinsurance liabilities and derivative instruments for the three months ended March 31, 2016.

Millions	Three Months Ended March 31, 2016				
	Variable Annuity Liabilities	Derivative Instruments			Total
	Level 3	Level 3 ⁽¹⁾	Level 2 ⁽¹⁾⁽²⁾	Level 1 ⁽³⁾	
Beginning of period	\$.3	\$ 2.7	\$ 16.5	\$.9	\$ 20.1
Purchases	—	—	—	—	—
Realized and unrealized (losses) gains	(.4)	1.2	1.1	(4.0)	(1.7)
Transfers in	—	—	—	—	—
Sales/settlements	—	(1.3)	(7.3)	3.3	(5.3)
End of period	\$ (.1)	\$ 2.6	\$ 10.3	\$.2	\$ 13.1

⁽¹⁾ Consists of over-the-counter instruments.

⁽²⁾ 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.

⁽³⁾ 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.

All of White Mountains's variable annuity reinsurance liabilities were classified as Level 3 measurements. The fair value of White Mountains's variable annuity reinsurance liabilities were 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, were generally unobservable inputs and significantly impacted the fair value estimates. Generally, the liabilities associated with these guarantees increased with declines in the equity markets, interest rates and currencies against the Japanese yen, as well as with increases in market volatilities. White Mountains used derivative instruments 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, were generally the same as those used to estimate the fair value of variable annuity liabilities.

WM Life Re entered 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 had exposure to credit risk for amounts that were uncollateralized by counterparties. WM Life Re's internal risk management guidelines established net counterparty exposure thresholds that took into account OTC counterparties' credit ratings. The OTC derivative contracts were 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 had exposure to credit risk for amounts uncollateralized by margin balances. WM Life Re had master netting agreements with certain of its counterparties whereby the collateral provided (held) was calculated on a net basis. The following summarizes amounts offset under master netting agreements:

Millions	March 31, 2016		
	Gross asset amounts before offsets ⁽¹⁾	Gross liability amounts offset under master netting arrangements	Net amounts recognized in Other Assets
Interest rate contracts			
OTC	\$ 2.2	\$ (2.5)	\$ (.3)
Foreign exchange contracts			
OTC	12.7	—	12.7
Exchange traded	—	(.1)	(.1)
Equity contracts			
OTC	1.5	(.9)	.6
Exchange traded	.3	(.1)	.2
Total ⁽²⁾	\$ 16.7	\$ (3.6)	\$ 13.1

⁽¹⁾ Amount equal to fair value of instrument as recognized in other assets

⁽²⁾ All derivative instruments held by WM Life Re were subject to master netting arrangements.

There were no open derivatives instruments and no exposure to credit losses on OTC and exchanged traded derivatives subsequent to June 30, 2016.

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 as of March 31, 2016:

Millions	March 31, 2016									
	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 WM Life Re- Cash	Net amount of exposure to counter-party	Standard & Poor's Rating ⁽¹⁾	
JP Morgan	\$ 6.5	\$ —	\$ —	\$ 6.5	\$ —	\$ —	\$ 5.4	\$ 1.1	A +	
Bank of America	1.4	—	—	1.4	—	—	—	1.4	A	
Citigroup - OTC	5.0	—	—	5.0	—	—	.5	4.5	A	
Citigroup - Exchange Traded	.2	—	—	.2	7.9	—	—	8.1	A	
Total	\$ 13.1	\$ —	\$ —	\$ 13.1	\$ 7.9	\$ —	\$ 5.9	\$ 15.1		

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

Forward Contracts

White Mountains investment portfolio contains investment grade fixed maturity investments denominated in British Pound Sterling (GBP) and common equity securities denominated in Euro (EUR). White Mountains entered into foreign currency forward contracts to manage its GBP and EUR foreign currency exposure. The contracts do not meet the criteria to be accounted for as a hedge. White Mountains monitors its exposure to foreign currency and adjusts its foreign currency positions within the risk guidelines and ranges established by senior management. While White Mountains actively manages its foreign currency positions, mismatches between movements in foreign currency rates and its foreign currency forward contract may result in foreign currency positions being outside pre-defined ranges and/or foreign currency losses. At March 31, 2017, White Mountains held \$299.9 million (GBP 200.0 million and EUR 50.0 million) total gross notional value of foreign currency forward contracts.

White Mountains's foreign currency forward contracts are traded over-the-counter. The fair value of the contracts have been estimated using OTC quotes for similar instruments and accordingly, the measurements have been classified as Level 2 measurements at March 31, 2017.

The net realized and unrealized derivative loss recognized in net realized and unrealized investment gains (losses) for the period ended March 31, 2017 was \$3.0 million. White Mountains's forward contracts are subject to master netting agreements. As of March 31, 2017 and December 31, 2016, the gross liability amount offset under the master netting agreement and the net amount recognized in other long-term investments was \$(4.2) million and \$(1.2) million.

White Mountains does not hold or provide any collateral under its forward contracts. The following table summarizes the notional amount and the uncollateralized balance associated with the forward currency contracts:

Millions	March 31, 2017		
	Notional Amount	Carrying Value	Standard & Poor's Rating ⁽¹⁾
Barclays Bank PLC	\$ 247.2	\$ (3.2)	A-
JP Morgan	52.7	(1.0)	A-
Total	\$ 299.9	\$ (4.2)	

⁽¹⁾ Standard & Poor's ratings "A-" (Strong, which is the ninth highest of twenty-one creditworthiness ratings).

Note 10. 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 March 31, 2017, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of \$503.0 million of BAM Surplus Notes. Through HG Re, which had statutory capital and surplus of \$467.4 million at December 31, 2016, 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 months ended March 31, 2017, HG Global had pre-tax income of \$6.6 million, which included \$4.8 million of interest income on the BAM Surplus Notes. For the three months ended March 31, 2016, HG Global had pre-tax income of \$7.3 million, which included \$4.5 million of interest income on the BAM Surplus Notes.

For the three months ended March 31, 2017, White Mountains reported pre-tax losses of \$12.2 million on BAM that were recorded in net loss attributable to non-controlling interests, which included \$4.8 million of interest expense on the BAM Surplus Notes. For the three months ended March 31, 2016, White Mountains reported pre-tax losses of \$7.6 million on BAM that were recorded in net loss attributable to non-controlling interests, which included \$4.5 million of interest expense on the BAM Surplus Notes.

Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8% to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually, which is 3.54% and 3.78% for 2016 and 2017. Prior to the end of 2018, BAM has the option to extend the variable rate period for an additional three years. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8%. BAM is required to seek regulatory approval to pay interest and principal on its surplus notes only when adequate capital resources have accumulated beyond BAM's initial capitalization and a level that continues to support its outstanding obligations, business plan and ratings.

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:

	March 31, 2017	December 31, 2016
Contracts outstanding	5,191	4,807
Remaining weighted average contract period outstanding (in years)	10.8	10.8
Contractual debt service outstanding (in millions):		
Principal	\$ 35,222.1	\$ 33,057.3
Interest	17,589.9	16,396.6
Total debt service outstanding	\$ 52,812.0	\$ 49,453.9
Gross unearned insurance premiums	\$ 99.8	\$ 83.0

The following table is a schedule of BAM's future premium revenues as of March 31, 2017:

Millions	March 31, 2017
April 1, 2017 - December 31, 2017	\$ 6.3
January 1, 2018 - March 31, 2018	2.1
April 1, 2018 - June 30, 2018	2.0
July 1, 2018 - September 30, 2018	2.0
October 1, 2018 - December 31, 2018	2.0
	8.1
2019	7.8
2020	7.4
2021	7.0
2022 and thereafter	63.2
Total gross unearned insurance premiums	\$ 99.8

Note 11. 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 months ended March 31, 2017 and 2016. See **Note 17 — "Held for Sale and Discontinued Operations"**.

	Three Months Ended	
	March 31,	
	2017	2016
Basic and diluted earnings per share numerators (in millions):		
Net income (loss) from continuing operations attributable to White Mountains's common shareholders	\$ 35.3	\$ 11.9
Allocation of income for unvested restricted common shares	(0.4)	(0.1)
Dividends declared on participating restricted common shares ⁽¹⁾	(0.1)	(0.1)
Total allocation to restricted common shares	(0.5)	(0.2)
Net income (loss) attributable to White Mountains's common shareholders, net of restricted common share amounts	\$ 34.8	\$ 11.7
Undistributed net earnings (in millions):		
Net income (loss) attributable to White Mountains's common shareholders, net of restricted common share amounts	\$ 34.8	\$ 11.7
Dividends declared net of restricted common share amounts ⁽¹⁾	(4.5)	(5.9)
Total undistributed net earnings, net of restricted common share amounts	\$ 30.3	\$ 5.8
Basic earnings per share denominators (in thousands):		
Total average common shares outstanding during the period	4,564.6	5,539.6
Average unvested restricted shares ⁽²⁾	(52.5)	(54.0)
Basic earnings per share denominator	4,512.1	5,485.6
Diluted earnings per share denominator (in thousands):		
Total average common shares outstanding during the period ⁽³⁾	4,564.6	5,540.5
Average unvested restricted common shares ⁽²⁾	(52.5)	(54.0)
Diluted earnings per share denominator ⁽³⁾	4,512.1	5,486.5
Basic earnings per share (in dollars):		
Net income (loss) attributable to White Mountains's common shareholders	\$ 7.72	\$ 2.14
Dividends declared and paid	(1.00)	(1.00)
Undistributed earnings	\$ 6.72	\$ 1.14
Diluted earnings per share (in dollars):		
Net income (loss) attributable to White Mountains's common shareholders	\$ 7.72	\$ 2.14
Dividends declared and paid	(1.00)	(1.00)
Undistributed earnings	\$ 6.72	\$ 1.14

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

⁽²⁾ Restricted shares outstanding vest either in equal annual installments or upon a stated date. See **Note 15 — "Employee Share-Based Compensation Plans"**.

⁽³⁾ The diluted earnings per share denominator for the three months ended March 31, 2016 includes the impact of 125,000 common shares issuable upon exercise of the non-qualified options outstanding, which resulted in 882 incremental shares outstanding over the period. The incremental shares had an effect on diluted earnings per share of less than \$0.01.

Note 12. Non-controlling Interests

The following table details the balance of non-controlling interests included in White Mountains's total equity and the related percentage of each consolidated entity's total equity owned by non-controlling shareholders as of March 31, 2017 and December 31, 2016:

<u>\$ in millions</u>	March 31, 2017		December 31, 2016	
	Non-controlling Percentage	Non-controlling Equity	Non-controlling Percentage	Non-controlling Equity
OneBeacon Ltd.	24.3%	\$ 250.7	23.9%	\$ 244.6
Other, excluding mutuals and reciprocals				
HG Global	3.1	16.5	3.1	16.6
MediaAlpha	40.0	11.0	40.0	11.7
Wobi	5.0	1.0	5.0	.7
Dewar	18.8	3.4	18.8	3.9
Buzzmove	29.1	2.8	29.1	2.9
Total other, excluding mutuals and reciprocals		34.7		35.8
Mutuals and reciprocals				
BAM	100.0	(153.0)	100.0	(150.9)
SSIE	—	—	100.0	4.4
Total mutuals and reciprocals		(153.0)		(146.5)
Total non-controlling interests		\$ 132.4		\$ 133.9

Note 13. Segment Information

White Mountains has determined that its reportable segments are OneBeacon, HG Global/BAM and Other Operations. As a result of the Sirius Group and Tranzact sales, the results of operations for Sirius Group, previously reported in its own segment, and Tranzact, previously reported in the Other Operations segment, have been classified as discontinued operations and are now presented, net of related income taxes, as such in the statement of operations and comprehensive income. Prior year amounts have been reclassified to conform to the current period's presentation. See **Note 17 — "Held for Sale and Discontinued 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's segments have been eliminated herein. Financial information for White Mountains's segments follows:

Millions	HG Global/BAM			Other Operations	Total
	OneBeacon	HG	BAM ⁽¹⁾		
Three Months Ended March 31, 2017					
Earned insurance premiums	\$ 261.8	\$ 1.5	\$.5	\$ 1.0	\$ 264.8
Net investment income	12.2	.6	2.0	11.3	26.1
Net investment income (loss) - surplus note interest	—	4.8	(4.8)	—	—
Net realized and unrealized investment gains	15.0	.3	1.0	35.0	51.3
Other revenue	3.4	—	.4	39.9 ⁽²⁾	43.7
Total revenues	292.4	7.2	(.9)	87.2	385.9
Losses and LAE	150.6	—	—	1.1	151.7
Insurance acquisition expenses	45.3	.3	.9	.1	46.6
Other underwriting expenses	51.7	—	.1	—	51.8
General and administrative expenses	4.7	.3	10.3	76.0 ⁽³⁾	91.3
Amortization of other intangible assets	.3	—	—	2.6	2.9
Interest expense	3.3	—	—	.4	3.7
Total expenses	255.9	.6	11.3	80.2	348.0
Pre-tax income (loss)	\$ 36.5	\$ 6.6	\$ (12.2)	\$ 7.0	\$ 37.9

Millions	HG Global/BAM				Total
	OneBeacon	HG	BAM ⁽¹⁾	Other Operations	
Three Months Ended March 31, 2016					
Earned insurance premiums	\$ 278.6	\$.9	\$.3	\$ 2.3	\$ 282.1
Net investment income	14.4	.5	1.6	1.4	17.9
Net investment income (loss) - surplus note interest	—	4.5	(4.5)	—	—
Net realized and unrealized investment gains	16.6	2.1	4.9	5.9	29.5
Other revenue	.9	—	.1	38.8 ⁽²⁾	39.8
Total revenues	310.5	8.0	2.4	48.4	369.3
Losses and LAE	158.8	—	—	2.3	161.1
Insurance acquisition expenses	51.0	.2	.7	.8	52.7
Other underwriting expenses	55.3	—	.1	—	55.4
General and administrative expenses	3.6	.5	9.2	70.7 ⁽³⁾	84.0
Amortization of other intangible assets	.3	—	—	2.8	3.1
Interest expense	3.3	—	—	1.2	4.5
Total expenses	272.3	.7	10.0	77.8	360.8
Pre-tax income (loss)	\$ 38.2	\$ 7.3	\$ (7.6)	\$ (29.4)	\$ 8.5

⁽¹⁾ 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.

⁽²⁾ Includes \$32.5 from MediaAlpha for the three months ended March 31, 2017, and \$32.7 from MediaAlpha for the three months ended March 31, 2016.

⁽³⁾ Includes \$30.9 from MediaAlpha for the three months ended March 31, 2017, and \$30.5 from MediaAlpha for the three months ended March 31, 2016.

Note 14. Investments in Unconsolidated Affiliates

White Mountains's 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.

Symetra

In August 2015, Symetra announced it had entered into a definitive merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life") pursuant to which Sumitomo Life would acquire all of the outstanding shares of Symetra. Following the announcement and Symetra shareholders' November 5, 2015 meeting to approve the transaction, White Mountains relinquished its representation on Symetra's board of directors. As a result, White Mountains changed its accounting for Symetra common shares from the equity method to fair value as of December 31, 2015. During the fourth quarter of 2015, White Mountains recognized \$258.8 million (\$241.1 million after tax) of unrealized investment gains through net income, representing the difference between the carrying value of Symetra common shares under the equity method at the date of change and fair value at December 31, 2015. White Mountains also received a special dividend of \$0.50 per share as part of the transaction that was paid in the third quarter of 2015. On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life and White Mountains received proceeds of \$658.0 million, or \$32.00 per common share. White Mountains recognized \$4.7 million in pre-tax net investment gains associated with Symetra in the first quarter of 2016.

Note 15. Employee Share-Based Incentive Compensation Plans

White Mountains's Long-Term Incentive Plan (the "WTM Incentive Plan") provides for grants of various types of share-based and non share-based incentive awards to key employees and service providers of White Mountains. White Mountains's 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. Awards generally vest at the end of a three-year period, are subject to the attainment of pre-specified performance goals, and are valued based on the market value of common shares at the time awards are paid. The following table summarizes performance share activity for the three months ended March 31, 2017 and 2016 for performance shares granted under the WTM Incentive Plan:

Millions, except share amounts	Three Months Ended March 31,			
	2017		2016	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	80,353	\$ 42.4	93,654	\$ 57.7
Shares paid or expired ⁽¹⁾	(30,167)	(20.8)	—	—
New grants	16,460	—	16,215	—
Forfeitures and cancellations ⁽²⁾	(9,841)	(5.7)	(1,186)	(.6)
Expense recognized	—	8.1	—	14.2
End of period ⁽³⁾	56,805	\$ 24.0	108,683	\$ 71.3

⁽¹⁾ WTM performance share payments in 2017 for the 2014-2016 performance cycle, which were paid in March 2017, ranged from 34% to 76% of target. WTM performance share payments in 2016 for the 2013-2015 performance cycle ranged from 140% to 142% of target.

⁽²⁾ Amounts include changes in assumed forfeitures, as required under GAAP.

⁽³⁾ Outstanding performance share awards as of March 31, 2017 and 2016 exclude 2,195 and 10,826 performance share awards granted to employees of Sirius Group.

For performance shares earned in the 2014-2016 performance cycle, all performance shares earned were settled in cash. For the performance shares earned in the 2013-2015 performance cycle, the Company issued 5,000 common shares and settled the remainder in cash. If all the outstanding WTM performance shares had vested on March 31, 2017, the total additional compensation cost to be recognized would have been \$30.5 million, based on accrual factors at March 31, 2017 (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 March 31, 2017 for each performance cycle:

Millions, except share amounts	Target Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2017 – 2019	16,460	\$ 1.2
2016 – 2018	19,415	7.3
2015 – 2017	21,795	15.8
Sub-total	57,670	24.3
Assumed forfeitures	(865)	(.3)
March 31, 2017	56,805	\$ 24.0

Restricted Shares

The following table summarizes the unrecognized compensation cost associated with the outstanding restricted share awards for the three months ended March 31, 2017 and 2016:

Millions, except share amounts	Three Months Ended March 31,			
	2017		2016	
	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value
Non-vested,				
Beginning of period	70,620	\$ 19.7	70,675	\$ 15.7
Issued	16,735	15.8	21,215	16.8
Vested	(22,015)	—	(24,620)	—
Forfeited	(5,200)	(2.8)	(800)	(.3)
Expense recognized	—	(3.6)	—	(3.0)
End of period ⁽¹⁾	60,140	\$ 29.1	66,470	\$ 29.2

⁽¹⁾ Restricted share awards outstanding as of March 31, 2017 and 2016 include 5,235 and 2,195 restricted shares issued to employees of Sirius Group, which was accounted for as discontinued operations.

During the three months ended March 31, 2017, White Mountains issued 16,735 restricted shares that vest on January 1, 2020. During the first three months of 2016, White Mountains issued 21,215 restricted shares that vest on January 1, 2019. The unrecognized compensation cost at March 31, 2017 is expected to be recognized ratably over the remaining vesting periods.

Stock Options

Non-Qualified Options

As March 31, 2017, the 125,000 Non-Qualified options issued to the Company's former Chairman and CEO have been exercised. During the first quarter of 2017, 40,000 Non-Qualified Options, with an intrinsic value of \$4.4 million, were exercised in exchange for 5,142 common shares with an equal total market value. During 2016, 5,000 Non-Qualified Options, with an intrinsic value of \$0.4 million, were exercised at \$742 per common share and 80,000 Non-Qualified Options, with an intrinsic value of \$8.4 million, were exercised in exchange for 9,930 common shares with an equal total market value. Intrinsic value represents the difference between the market price of the Company's common shares at the date of exercise less the fixed strike price of \$742 per common share. The Non-Qualified Options were fully amortized as of 2011.

Share-Based Compensation Based on OneBeacon Ltd. Common Shares

The OneBeacon Long-Term Incentive Plan (the "OneBeacon Incentive Plan") provides for grants to key employees of OneBeacon various types of share-based and non share-based incentive awards. 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 generally vest at the end of a three-year period, are subject to the attainment of pre-specified performance goals, and are valued based on the market value of OneBeacon Ltd. common shares at the time awards are paid. No OneBeacon performance shares were issued for the 2017-2019 cycle.

The following table summarizes performance share activity for the three months ended March 31, 2017 and 2016 for OneBeacon performance shares granted under the OneBeacon Incentive Plan:

Millions, except share amounts	Three Months Ended March 31,			
	2017		2016	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	452,519	\$ 1.6	449,435	\$ 1.4
Shares paid or expired ⁽¹⁾	(142,710)	—	(167,300)	(.7)
New grants	—	—	163,150	—
Assumed forfeitures and cancellations ⁽²⁾	(13)	—	(4,079)	—
Expense recognized	—	.3	—	.4
End of period	309,796	\$ 1.9	441,206	\$ 1.1

⁽¹⁾ There were no payments made in 2017 for the 2014-2016 performance cycle; those performance shares did not meet the threshold performance goals and expired. OneBeacon performance share payments in 2016 for the 2013-2015 performance cycle were at 24.3% of target.

⁽²⁾ Amounts include changes in assumed forfeitures, as required under GAAP.

If the outstanding OneBeacon performance shares had been vested on March 31, 2017, the total additional compensation cost to be recognized would have been \$1.8 million, based on accrual factors at March 31, 2017 (common share price, accumulated dividends and payout assumptions).

The following table summarizes OneBeacon performance shares outstanding awarded under the OneBeacon Incentive Plan at March 31, 2017 for each performance cycle:

Millions, except share amounts	Target Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2016 – 2018	163,150	\$ 1.1
2015 – 2017	146,646	.8
Sub-total	309,796	1.9
Assumed forfeitures	—	—
March 31, 2017	309,796	\$ 1.9

OneBeacon Restricted Shares

The following table summarizes the unrecognized compensation cost associated with the outstanding OneBeacon restricted stock awards for the three months ended March 31, 2017 and 2016:

Millions, except share amounts	Three Months Ended March 31,			
	2017		2016	
	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value
Non-vested,				
Beginning of period	395,872	\$ 2.1	382,722	\$ 2.5
Issued	461,160	7.4	170,650	2.3
Vested	(157,500)	—	(157,500)	—
Forfeited	—	—	—	—
Expense recognized	—	(.9)	—	(.5)
End of period	699,532	\$ 8.6	395,872	\$ 4.3

On February 28, 2017, OneBeacon issued 461,160 restricted shares, of which 235,000 are scheduled to cliff vest on August 28, 2018, 115,450 are scheduled to cliff vest on January 1, 2020, and 110,710 are scheduled to vest in two equal installments on February 24, 2018 and February 24, 2019.

On February 24, 2016, OneBeacon issued 170,650 shares of restricted shares, of which 92,500 restricted shares vest on February 24, 2018 and 78,150 vest on January 1, 2019.

On May 25, 2011, OneBeacon issued 630,000 restricted shares to its CEO that vest in four equal annual installments. The first installment vested 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 were reduced by 35,000 shares.

As of March 31, 2017, unrecognized compensation expense of \$8.6 million related to restricted stock awards is expected to be recognized over the remaining vesting periods.

OneBeacon Restricted Stock Units

During the first three months of 2017, the OneBeacon Compensation Committee awarded to certain employees 240,160 restricted stock units ("RSUs") that are scheduled to vest on December 31, 2019, contingent upon the approval of the OneBeacon 2017 Long-Term Incentive Plan at the 2017 Annual General Meeting to be held May 24, 2017, all of which were outstanding as of March 31, 2017.

During the first three months of 2016, the OneBeacon Compensation Committee awarded to certain employees 222,449 RSUs that are scheduled to vest on December 31, 2018, of which, net of forfeiture assumptions, 208,499 were outstanding as of March 31, 2017.

At vesting the RSUs will be paid out in cash or shares at the discretion of the OneBeacon Compensation Committee. For the three months ended March 31, 2017 and 2016, the expense associated with the RSUs was \$0.6 million and \$0.4 million. If all of the outstanding RSUs had been vested on March 31, 2017, the total additional compensation cost to be recognized would have been \$7.0 million, based on current accrual factors (common share price and accumulated dividends) as of March 31, 2017.

Note 16. Fair Value of Financial Instruments

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

The following table summarizes the fair value and carrying value of these financial instruments as of March 31, 2017 and December 31, 2016:

Millions	March 31, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
OBH Senior Notes	\$ 279.4	\$ 273.2	\$ 274.2	\$ 273.2
MediaAlpha Bank Facility	11.7	11.5	13.0	12.7

The fair value estimate for the OBH Senior Notes has been determined using quoted market prices. The OBH Senior Notes are considered a Level 2 measurement.

The fair value estimate for the MediaAlpha Bank Facility has been determined based on a discounted cash flows approach and is considered to be a Level 3 measurement.

Note 17. Held for Sale and Discontinued Operations

Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI for approximately \$2.6 billion. \$161.8 million of this amount was used to purchase certain assets to be retained by White Mountains out of Sirius Group, including shares of OneBeacon. The amount paid at closing was based on an estimate of Sirius Group's closing date tangible common shareholder's equity. During 2016, White Mountains recorded \$363.2 million of gain from sale of Sirius Group in discontinued operations in the statement of operations and \$113.3 million in other comprehensive income from discontinued operations.

Through April 18, 2016, Sirius Group's results are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements. Assets held for sale did not include White Mountains's investment in OneBeacon and certain other investments that are in the Sirius Group legal entities. As of December 31, 2015, the value of these investments, net of related tax effects, was \$686.2 million, of which \$528.6 million related to Symetra. Net loss from discontinued operations does not include White Mountains's net investment income and realized and unrealized investment gains and losses associated with these investments. For the three months ended March 31, 2016, \$4.1 million of realized and unrealized investment gains and losses, net of related tax effects, that are included in the Sirius Group legal entities have been excluded from net loss from discontinued operations. For the three months ended March 31, 2016, White Mountains recorded \$0.9 million of net loss from discontinued operations and \$37.2 million of other comprehensive income from Sirius Group.

Tranzact

On June 9, 2016, White Mountains announced that it had entered into an agreement for the sale of Tranzact to an affiliate of Clayton, Dubilier & Rice, LLC. On July 21, 2016, White Mountains completed the sale of Tranzact and received net proceeds of \$221.3 million at closing. On October 5, 2016, White Mountains received additional proceeds of \$1.2 million following the release of the post-closing purchase price adjustment escrow. See **Note 2** —

"Significant Transactions".

During 2016, White Mountains recorded a \$51.9 million gain from the sale of Tranzact in discontinued operations, which included a \$30.2 million tax expense for the reversal of a tax valuation allowance that is offset by a tax benefit recorded in continuing operations. In the first quarter of 2017, White Mountains recorded a \$1.0 million reduction to the gain from sale of Tranzact in discontinued operations as a result of 2016 tax payments.

During 2016, White Mountains recognized a \$21.4 million tax benefit in continuing operations related to the reversal of a valuation allowance that resulted from the gain on the sale of Tranzact recognized within discontinued operations. This tax benefit was recorded in continuing operations with an offsetting amount of net tax expense recorded in discontinued operations, \$30.2 million of tax expense was recorded to gain from sale of Tranzact in discontinued operations and a \$8.8 million tax benefit was recorded to net income from discontinued operations.

Through July 21, 2016, Tranzact's results of operations are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements. For the three months ended March 31 2016, White Mountains recorded a net loss from discontinued operations of \$2.0 million from Tranzact.

Star & Shield

On July 1, 2016, SSIE voluntarily ceased writing new policies. As a result, White Mountains wrote off its investment in SSIE Surplus Notes which resulted in a \$21.0 million total decrease to net income attributable to White Mountains's common shareholders and a corresponding increase to net income attributable to non-controlling interests. On January 13, 2017, White Mountains reached an agreement to sell Star & Shield and its investment in SSIE Surplus Notes to K2 Insurance Services, LLC and the sale was completed on March 7, 2017. White Mountains did not recognize any gain or loss on the sale. Through December 31, 2016, Star & Shield's assets and liabilities are reported as held for sale within White Mountains's GAAP financial statements.

Summary of Reclassified Balances and Related Items

Net Assets Held for Sale

The following summarizes the assets and liabilities associated with business classified as held for sale. At December 31, 2016, amounts presented relate to Star & Shield and SSIE.

Millions	December 31, 2016
Assets held for sale	
Fixed maturity investments, at fair value	\$ 6.6
Short-term investments, at amortized cost (which approximates fair value)	.2
Total investments	6.8
Cash	.9
Reinsurance recoverable on unpaid losses	.3
Insurance and reinsurance premiums receivable	1.5
Other assets	.6
Total assets held for sale	\$ 10.1
Liabilities held for sale	
Loss and loss adjustment expense reserves	\$ 5.0
Unearned insurance and reinsurance premiums	1.2
Other liabilities	(1.1)
Total liabilities held for sale	5.1
Net assets held for sale	\$ 5.0

Net Income (Loss) from Discontinued Operations

The following summarizes the results of operations, including related income taxes associated with the business classified as discontinued operations. For the three months ended March 31, 2016, the amounts presented relate to Sirius Group and Tranzact. The results of discontinued operations from Sirius Group and Tranzact up to the closing date of the transaction inure to White Mountains.

Millions	Three Months Ended			Three Months Ended		
	March 31, 2017			March 31, 2016		
	Sirius Group	Other Disc Ops	Total	Sirius Group	Other Disc Ops	Total
Revenues						
Earned insurance premiums	\$ —	\$ —	\$ —	\$ 202.4	\$ —	\$ 202.4
Net investment income	—	—	—	12.2	—	12.2
Net realized and unrealized losses	—	—	—	(8.8)	—	(8.8)
Other revenue	—	—	—	(4.1)	57.8	53.7
Total revenues	—	—	—	201.7	57.8	259.5
Expenses						
Loss and loss adjustment expenses	—	—	—	113.7	—	113.7
Insurance and reinsurance acquisition expenses	—	—	—	48.4	—	48.4
Other underwriting expenses	—	—	—	26.7	—	26.7
General and administrative expenses	—	—	—	8.1	53.4	61.5
Interest expense	—	—	—	6.6	1.4	8.0
Total expenses	—	—	—	203.5	54.8	258.3
Pre-tax (loss) income	—	—	—	(1.8)	3.0	1.2
Income tax expense (benefit)	—	—	—	.9	(1.0)	(.1)
Net (loss) income from discontinued operations	—	—	—	(.9)	2.0	1.1
Net loss from sale of discontinued operations	—	(1.0)	(1.0)	—	—	—
Total (loss) income from discontinued operations	\$ —	\$ (1.0)	\$ (1.0)	\$ (.9)	\$ 2.0	\$ 1.1
Change in foreign currency translation and other from discontinued operations	—	—	—	37.2	—	37.2
Comprehensive (loss) income from discontinued operations	\$ —	\$ (1.0)	\$ (1.0)	\$ 36.3	\$ 2.0	\$ 38.3

Net Change in Cash from Discontinued Operations

The following summarizes the net change in cash, including income tax (payment to) refund from national governments and interest paid associated with the business classified as discontinued operations:

(Millions)	Three Months Ended	
	March 31,	
	2017	2016
Net cash (used for) provided from operations	\$ —	\$ (40.7)
Net cash provided from investing activities	—	33.6
Net cash (used for) provided from financing activities	—	(8.3)
Effect of exchange rate changes on cash	—	4.2
Net change in cash during the period	—	(11.2)
Cash balances at beginning of period	.9	150.2
Net change in cash held for sale	(.9)	.9
Cash balances at end of period	\$ —	\$ 139.9
Supplemental cash flows information:		
Interest paid	\$ —	\$ (1.4)
Net income tax payment to national governments	\$ —	\$ (36.4)

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 computation of earnings per share for discontinued operations for the three months ended March 31, 2017 and 2016:

	Three Months Ended	
	March 31,	
	2017	2016
Basic and diluted earnings per share numerators (in millions):		
Net income attributable to White Mountains's common shareholders	\$ (1.0)	\$ 1.1
Allocation of income for participating unvested restricted common shares ⁽¹⁾	—	—
Net income attributable to White Mountains's common shareholders, net of restricted common share amounts ⁽²⁾	\$ (1.0)	\$ 1.1
Basic earnings per share denominators (in thousands):		
Total average common shares outstanding during the period	4,564.6	5,539.6
Average unvested restricted common shares ⁽³⁾	(52.5)	(54.0)
Basic earnings per share denominator	4,512.1	5,485.6
Diluted earnings per share denominator (in thousands):		
Total average common shares outstanding during the period ⁽⁴⁾	4,564.6	5,540.5
Average unvested restricted common shares ⁽³⁾	(52.5)	(54.0)
Diluted earnings per share denominator ⁽⁴⁾	4,512.1	5,485.5
Basic earnings per share (in dollars):	\$ (.22)	\$.20
Diluted earnings per share (in dollars):	\$ (.22)	\$.20

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

⁽²⁾ Net earnings attributable to White Mountains's common shareholders, net of restricted share amounts, is equal to undistributed earnings for the three months ended March 31, 2017 and 2016.

⁽³⁾ Restricted common shares outstanding vest either in equal annual installments or upon a stated date. See **Note 15 - "Employee Share-Based Compensation Plans"**.

⁽⁴⁾ The diluted earnings per share denominator for the three months ended March 31, 2016 includes the impact of 125,000 common shares issuable upon exercise of the non-qualified options outstanding, which results in 882 incremental shares outstanding over the period. The incremental shares had an effect on diluted earnings per share of less than \$0.01 per share.

Note 18. Contingencies

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's 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 — "Loss and Loss Adjustment Expense Reserves"**.

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's financial condition, results of operations or cash flows. The following summarizes significant legal contingencies, ongoing non-claims related litigation or arbitration as of March 31, 2017:

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, OneBeacon-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, and in 2011, the Judicial Panel on Multidistrict Litigation granted a motion to consolidate the actions for pretrial matters and transferred all such proceedings to the U.S. District Court for the Southern District of New York (the "SDNY").

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 and OneBeacon-sponsored benefit plans received approximately \$32.0 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' appealed. On March 29, 2016, a three judge panel of the U.S Second Circuit Court of Appeals affirmed the dismissal of the Noteholder Actions. On July 22, 2016, the Plaintiff's petition to the Second Circuit for reconsideration or for a rehearing en banc was denied in full. On September 9, 2016 the Plaintiffs filed for a writ of certiorari, seeking review in the U. S. Supreme Court.

In addition, OneBeacon, OneBeacon-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. This matter was consolidated for pretrial matters with the Noteholder Actions in the SDNY and was stayed pending the motion to dismiss in the Noteholder Actions. An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014 and the motion was granted on January 6, 2017. The plaintiff has requested permission to move the SDNY to certify the decision as a final judgment capable of immediate appeal. No amount has been accrued in connection with this matter as of March 31, 2017, as the amount of loss, if any, cannot be reasonably estimated.

Note 19. OneBeacon Pension Plan

OneBeacon previously sponsored the OneBeacon qualified pension plan (the "Qualified Plan"). During the three months ended March 31, 2016, the Qualified Plan finalized its termination by purchasing group annuity contracts from the Principal Financial Group ("Principal Financial"), and making lump sum distributions to Qualified Plan participants electing such payments, which eliminated the remaining Qualified Plan liability, and also ceased administratively paying benefits. As a result of these transactions, the Company recognized a pre-tax pension settlement charge of \$0.3 million during the three months ended March 31, 2016, and no longer has a projected benefit obligation with respect to the Qualified Plan. OneBeacon transferred \$47.1 million of excess invested assets from the Qualified Plan into the trust supporting the OneBeacon 401(k) Savings and Employee Stock Ownership Plan ("KSOP"), which OneBeacon determined to be the Qualified Replacement Plan ("QRP") with \$13.8 million of excess invested assets remaining in the Qualified Plan trust as of March 31, 2017 in order to wind-down potential post-termination obligations of that plan, as approved by way of a March 2016 private letter ruling from the IRS. The invested assets related to both the legacy Qualified Plan trust and the QRP are included in other assets and are accounted for at fair value with related income recognized in net other revenues.

OneBeacon continues to sponsor a non-qualified, non-contributory, defined benefit pension plan ("Non-qualified Plan") covering certain employees who were employed as of December 31, 2001 and former employees who had met the eligibility requirements, as well as retirees. The Non-qualified Plan was frozen and curtailed in 2002, resulting in the pension benefit obligation being equal to the accumulated benefit obligation. The benefits are based primarily on years of service and employees' compensation through December 31, 2002. OneBeacon's funding policy is generally to contribute amounts to satisfy actual disbursements for the calendar year.

Note 20. Subsequent Event

On May 2, 2017, OneBeacon announced it had entered into a definitive agreement to be acquired by Intact Financial Corporation in an all-cash transaction for \$18.10 per share, or roughly 1.65x tangible book value (the "Transaction"). In addition, White Mountains entered into a definitive agreement to vote its shares of OneBeacon Ltd. in favor of the "Transaction". White Mountains owns 75.7% of OneBeacon's outstanding common shares, representing 96.9% of the voting power. White Mountains expects to receive gross proceeds of \$1.3 billion from the Transaction, which is expected to close in the fourth quarter of 2017. It is subject to regulatory approval and other customary closing conditions.

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

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

The following discussion also includes two non-GAAP financial measures, adjusted book value per share and the return on common equity and other long-term investments including high-yield fixed maturity investments, that have been reconciled to their most comparable GAAP financial measures on page 64. White Mountains believes these measures to be useful in evaluating White Mountains’s financial performance and condition.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

Overview

White Mountains ended the first quarter of 2017 with book value per share and adjusted book value per share of \$793 and \$799. Book value per share and adjusted book value per share were each up 1% for the quarter, including dividends. Good investment returns and underwriting results were the primary drivers of the increase, and were partially offset by compensation expense recorded in the first quarter of 2017 related to the retirement of the Company’s former Chairman and CEO that impacted book value per share and adjusted book value per share by approximately half a point.

On May 2, 2017, OneBeacon announced it had entered into a definitive agreement to be acquired by Intact Financial Corporation in an all-cash transaction for \$18.10 per share, or roughly 1.65x tangible book value. Based on White Mountains’s ownership of 71.8 million OneBeacon common shares at March 31, 2017, the proceeds from the transaction would be \$1.3 billion. White Mountains expects that the transaction will increase its book value by approximately \$107 per share, which reflects compensation accruals, net of any applicable tax effects. The transaction is expected to close in the fourth quarter of 2017. It is subject to regulatory approval and other customary closing conditions. See “**Note 20 — Subsequent Events**”.

OneBeacon’s book value per share increased 2.8%, including dividends, for the first quarter of 2017. OneBeacon’s GAAP combined ratio was 95% for both the first quarter of 2017 and the first quarter of 2016. The loss ratio increased by one point to 58% for the first quarter of 2017 compared to the first quarter of 2016, driven by increases in the Programs, Healthcare and Government Risks businesses, mostly offset by decreases in several other lines. There was no net loss reserve development in either the first quarter of 2017 or the first quarter of 2016. The expense ratio decreased by one point to 37% for the first quarter of 2017 compared to the first quarter of 2016, driven by change in business mix and lower employee costs, which more than offset the negative impact of lower earned premiums. OneBeacon’s net written premiums decreased 8% to \$257 million in the first quarter of 2017 compared to the first quarter of 2016, driven largely by decreases in its Programs, Entertainment and Healthcare businesses.

BAM posted its best quarter since inception for gross written premiums and member surplus contributions and growth in claims-paying resources. Gross written premiums and member surplus contributions totaled \$28 million in the first quarter of 2017, compared to \$14 million in the first quarter of 2016. Total pricing (i.e., gross written premiums and member surplus contributions weighted by the par value of bonds insured) was 119 basis points in the first quarter of 2017, up from 62 basis points in the first quarter of 2016. BAM insured municipal bonds with par value of \$2.4 billion in the first quarter of 2017, compared to \$2.2 billion in the first quarter of 2016. BAM’s total claims paying resources increased \$19 million to \$662 million in the first quarter of 2017, compared to an increase of \$6 million to \$607 million in the first quarter of 2016.

The GAAP total return on invested assets was 1.5% for both the first quarter of 2017 and the first quarter of 2016. The fixed income portfolio return for the first quarter of 2017 was just ahead of the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index. Fixed income duration increased slightly during the quarter (from 2.6 years to 2.9 years) and credit quality remained strong. Common equity securities returned 6.1% and high-yield investments returned 2.2%, which were in line with their respective indices, and other long-term investments returned 1.0%, primarily attributable to the impact of unconsolidated private capital investments, unfavorable mark-to-market adjustments to the OneBeacon Surplus Notes and currency hedges. See **Summary of Investment Results** on page 54.

Adjusted Book Value Per Share

The following table presents White Mountains's adjusted book value per share and reconciles this non-GAAP measure to the most comparable GAAP measure. See **NON-GAAP FINANCIAL MEASURES** on page 64.

	March 31, 2017	December 31, 2016	March 31, 2016
Book value per share numerators (in millions):			
White Mountains's common shareholders' equity	\$ 3,625.2	\$ 3,603.3	\$ 3,785.9
Future proceeds from options ⁽¹⁾	—	29.7	—
Adjusted book value per share numerator	\$ 3,625.2	\$ 3,633.0	\$ 3,785.9
Book value per share denominators (in thousands of shares):			
Common shares outstanding	4,572.8	4,563.8	5,415.5
Unearned restricted shares	(34.7)	(25.9)	(41.1)
Options assumed issued ⁽¹⁾	—	40.0	—
Adjusted book value per share denominator	4,538.1	4,577.9	5,374.4
Book value per share	\$ 792.77	\$ 789.53	\$ 699.10
Adjusted book value per share	\$ 798.83	\$ 793.58	\$ 704.45
Year-to-date dividends paid per share	\$ 1.00	\$ 1.00	\$ 1.00

⁽¹⁾ Adjusted book value per share at December 31, 2016 includes the impact of 40,000 non-qualified stock options exercisable for \$742 per common share. Adjusted book value per share at March 31, 2016 excludes the non-qualified stock options, which were anti-dilutive to book value. All non-qualified options were exercised prior to their expiration date of January 20, 2017.

Goodwill and Other Intangible Assets

The following table is a summary of goodwill and other intangible assets that are included in White Mountains's adjusted book value as of March 31, 2017, December 31, 2016, and March 31, 2016:

Millions	March 31, 2017	December 31, 2016	March 31, 2016
Goodwill			
MediaAlpha	\$ 18.3	\$ 18.3	\$ 18.3
Wobi	5.8	5.8	5.8
Buzzmove	7.6	7.6	—
Total goodwill	31.7	31.7	24.1
Other intangible assets			
MediaAlpha	15.9	18.3	25.8
Wobi and other	5.4	5.9	6.4
Total other intangible assets	21.3	24.2	32.2
Total goodwill and other intangible assets ⁽¹⁾	53.0	55.9	56.3
Goodwill and other intangible assets held for sale	—	—	325.4
Goodwill and other intangible assets attributed to non-controlling interests	(16.9)	(17.6)	(134.4)
Goodwill and other intangible assets included in book value	\$ 36.1	\$ 38.3	\$ 247.3

⁽¹⁾ See Note 6 - "Goodwill and Other Intangible Assets" for details of other intangible assets.

Review of Consolidated Results

White Mountains's consolidated financial results for the three months ended March 31, 2017 and 2016 follow:

Millions	Three Months Ended	
	March 31,	
	2017	2016
Gross written premiums	\$ 317.0	\$ 321.7
Net written premiums	\$ 277.2	\$ 289.1
Revenues		
Earned insurance premiums	\$ 264.8	\$ 282.1
Net investment income	26.1	17.9
Net realized and unrealized investment gains	51.3	29.5
Other revenue	43.7	39.8
Total revenues	385.9	369.3
Expenses		
Losses and LAE	151.7	161.1
Insurance acquisition expenses	46.6	52.7
Other underwriting expenses	51.8	55.4
General and administrative expenses	91.3	84.0
General and administrative expenses—intangible asset amortization	2.9	3.1
Interest expense	3.7	4.5
Total expenses	348.0	360.8
Pre-tax income from continuing operations	37.9	8.5
Income (expense) benefit	(3.9)	9.7
Net income from continuing operations	34.0	18.2
Net loss on sale of discontinued operations, net of tax	(1.0)	—
Net income from discontinued operations, net of tax	—	1.1
Net income	33.0	19.3
Net loss (income) attributable to non-controlling interests	1.3	(6.3)
Net income attributable to White Mountains's common shareholders	34.3	13.0
Change in foreign currency translation and pension liability, net of tax	.9	.1
Change in foreign currency translation and other from discontinued operations, net of tax	—	37.2
Comprehensive income attributable to White Mountains's common shareholders	\$ 35.2	\$ 50.3

Consolidated Results - Three Months Ended March 31, 2017 versus Three Months Ended March 31, 2016

White Mountains's total revenues increased 4% to \$386 million in the first quarter of 2017, driven by higher investment returns. Earned insurance premiums decreased 6% to \$265 million, driven largely by risk-selection refinement in OneBeacon's Programs, Entertainment and Healthcare businesses. Net realized and unrealized investment gains increased to \$51 million in the first quarter of 2017, compared to \$30 million in the first quarter of 2016. Net investment income was \$26 million in the first quarter of 2017 compared to \$18 million in the first quarter of 2016. See **Summary of Investment Results** on page 54.

White Mountains's total expenses decreased 4% to \$348 million in the first quarter of 2017. Losses and LAE and other underwriting expenses decreased in line with earned premiums. There was no net loss reserve development in either the first quarter of 2017 or the first quarter of 2016. Insurance acquisition expenses decreased 12% due to OneBeacon's decrease in premium volume, change in business mix and lower employee costs. See **OneBeacon** on page 48.

General and administrative expenses increased 9% to \$91 million in the first quarter of 2017, driven by \$14 million of additional compensation expense recorded in the first quarter of 2017 related to the retirement of the Company's former Chairman and CEO. Incentive compensation costs also reflect increases of 5% and 10% to White Mountains's common share market price during the first quarter of 2017 and the first quarter of 2016.

White Mountains's effective tax rate for the three months ended March 31, 2017 was 10.3%. White Mountains's income tax benefit related to pre-tax income from continuing operations for the three months ended March 31, 2017 was different from the U.S. statutory rate of 35% due to changes in forecasted earnings by jurisdiction used in determining interim tax expense. The effective tax rate for the first quarter of 2016 was lower than the U.S. statutory rate of 35%, primarily due to a \$13 million favorable settlement of the 2007-2009 IRS exam at OneBeacon. Future tax law changes that reduce the corporate tax rate would have an adverse effect on White Mountains's deferred tax assets. For example, a reduction in the U.S. federal income tax rate to between 20% and 15% would reduce the Company's net deferred tax asset by \$54 million to \$72 million.

I. Summary of Operations By Segment

White Mountains conducts its operations through three segments: (1) OneBeacon, (2) HG Global/BAM and (3) Other Operations. While investment results are included in each segment, White Mountains manages the majority of its investments contained within the segments through its wholly-owned subsidiary, WM Advisors. Accordingly, a discussion of White Mountains's consolidated investment operations is included after the discussion of operations by segment. White Mountains's segment information is presented in **Note 13 — "Segment Information"** to the Consolidated Financial Statements.

As a result of the Sirius Group and the Tranzact sales, the results of operations for Sirius Group and Tranzact have been classified as discontinued operations and are now presented separately, net of related income taxes, in the statement of comprehensive income. Prior year amounts have been reclassified to conform to the current period's presentation. See **Note 17 — "Held for Sale and Discontinued Operations"**.

OneBeacon

Financial results and GAAP ratios for OneBeacon for the three months ended March 31, 2017 and 2016 follow:

<u>Millions</u>	<u>Three Months Ended</u>	
	<u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
Gross written premiums	\$ 297.3	\$ 310.5
Net written premiums	\$ 256.9	\$ 280.1
Earned insurance premiums	\$ 261.8	\$ 278.6
Net investment income	12.2	14.4
Net realized and unrealized investment gains	15.0	16.6
Other revenue	3.4	.9
Total revenues	292.4	310.5
Losses and LAE	150.6	158.8
Insurance acquisition expenses	45.3	51.0
Other underwriting expenses	51.7	55.3
General and administrative expenses	4.7	3.6
General and administrative expenses—intangible asset amortization	.3	.3
Interest expense	3.3	3.3
Total expenses	255.9	272.3
Pre-tax income	\$ 36.5	\$ 38.2
GAAP ratios:		
Losses and LAE	58%	57%
Expense	37%	38%
Combined	95%	95%

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

<u>(Millions, except per share amounts)</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
OneBeacon book value per share:			
OneBeacon's common shareholders' equity	\$ 1,033.4	\$ 1,021.3	\$ 1,016.6
OneBeacon common shares outstanding	94.7	94.3	94.3
OneBeacon book value per common share ⁽¹⁾	\$ 10.91	\$ 10.82	\$ 10.78

⁽¹⁾ OneBeacon declared and paid a regular quarterly dividend of \$.21 per common share in the first quarter of 2017 and each quarter during 2016.

OneBeacon ended the first quarter of 2017 with a book value per share of \$10.91, an increase of 2.8% for the quarter, including dividends.

OneBeacon Results—Three Months Ended March 31, 2017 versus Three Months Ended March 31, 2016

OneBeacon's GAAP combined ratio was 95% for the first quarter of 2017 and the first quarter of 2016. The loss ratio increased by one point to 58% for the first quarter of 2017 compared to the first quarter of 2016, driven by increased losses in OneBeacon's Programs, Healthcare and Government Risks businesses, mostly offset by decreases in several other lines. There was no net loss reserve development in either the first quarter of 2017 or the first quarter of 2016. The expense ratio decreased by one point to 37% for the first quarter of 2017 compared to the first quarter of 2016, driven by change in business mix and lower employee costs, which more than offset the negative impact of lower earned premiums.

OneBeacon's net written premiums decreased 8% to \$257 million in the first quarter of 2017 compared to the first quarter of 2016, driven largely by risk-selection refinement in its Programs (\$16 million), Entertainment (\$10 million) and Healthcare (\$4 million) businesses. Excluding those businesses, net written premiums increased 3% for the first quarter of 2017.

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 risks 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 6 points and 11 points for the first quarter of 2017 and 2016 as a result of the cost of the reinsurance programs more than offsetting the benefits from ceded losses. In the first quarter of 2016, Crop business reduced the gross combined ratio, but had no effect on the net combined ratio, as 100% of Crop results were ceded under the quota share reinsurance agreement that OneBeacon entered into on July 31, 2015 pursuant to its exit of the Crop business. Excluding the effects of the Crop business on the first quarter 2016 combined ratio, OneBeacon's net combined ratio was higher than the gross combined ratio by 5 points, primarily from the cost of OneBeacon's reinsurance programs.

HG Global/BAM

The following table presents the components of pre-tax income included in White Mountains's HG Global/BAM segment related to the consolidation of HG Global, which includes HG Re and its other wholly-owned subsidiaries, and BAM for the three months ended March 31, 2017 and 2016:

Millions	Three Months Ended March 31, 2017			
	HG Global	BAM	Eliminations	Total
Gross written premiums	\$ —	\$ 18.7	\$ —	\$ 18.7
Assumed (ceded) written premiums	12.6	(12.6)	—	—
Net written premiums	\$ 12.6	\$ 6.1	\$ —	\$ 18.7
Earned insurance premiums	\$ 1.5	\$.5	\$ —	\$ 2.0
Net investment income	.6	2.0	—	2.6
Net investment income - BAM Surplus Notes	4.8	—	(4.8)	—
Net realized and unrealized investment losses	.3	1.0	—	1.3
Other revenue	—	.4	—	.4
Total revenues	7.2	3.9	(4.8)	6.3
Insurance acquisition expenses	.3	.9	—	1.2
Other underwriting expenses	—	.1	—	.1
General and administrative expenses	.3	10.3	—	10.6
Interest expense - BAM Surplus Notes	—	4.8	(4.8)	—
Total expenses	.6	16.1	(4.8)	11.9
Pre-tax income (loss)	\$ 6.6	\$ (12.2)	\$ —	\$ (5.6)
Supplemental information:				
Member Surplus Contributions ⁽¹⁾	\$ —	\$ 9.6	\$ —	\$ 9.6

Millions	Three Months Ended March 31, 2016			
	HG Global	BAM	Eliminations	Total
Gross written premiums	\$ —	\$ 6.8	\$ —	\$ 6.8
Assumed (ceded) written premiums	5.1	(5.1)	—	—
Net written premiums	\$ 5.1	\$ 1.7	\$ —	\$ 6.8
Earned insurance premiums	\$.9	\$.3	\$ —	\$ 1.2
Net investment income	.5	1.6	—	2.1
Net investment income - BAM Surplus Notes	4.5	—	(4.5)	—
Net realized and unrealized investment gains	2.1	4.9	—	7.0
Other revenue	—	.1	—	.1
Total revenues	8.0	6.9	(4.5)	10.4
Insurance acquisition expenses	.2	.7	—	.9
Other underwriting expenses	—	.1	—	.1
General and administrative expenses	.5	9.2	—	9.7
Interest expense - BAM Surplus Notes	—	4.5	(4.5)	—
Total expenses	.7	14.5	(4.5)	10.7
Pre-tax income (loss)	\$ 7.3	\$ (7.6)	\$ —	\$ (.3)
Supplemental information:				
Member Surplus Contributions ⁽¹⁾	\$ —	\$ 6.7	\$ —	\$ 6.7

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

HG Global/BAM Results—Three Months Ended March 31, 2017 versus Three Months Ended March 31, 2016

BAM is a mutual insurance company whose affairs are managed on a statutory accounting basis, and it does not report stand-alone GAAP financial results. BAM is owned by its members, the municipalities that purchase BAM's insurance for their debt issuances. BAM charges an insurance premium on each municipal bond insurance policy it insures. A portion of the premium is a Member Surplus Contribution, which is contributed to BAM's qualified statutory capital and conveys to the issuer certain interests in BAM, including the right to receive dividends in the future, subject to regulatory approval. The remainder is a risk premium, which is recorded as gross written premiums.

In the first quarter of 2017, BAM insured \$2.4 billion of municipal bonds, \$2.0 billion of which were in the primary market, compared to \$2.2 billion of municipal bonds, \$2.1 billion of which were in the primary market, insured in the first quarter of 2016. Gross written premiums and member surplus contributions totaled \$28 million for the first quarter of 2017, compared to \$14 million for the first quarter of 2016. Total pricing (i.e., gross written premiums and member surplus contributions weighted by the par value of bonds insured) was 119 basis points in the first quarter of 2017, up from 62 basis points in the first quarter of 2016.

HG Global reported GAAP pre-tax income of \$7 million in the first quarter of 2017 and the first quarter of 2016. Results for the first quarter of 2017 and the first quarter of 2016 were both driven by \$5 million of interest income on the BAM Surplus Notes. The variable rate was 3.78% and 3.54% as of March 31, 2017 and December 31, 2016.

As a mutual insurance company that is owned by its members, BAM's results do not affect White Mountains's book value per share and adjusted book value per share. However, White Mountains is required to consolidate BAM's results in its GAAP financial statements and its results are attributed to non-controlling interests. White Mountains reported \$12 million of GAAP pre-tax loss from BAM in the first quarter of 2017, compared to \$8 million in the first quarter of 2016. The increase was primarily due to lower investment results. Results for the first quarter of 2017 include \$5 million of interest expense on the BAM Surplus Notes and \$10 million of operating expenses, compared to \$5 million interest expense and \$9 million of operating expenses in the first quarter of 2016. BAM's statutory net loss was \$9 million and \$8 million in the first quarter of 2017 and the first quarter of 2016.

BAM's "claims paying resources" represent the capital and other financial resources BAM has available to pay claims and, as such, is a key indication of BAM's financial strength. BAM's claims-paying resources include BAM's qualified statutory capital, including member surplus contributions, net unearned premiums, contingency reserves, present value of future installment premiums and the first loss reinsurance protection provided by HG Re, which is collateralized and held in trusts. BAM expects Member Surplus Contributions and HG Re's reinsurance protection to be the primary drivers of continued growth of its claims-paying resources.

As of March 31, 2017, BAM's claims paying resources increased 3% to \$662 million from December 31, 2016. The increase was primarily driven by a \$12 million increase in the HG Re collateral trusts and \$10 million of member surplus contributions, partially offset by BAM's first quarter of 2017 statutory net loss of \$9 million.

The following table presents BAM's total claims paying resources as of March 31, 2017 and December 31, 2016:

Millions	March 31, 2017	December 31, 2016
Policyholders' surplus	\$ 429.2	\$ 431.5
Contingency reserve	25.5	22.7
Qualified statutory capital	454.7	454.2
Net unearned premiums	29.2	23.2
Present value of future installment premiums	3.3	3.3
Collateral trusts	175.0	163.0
Claims paying resources	\$ 662.2	\$ 643.7

As of March 31, 2016, BAM's claims paying resources increased 1% to \$607 million from December 31, 2015. The increase was primarily driven by \$7 million of Member Surplus Contributions and \$6 million increase in the HG Re collateral trusts, partially offset by BAM's first three months of 2016 statutory net loss of \$8 million. The following table presents BAM's total claims paying resources as of March 31, 2016 and December 31, 2015:

Millions	March 31, 2016	December 31, 2015
Policyholders' surplus	\$ 433.4	\$ 437.2
Contingency reserve	14.8	12.4
Qualified statutory capital	448.2	449.6
Net unearned premiums	14.0	12.5
Present value of future installment premiums	2.7	2.6
Collateral trusts	142.2	136.6
Claims paying resources	\$ 607.1	\$ 601.3

The following table presents amounts from HG Global, which includes HG Re and its other wholly-owned subsidiaries, and BAM that are contained within White Mountains's consolidated balance sheet as of March 31, 2017 and December 31, 2016:

Millions	March 31, 2017			
	HG Global	BAM	Eliminations and Segment Adjustment	Total
Assets				
Fixed maturity investments	\$ 155.3	\$ 447.8	\$ —	\$ 603.1
Short-term investments	18.6	43.5	—	62.1
Total investments	173.9	491.3	—	665.2
Cash	1.4	10.5	—	11.9
BAM Surplus Notes	503.0	—	(503.0)	—
Accrued interest receivable on BAM Surplus Notes	112.8	—	(112.8)	—
Other assets	13.5	9.6	(1.0)	22.1
Total assets	\$ 804.6	\$ 511.4	\$ (616.8)	\$ 699.2
Liabilities				
BAM Surplus Notes ⁽¹⁾	\$ —	\$ 503.0	\$ (503.0)	\$ —
Accrued interest payable on BAM Surplus Notes ⁽²⁾	—	112.8	(112.8)	—
Preferred dividends payable to White Mountains's subsidiaries ⁽³⁾	191.9	—	—	191.9
Preferred dividends payable to non-controlling interests	6.4	—	—	6.4
Other liabilities	72.4	48.6	(1.0)	120.0
Total liabilities	270.7	664.4	(616.8)	318.3
Equity				
White Mountains's common shareholders' equity	517.4	—	—	517.4
Non-controlling interests	16.5	(153.0)	—	(136.5)
Total equity	533.9	(153.0)	—	380.9
Total liabilities and equity	\$ 804.6	\$ 511.4	\$ (616.8)	\$ 699.2

Millions	December 31, 2016			
	HG Global	BAM	Eliminations and Segment Adjustment	Total Segment
Assets				
Fixed maturity investments	\$ 155.2	\$ 430.0	\$ —	\$ 585.2
Short-term investments	6.4	38.1	—	44.5
Total investments	161.6	468.1	—	629.7
Cash	1.9	25.1	—	27.0
BAM Surplus Notes	503.0	—	(503.0)	—
Accrued interest receivable on BAM Surplus Notes	108.0	—	(108.0)	—
Other assets	12.5	39.9	(1.0)	51.4
Total assets	<u>\$ 787.0</u>	<u>\$ 533.1</u>	<u>\$ (612.0)</u>	<u>\$ 708.1</u>
Liabilities				
BAM Surplus Notes ⁽¹⁾	\$ —	\$ 503.0	\$ (503.0)	\$ —
Accrued interest payable on BAM Surplus Notes ⁽²⁾	—	108.0	(108.0)	—
Preferred dividends payable to White Mountains's subsidiaries ⁽³⁾	180.5	—	—	180.5
Preferred dividends payable to non-controlling interests	5.7	—	—	5.7
Other liabilities	61.4	73.0	(1.0)	133.4
Total liabilities	247.6	684.0	(612.0)	319.6
Equity				
White Mountains's common shareholders' equity	522.8	—	—	522.8
Non-controlling interests	16.6	(150.9)	—	(134.3)
Total equity	<u>539.4</u>	<u>(150.9)</u>	<u>—</u>	<u>388.5</u>
Total liabilities and equity	<u>\$ 787.0</u>	<u>\$ 533.1</u>	<u>\$ (612.0)</u>	<u>\$ 708.1</u>

⁽¹⁾ Under GAAP, the BAM Surplus Notes are classified as debt by the issuer. Under U.S. Statutory accounting, they are classified as Surplus.

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

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

Periodically, BAM publishes the gross par value of policies priced during the period while amounts recorded for accounting purposes are based on the gross par value of policies issued. The following table reconciles the gross par value of policies issued to the gross par value of policies priced for the three months ended March 31, 2017 and 2016:

Millions	Three Months Ended	
	March 31,	
	2017	2016
Gross par value of primary market policies issued	\$ 2,041.0	\$ 2,096.8
Gross par value of secondary market policies issued	338.1	81.8
Total gross par value of policies issued	<u>2,379.1</u>	<u>2,178.6</u>
Gross par value of policies priced yet to close	328.3	724.5
Less: Gross par value of policies closed that were previously priced	(353.3)	(298.6)
Total gross par value of policies priced	<u>\$ 2,354.1</u>	<u>\$ 2,604.5</u>

Other Operations

A summary of White Mountains's financial results from its Other Operations segment for the three months ended March 31, 2017 and 2016 follows:

Millions	Three Months Ended	
	March 31,	
	2017	2016
Earned insurance premiums	\$ 1.0	\$ 2.3
Net investment income	11.3	1.4
Net realized and unrealized investment gains	35.0	5.9
Other revenue—MediaAlpha	32.5	32.7
Other revenue—Other	7.4	6.1
Total revenues	87.2	48.4
Loss and loss adjustment expenses	1.1	2.3
Insurance acquisition expenses	.1	.8
General and administrative expenses—MediaAlpha	30.9	30.5
General and administrative expenses—Other	45.1	40.2
General and administrative expenses—amortization of intangible assets	2.6	2.8
Interest expense	.4	1.2
Total expenses	80.2	77.8
Pre-tax income (loss)	\$ 7.0	\$ (29.4)

Other Operations Results—Three Months Ended March 31, 2017 versus Three Months Ended March 31, 2016

White Mountains's Other Operations segment reported pre-tax income of \$7 million in the first quarter of 2017, compared to pre-tax loss of \$29 million in the first quarter of 2016. The improved results were driven by higher investment returns, mostly due to a larger invested asset base resulting from the proceeds of the sale of Sirius Group. White Mountains's Other Operations segment reported \$35 million of net realized and unrealized investment gains in the first quarter of 2017 compared to net realized and unrealized investment gains of \$6 million in the first quarter of 2016. White Mountains's Other Operations segment reported \$11 million of net investment income in the first quarter of 2017 compared to net investment income of \$1 million in the first quarter of 2016. See **Summary of Investment Results** on page 54. White Mountains's Other Operations segment other revenues included \$33 million from MediaAlpha in both the first quarter of 2017 and the first quarter of 2016. White Mountains's Other Operations segment general and administrative expenses included \$31 million from MediaAlpha in both the first quarter of 2017 and the first quarter of 2016. White Mountains's Other Operations segment general and administrative expenses increased \$5 million in the first quarter of 2017 compared to the first quarter of 2016, driven by \$14 million of additional compensation expense recorded in the first quarter of 2017 related to the retirement of the Company's former Chairman and CEO, which was partially offset by higher incentive compensation costs in the first quarter of 2016 from a larger increase in the market price of White Mountains's common shares during the first quarter of 2016 compared to the first quarter of 2017. Incentive compensation costs reflect increases of 5% and 10% to White Mountains's common share market price during the first quarter of 2017 and the first quarter of 2016.

Discontinued Operations

Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI. Sirius Group's results inured to White Mountains until the closing date of the transaction. For the three months ended March 31, 2016, White Mountains reported Sirius Group's combined ratio of 93% and comprehensive income from discontinued operations of \$36 million. See **Note 17 — "Held for Sale and Discontinued Operations"**.

Tranzact Sale

On July 21, 2016, White Mountains completed the sale of Tranzact to an affiliate of Clayton, Dubilier & Rice, LLC. Tranzact's results inured to White Mountains until the closing date of the transaction. For the three months ended March 31, 2016, White Mountains reported Tranzact's net loss from discontinued operations of \$2 million. See **Note 17 — "Held for Sale and Discontinued Operations"**.

II. Summary of Investment Results

White Mountains's total investment results include continuing operations and discontinued operations. During the first quarter of 2015, White Mountains signed an agreement to sell Sirius Group, which closed on April 18, 2016. Sirius Group's results inured to White Mountains through the closing date of the transaction.

During the third quarter of 2016, White Mountains established a portfolio of high-yield fixed maturity investments. Given the risk profile of these investments, White Mountains has included the returns associated with the high-yield fixed maturity investments with the returns from common equity securities and other long-term investments. See "**NON-GAAP FINANCIAL MEASURES**" on page 64.

For purposes of discussing rates of return, all percentages are presented gross of management fees and trading expenses in order to produce a better comparison to benchmark returns, while all dollar amounts are presented net of management fees and trading expenses. A summary of White Mountains's consolidated total operations' pre-tax investment results, including returns from discontinued operations, for the three months ended March 31, 2017 and 2016 follows:

Gross investment returns and benchmark returns

	Three Months Ended	
	March 31,	
	2017	2016
Short-term investments	0.1%	0.5%
Investment grade fixed maturity investments	0.9%	1.6%
High-yield fixed maturity investments	2.2%	N/A
Total GAAP fixed income investments ⁽¹⁾	0.9%	1.5%
<i>Bloomberg Barclays U.S. Intermediate Aggregate Index</i>	0.7%	2.3%
Common equity securities	6.1%	2.0%
Other long-term investments	1.0%	0.2%
Total GAAP common equity securities and other long-term investments	4.2%	1.5%
Total common equity securities, other long-term investments and high-yield fixed maturity investments	3.7%	1.5%
<i>S&P 500 Index (total return)</i>	6.1%	1.3%
<i>Bloomberg Barclays U.S. High Yield Ba 2% Issuer Capped (minus Energy & Financials)</i>	2.0%	N/A
Total consolidated portfolio	1.5%	1.5%

⁽¹⁾ The impact of excluding high-yield fixed maturity investments from the GAAP fixed maturity investment returns was insignificant in the first quarter of 2017.

Investment Returns—Three Months Ended March 31, 2017 versus Three Months Ended March 31, 2016

White Mountains's GAAP pre-tax total return on invested assets was 1.5% for both the first quarter of 2017 and the first quarter of 2016. The returns for the first quarter of 2017 were driven primarily by the continuing post election equity market rally while the first quarter 2016 returns were boosted by falling interest rates.

Fixed income results

White Mountains maintains a high-quality, short-duration fixed income portfolio. As of March 31, 2017, the fixed income portfolio duration, including short-term investments but excluding high-yield fixed maturity investments, was approximately 2.9 years, compared to 2.6 years as of December 31, 2016 and 2.0 years as of March 31, 2016. Including both short-term and high-yield fixed maturity investments, duration was approximately 3.0 years as of March 31, 2017.

The increase in the duration of the fixed income portfolio from the comparative periods was primarily a result of establishing a new medium duration British Pound Sterling (GBP) investment grade corporate bond mandate with Legal & General Investment Management, Ltd. ("LGIM"), a third party registered investment adviser. The duration of the LGIM portfolio was approximately 7.3 years as of March 31, 2017. White Mountains has entered into foreign currency forward contracts to manage its GBP foreign currency exposure relating to this mandate. As of March 31, 2017, these contracts had a total gross notional value of approximately \$247 million (GBP 200 million).

The fixed income portfolio returned 0.9% for the first quarter of 2017, outperforming the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index return of 0.7%. The fixed income portfolio returned 1.5% for the first quarter of 2016, underperforming the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index return of 2.3%.

Common equity securities, other long-term investments, and high-yield fixed maturity investments results

White Mountains maintains a portfolio of common equity securities, other long-term investments and high-yield fixed maturity investments. White Mountains's management believes that prudent levels of investments in common equity securities, other long-term investments and high-yield fixed maturity investments are likely to enhance long-term after-tax total returns. White Mountains's portfolio of common equity securities, other long-term investments and high-yield fixed maturity investments represented approximately 23%, 20%, and 14% of total GAAP invested assets as of March 31, 2017, December 31, 2016, and March 31, 2016.

White Mountains's portfolio of common equity securities, other long-term investments and high-yield fixed maturity investments returned 3.7% for the first quarter of 2017, underperforming the S&P 500 Index return of 6.1%. The underperformance versus the S&P 500 Index return was primarily attributable to (i) asset allocation, as high-yield fixed maturity investments did not keep pace with common equity securities for the quarter, and (ii) unfavorable performance in other long-term investments, primarily attributable to the impact of unconsolidated private capital investments, unfavorable mark-to-market adjustments to the OneBeacon Surplus Notes and currency hedges.

White Mountains's portfolio of common equity securities primarily consists of passive ETFs and publicly-traded common equity securities that are actively managed by third party registered investment advisers. White Mountains's portfolio of common equity securities and ETFs returned 6.1% for the first quarter of 2017, in line with the S&P 500 Index return of 6.1%.

The portfolio of ETFs seeks to provide investment results that, before expenses, generally correspond to the performance of broad market indices. As of March 31, 2017 and December 31, 2016, White Mountains had \$385 million and \$322 million invested in ETFs, respectively. During the first quarter of 2017 and 2016, the ETFs essentially earned the effective index return, before expenses, over the period in which White Mountains was invested in these funds.

White Mountains's third party registered investment adviser relationships have been with Silchester International Investors ("Silchester"), who invests in value-oriented non-U.S. equity securities through an open-ended unit trust and Lateef Investment Management ("Lateef"), a growth at a reasonable price adviser managing a highly concentrated portfolio of mid-cap and large-cap growth companies. During the first quarter of 2017, White Mountains established a new relationship with Lazard Asset Management ("Lazard"), to manage a Pan-European common equity portfolio, of which the majority of the securities are denominated in Euros (EUR). The actively managed portfolio of common equity securities returned 6.9% for the first quarter of 2017, outperforming the S&P 500 Index return of 6.1%. The actively managed portfolio of common equity securities returned 1.0% for the first quarter of 2016, lagging the S&P 500 Index return of 1.3%.

In the first quarter of 2017, White Mountains entered into a foreign currency forward contract to manage the bulk of its foreign currency exposure associated with the common equity portfolio managed by Lazard. As of March 31, 2017, the contract had a total gross notional value of approximately \$53 million (EUR 50 million).

White Mountains maintains a portfolio of other long-term investments that consists primarily of hedge funds, private equity funds, unconsolidated private capital investments, the OneBeacon Surplus Notes, and various other investments. As of March 31, 2017, approximately 44% of these other long-term investments were invested in private equity funds with a general emphasis on narrow, sector-focused investments, and hedge funds with a general emphasis on long-short equities.

White Mountains's other long-term investments returned 1.0% for the first quarter of 2017. The results for the first quarter of 2017 were primarily attributable to the impact of unconsolidated private capital investments, unfavorable mark-to-market adjustments to the OneBeacon Surplus Notes and currency hedges. White Mountains's other long-term investments returned 0.2% for the first quarter of 2016. The return for the first quarter of 2016 was primarily attributable to favorable results from the OneBeacon Surplus Notes, partially offset by unfavorable results from private equity funds and hedge funds.

During the third quarter of 2016, White Mountains established a new relationship with Principal Global Investors, LLC ("Principal"), a third party registered investment adviser, to manage a relatively concentrated portfolio of high-yield fixed maturity investments. The Principal separate account is invested in issuers of U.S. dollar denominated publicly traded and 144A debt securities issued by corporations with generally at least one rating between "B-" and "BB+" inclusive by Standard and Poor's or similar ratings from other rating agencies. The high-yield fixed maturity investments returned 2.2% for the first quarter of 2017, outperforming the Bloomberg Barclays U.S. High Yield Ba 2% Issuer Capped (minus Energy & Financials) Index return of 2.0%.

Foreign Currency Translation

As of March 31, 2017, White Mountains has foreign currency exchange rate risk on approximately \$423 million of net assets: cash and fixed income securities denominated in GBP managed by LGIM, cash and common equity securities denominated in Euros and other currencies managed by Lazard, common equity securities managed by Silchester, Wobi and various other consolidated and unconsolidated private capital investments.

White Mountains entered into foreign currency forward contracts to economically hedge the GBP and Euro foreign currency exposure for the invested assets managed by LGIM and Lazard. The following table summarizes the fair value of the foreign denominated assets for these mandates as well as the gross notional amount and fair value of the foreign currency forward contracts:

\$ in millions		Fair Value of Investment Portfolio		Fair Value of Foreign Currency Forward Contract		Gross Notional Value of Foreign Currency Forward Contract		
Investment Mandate	Currency	(in USD)		(in USD)		(Local Currency)	(in USD)	
LGIM	GBP	\$	252.3	\$	250.3	GBP	200.0	\$ 247.2
Lazard	EUR		56.0		53.7	EUR	50.0	52.7
Total		\$	308.3	\$	304.0	Total	\$	299.9

At March 31, 2017, White Mountains's net foreign currency exchange rate risk was on net assets of approximately \$119 million.

Investment in Symetra Common Shares

During the first quarter of 2015, Symetra announced that it entered into a definitive merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life") pursuant to which Sumitomo Life would acquire all of the outstanding shares of Symetra. On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life and White Mountains received proceeds of \$658 million, or \$32 per common share. White Mountains recognized \$5 million in pre-tax net investment gains associated with Symetra during the first quarter of 2016. White Mountains also received a special dividend of \$.50 per share as part of the transaction that was paid in the third quarter of 2015.

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 other operating subsidiaries, capital raising activities, net investment income, proceeds from sales and maturities of investments and, from time to time, proceeds from the sales of operating subsidiaries. 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, distributions to non-controlling interest holders of other consolidated subsidiaries, purchases of investments, payments to tax authorities, contributions to operating subsidiaries, operating expenses and, from time to time, purchases of operating subsidiaries.

Operating subsidiary level. The primary sources of cash for White Mountains's insurance and other operating subsidiaries are expected to be premium and fee collections, net investment income, proceeds from sales and maturities of investments, contributions from holding companies, capital raising activities and, from time to time, proceeds from the sales of operating subsidiaries. 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, distributions to non-controlling interest holders, operating expenses and, from time to time, purchases of operating subsidiaries.

Both internal and external forces influence White Mountains's financial condition, results of operations and cash flows. 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's insurance 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's cash balances, cash flows from operations, routine sales and maturities of investments and the liquidity provided by the WTM Bank Facility, the OneBeacon Bank Facility and revolving credit facilities of other consolidated subsidiaries are adequate to meet expected cash requirements for the foreseeable future on both a holding company and subsidiary level.

Dividend Capacity

Under the insurance laws of the states and jurisdictions that White Mountains's insurance 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's insurance and operating subsidiaries:

OneBeacon:

OneBeacon's top-tier regulated U.S. insurance subsidiary, Atlantic Specialty Insurance Company ("ASIC"), has the ability to pay dividends to its immediate parent without the prior approval of regulatory authorities in an amount set by formula based on the lesser of (i) adjusted net investment income, as defined by statute, or (ii) 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus. Based upon the formula above, most recently calculated as of December 31, 2016, ASIC has the ability to pay \$11 million of dividends without the prior approval of regulatory authorities. When taking into consideration the rolling 12-month portion of this statutorily-defined calculation, including adjusted net investment income and the timing of dividends paid, OneBeacon anticipated that ASIC would have the ability to pay dividends of approximately \$30 million during 2017. ASIC paid a \$30 million dividend to its immediate parent on April 27, 2017. As of December 31, 2016, ASIC had \$625 million of statutory surplus and \$69 million of earned surplus.

In 2017, Split Rock has the ability to distribute statutory capital without the prior approval of the Bermuda Monetary Authority (the "BMA"), provided it does not reduce its total statutory capital, as shown in the previous year's statutory financial statements, by 15% or more.

In addition, Split Rock has the ability to pay dividends without the prior notification of regulatory authorities of up to 25% of its previous financial year's total statutory capital and surplus, subject to meeting all appropriate liquidity and solvency requirements as specified in the Insurance Act of 1978 and the Companies Act of 1981. As of December 31, 2016, Split Rock had \$210 million of statutory capital and \$60 million of statutory surplus for total statutory capital and surplus of \$270 million.

Based upon the limitations described above, Split Rock currently has the ability to distribute up to \$32 million of statutory capital and pay up to \$60 million of dividends during 2017 without the prior approval of regulatory authorities. Split Rock did not pay any dividends or distributions during the first quarter of 2017.

During the first quarter of 2017, OneBeacon's unregulated insurance subsidiaries paid \$5 million of dividends to their immediate parent. As of March 31, 2017, OneBeacon's unregulated insurance operating subsidiaries had \$60 million of net unrestricted cash, short-term investments and fixed maturity investments and \$70 million of other long-term investments, consisting of the OneBeacon Surplus Notes.

During the first quarter of 2017, OneBeacon Ltd. paid \$20 million of regular quarterly dividends to its common shareholders. White Mountains received \$15 million of these dividends.

As of March 31, 2017, OneBeacon Ltd. and its intermediate holding companies had \$44 million of net unrestricted cash, short-term investments and fixed maturity investments and \$13 million of common equity securities outside of its regulated and unregulated insurance subsidiaries.

HG Global/BAM:

At March 31, 2017, HG Global had \$619 million face value of preferred shares outstanding, of which White Mountains owned 96.9%. Holders of the HG Global preferred shares receive cumulative dividends at a fixed annual rate of 6.0% on a quarterly basis, when and if declared by HG Global. HG Global did not declare or pay any preferred dividends in the first quarter of 2017. As of March 31, 2017, HG Global has accrued \$198 million of dividends payable to holders of its preferred shares, \$192 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 to amounts held outside of the collateral trusts pursuant to the first loss reinsurance treaty ("FLRT") with BAM. As of December 31, 2016, HG Re had statutory capital and surplus of \$467 million, of which \$465 million was held in the collateral trusts pursuant to the FLRT with BAM.

Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8.0% to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually, which is 3.78% for 2017. Prior to the end of 2018, BAM has the option to extend the variable rate period for an additional three years. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8.0%. BAM is required to seek regulatory approval to pay interest and principal on its surplus notes only when adequate capital resources have accumulated beyond BAM's initial capitalization and a level that continues to support its outstanding obligations, business plan and ratings. BAM did not pay any interest on the BAM Surplus Notes during the first quarter of 2017.

Other Operations:

During the first quarter of 2017, WM Advisors did not pay any dividends to its immediate parent. As of March 31, 2017, WM Advisors had \$11 million of net unrestricted cash, short-term investments and fixed maturity investments.

During the first quarter of 2017, White Mountains paid a \$5 million common share dividend. As of March 31, 2017, the Company and its intermediate holding companies had \$1,507 million of net unrestricted cash, short-term investments and fixed maturity investments, \$402 million of common equity securities and \$85 million of other long-term investments included in its Other Operations segment.

Insurance Float

Insurance float is an important aspect of White Mountains's insurance operations. Insurance float represents funds that an insurance company holds for a limited time. In an insurance operation, float arises because premiums are collected before losses are paid. This interval can extend over many years. During that time, the insurer invests the funds. When the premiums that an insurer collects do not cover the losses and expenses it eventually must pay, the result is an underwriting loss, which can be considered as the cost of insurance float. One manner to calculate insurance float is to take insurance liabilities and subtract insurance assets. 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 operations, organic growth in existing insurance operations and recognition of losses that do not immediately cause a corresponding reduction in investment assets. Conversely, insurance float can decrease in a number of other ways, including sales of insurance operations, shrinking or runoff of existing insurance 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. It is White Mountains's intention to generate low-cost float over time through a combination of acquisitions and organic growth in its existing insurance operations. However, White Mountains seeks to increase overall profitability, which sometimes reduces insurance float, such as in the Sirius Group sale.

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/retirements, 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 that are calculated using insurance float.

The following table illustrates White Mountains's consolidated insurance float position as of March 31, 2017 and December 31, 2016:

(\$ in millions)	March 31, 2017	December 31, 2016
Loss and LAE reserves	\$ 1,368.8	\$ 1,365.6
Unearned insurance and reinsurance premiums	678.1	658.0
Ceded reinsurance payable	11.2	17.0
Funds held under insurance and reinsurance contracts	148.7	153.0
Insurance liabilities	<u>2,206.8</u>	<u>2,193.6</u>
Cash in regulated insurance and reinsurance subsidiaries	\$ 20.9	\$ 13.6
Reinsurance recoverable on paid and unpaid losses	178.1	179.5
Insurance and reinsurance premiums receivable	227.5	229.9
Deferred acquisition costs	110.4	106.9
Ceded unearned insurance and reinsurance premiums	52.4	44.2
Insurance assets	<u>589.3</u>	<u>574.1</u>
Insurance float	<u>\$ 1,617.5</u>	<u>\$ 1,619.5</u>
Insurance float as a multiple of total capital	0.4x	0.4x
Insurance float as a multiple of White Mountains's common shareholders' equity	0.4x	0.4x

During the first quarter of 2017, insurance float decreased by \$2 million, primarily due to a \$17 million decrease in OneBeacon's insurance float that was mostly offset by a \$15 million increase at HG Global and BAM.

Financing

The following table summarizes White Mountains's capital structure as of March 31, 2017 and December 31, 2016:

(\$ in millions)	March 31, 2017	December 31, 2016
WTM Bank Facility	\$ —	\$ —
OBH Senior Notes, carrying value	273.2	273.2
OneBeacon Bank Facility	—	—
MediaAlpha Bank Facility, carrying value	11.5	12.7
Total debt	<u>284.7</u>	<u>285.9</u>
Non-controlling interest—OneBeacon Ltd.	250.7	244.6
Non-controlling interests—other, excluding mutuals and reciprocals	34.7	35.8
Total White Mountains's common shareholders' equity	<u>3,625.2</u>	<u>3,603.3</u>
Total capital	<u>4,195.3</u>	<u>4,169.6</u>
Total debt to total capital	7%	7%

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.

White Mountains has an unsecured 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”). As of March 31, 2017, the WTM Bank Facility was undrawn.

OneBeacon Ltd. and OneBeacon U.S. Holdings, Inc. (“OBH”), as co-borrowers and co-guarantors, have a revolving credit facility administered by U.S. Bank N.A. and also including BMO Harris Bank N.A., which has a total commitment of \$65 million and has a maturity date of September 29, 2019 (the “OneBeacon Bank Facility”). As of March 31, 2017, the OneBeacon Bank Facility was undrawn.

The WTM and OneBeacon Bank Facilities contain 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. These covenants can restrict White Mountains in several ways, including its ability to incur additional indebtedness. An uncured breach of these covenants could result in an event of default under the WTM or OneBeacon Bank Facilities, which would allow lenders to declare any amounts owed under the WTM or OneBeacon Bank Facilities to be immediately due and payable. In addition, a default under the WTM or OneBeacon Bank Facilities could occur if certain of White Mountains’s subsidiaries fail to pay principal and interest on a credit facility, mortgage or similar debt agreement (collectively, “covered debt”), or fail to otherwise comply with obligations in such covered debt agreements where such a default gives the holder of the covered debt the right to accelerate at least \$75 million of principal amount of covered debt.

On July 23, 2015, MediaAlpha entered into a secured credit facility with Opus Bank, which has a total commitment of \$20 million and has a maturity date of July 23, 2019 (the “MediaAlpha Bank Facility”). The MediaAlpha Bank Facility consists of a \$15 million term loan facility, which had a principal balance of \$12 million as of March 31, 2017, and a \$5 million revolving credit facility, which was undrawn as of March 31, 2017. During the first quarter of 2017, MediaAlpha repaid \$1 million under the term loan facility. The MediaAlpha Bank Facility carries a variable interest rate that is based on the Prime Rate, as published by the Wall Street Journal, plus a spread of 1.5% as of March 31, 2017.

The MediaAlpha Bank Facility is secured by intellectual property and the common stock of MediaAlpha’s subsidiaries, and contains various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including a maximum leverage ratio.

In November 2012, OBH issued \$275 million face value of senior unsecured debt through a public offering, at an issue price of 99.9% (the “OBH Senior Notes”). The net proceeds from the issuance of the OBH Senior Notes were used to repurchase OBH’s previously issued senior notes. The 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 OBH Senior Notes were issued under indentures that contain restrictive covenants which, among other things, limit the ability of OneBeacon Ltd., OBH, and their respective subsidiaries to create liens and enter into sale and leaseback transactions and limits the ability of OneBeacon Ltd. and OBH to consolidate, merge or transfer its properties and assets. The indentures do not contain any financial ratios or specified levels of net worth or liquidity to which OneBeacon Ltd. or OBH must adhere. In addition, a failure by OneBeacon Ltd., OBH or their respective subsidiaries to pay principal and interest on covered debt, where such failure results in the acceleration of at least \$75 million of the principal amount of covered debt, could trigger the acceleration of the OBH Senior Notes.

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

Covenant Compliance

As of March 31, 2017, White Mountains was in compliance with all of the covenants under all of its debt instruments and expects to remain in compliance for the foreseeable future.

Share Repurchases

White Mountains's board of directors has authorized the Company to repurchase its common shares from time to time, subject to market conditions. The repurchase authorizations do not have a stated expiration date. As of March 31, 2017, White Mountains may repurchase an additional 878,130 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.

The following table presents common shares repurchased by the Company, as well as the average price per share as a percent of adjusted book value per share. For 2016 periods, the table also presents the average price per share to the adjusted book value per share, including the estimated gain from the Sirius Group sale of \$89 per share as of March 31, 2016 that was reported in the Company's Form 10-Q for the period ended March 31, 2016.

Dates	Shares Repurchased	Cost (millions)	Average price per share	Average price per share as % of	
				Adjusted book value per share ⁽¹⁾	Adjusted book value per share, including estimated gain from Sirius sale
1st quarter 2017 ⁽²⁾	7,699	\$ 6.5	\$ 836.05	105%	N/A
April 2017	—	—	—	—%	N/A
Year-to-date April 30, 2017	7,699	\$ 6.5	\$ 836.05	105%	N/A
1st quarter 2016 ⁽²⁾	228,688	\$ 172.7	\$ 755.36	107%	95%
April 2016	356,423	287.5	806.52	114%	102%
Year-to-date April 30, 2016	585,111	\$ 460.2	\$ 786.53	112%	99%

⁽¹⁾ Average price per share is expressed as a percentage of White Mountains's adjusted book value per share as of March 31, 2017 for the 2017 periods presented and as of March 31, 2016 for the 2016 periods presented.

⁽²⁾ Includes 7,699 and 8,022 common shares repurchased by the Company during the first quarter of 2017 and 2016 to satisfy employee income tax withholding pursuant to employee benefit plans. Shares repurchased pursuant to employee benefit plans do not reduce the board authorization referred to above.

OneBeacon

In 2007, OneBeacon's board authorized management to repurchase up to \$200 million of OneBeacon's Class A common shares from time to time, subject to market conditions. Shares may be repurchased on the open market or through privately negotiated transactions. This authorization does not have a stated expiration date. Since the inception of this authorization, OneBeacon has repurchased and retired 6.7 million of its Class A common shares. During the first quarter of 2017, OneBeacon did not repurchase any of its common shares under the share repurchase authorization. During the first quarter of 2016, OneBeacon repurchased and retired 850,349 of its common shares under the share repurchase authorization for \$11 million at an average share price of \$12.42. The amount of authorization remaining is \$75 million as of March 31, 2017.

During the first quarter of 2017 and 2016, OneBeacon also repurchased 67,273 and 64,981 common shares for \$1 million in each period to satisfy employee income tax withholding pursuant to employee benefit plans. Shares repurchased pursuant to employee benefit plans do not reduce the board authorization referred to above.

Cash Flows

Detailed information concerning White Mountains's cash flows during the three months ended March 31, 2017 and 2016 follows:

Cash flows from continuing operations for the three months ended March 31, 2017 and March 31, 2016

Net cash used for continuing operations was \$56 million in the first three months of 2017 and \$46 million in the first three months of 2016. The increase in cash used for continuing operations was primarily driven by an increase in incentive compensation and employee retirement payments in the first quarter of 2017 relative to the first quarter of 2016. White Mountains made long-term incentive payments totaling \$27 million and \$9 million during the first quarter of 2017 and 2016. In 2016, White Mountains made an additional \$41 million of long-term incentive payments during the second quarter after the closing of the Sirius Group sale. White Mountains also paid a \$21 million cash retirement payment to its former CEO during the first quarter of 2017. White Mountains does not believe these trends will have a meaningful impact on its future liquidity or its ability to meet its future cash requirements.

Cash flows from investing and financing activities for the three months ended March 31, 2017

Financing and Other Capital Activities

During the first quarter of 2017, the Company declared and paid a \$5 million cash dividend to its common shareholders.

During the first quarter of 2017, OneBeacon Ltd. declared and paid \$20 million of cash dividends to its common shareholders. White Mountains received a total of \$15 million of these dividends.

During the first quarter of 2017, BAM received \$10 million in surplus contributions from its members.

During the first quarter of 2017, MediaAlpha paid \$0.7 million of dividends, of which \$0.4 million was paid to White Mountains. During the first quarter of 2017, MediaAlpha repaid \$1 million of the term loan portion of the MediaAlpha Bank Facility.

During the first quarter of 2017, WM Life Re returned \$1 million of capital to White Mountains.

Cash flows from investing and financing activities for the three months ended March 31, 2016

Financing and Other Capital Activities

During the first quarter of 2016, the Company declared and paid a \$5 million cash dividend to its common shareholders.

During the first quarter of 2016, the Company repurchased and retired 228,688 of its common shares for \$173 million, which included 8,022 common shares, for \$6 million, that was a non-cash repurchase under employee benefit plans.

During the first quarter of 2016, White Mountains borrowed a total of \$100 million under the WTM Bank Facility.

During the first quarter of 2016, OneBeacon Ltd. declared and paid \$20 million of cash dividends to its common shareholders. White Mountains received a total of \$15 million of these dividends.

During the first quarter of 2016, HG Global raised \$6 million of additional capital through the issuance of preferred shares, 97% of which were purchased by White Mountains. HG Global used \$3 million of the proceeds to repay and cancel an internal credit facility with White Mountains.

During the first quarter of 2016, BAM received \$7 million in surplus contributions from its members.

During the first quarter of 2016, MediaAlpha borrowed \$3 million under the revolving loan portion of the MediaAlpha Bank Facility.

During the first quarter of 2016, White Mountains contributed \$15 million to WM Advisors.

Acquisitions and Dispositions

In January 2016, Wobi settled its acquisition of the remaining share capital of Cashboard for NIS 16 million (approximately \$4 million based upon the foreign exchange spot rate at the date of acquisition).

On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life and White Mountains received proceeds of \$658 million, or \$32.00 per Symetra common share.

On February 26, 2016, White Mountains paid \$8 million in settlement of the contingent purchase adjustment for its acquisition of MediaAlpha in 2014.

FAIR VALUE CONSIDERATIONS

General

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

Assets and liabilities carried at fair value include substantially all of the investment portfolio; derivative instruments, both exchange traded and over the counter instruments; 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 observable prices and other inputs. Where appropriate, assets and liabilities measured at fair value have been adjusted for the effect of counterparty credit risk.

Invested Assets

White Mountains’s invested assets that are measured at fair value include fixed maturity investments, common equity 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 benchmark yields, reported trades, broker dealer quotes, issuer spreads, benchmark securities, bids, offers, prepayment speeds, reference data including research publications 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 March 31, 2017, approximately 93% of the investment portfolio (including investments in discontinued operations) recorded at fair value was priced based upon quoted market prices or other observable inputs. Investments valued using Level 1 inputs include fixed maturity securities, primarily investments in U.S. Treasuries, common equity securities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs comprise fixed maturity securities including debt securities issued by corporations, municipal obligations, mortgage and asset-backed securities, foreign government, agency and provisional obligations and preferred stock. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Investments valued using Level 2 inputs also include certain ETFs that track U.S. stock indices such as the S&P 500 but are traded on foreign exchanges and that management values using the fund’s published NAV to account for the difference in market close times. Level 3 fair value estimates based upon unobservable inputs include White Mountains’s investments in surplus notes, as well as certain investments in fixed maturity investments, common equity securities and other long-term investments where quoted market prices are unavailable or are not considered reasonable.

White Mountains determines when transfers between levels have occurred as of the beginning of the period. 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 methodologies and observable inputs such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, bids, offers, credit ratings prepayment speeds, reference data including research publications 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 pricing methodologies and the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from alternative 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 million from the expected price based on these procedures are considered outliers. Also considered outliers are prices that have not changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of White Mountains's review process 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.

NON-GAAP FINANCIAL MEASURES

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

Adjusted book value per share is a non-GAAP financial measure which is derived by adjusting the GAAP book value per share denominator to exclude unearned restricted common shares, the compensation cost of which, at the date of calculation, has yet to be amortized. In addition, the calculation of adjusted book value per share includes the dilutive effects of outstanding non-qualified options for periods prior to January 20, 2017, the expiration date of the non-qualified options. The reconciliation of GAAP book value per share to adjusted book value per share is included on page 46.

In the third quarter of 2016, White Mountains purchased high-yield fixed maturity investments, which are U.S. dollar denominated publicly traded and 144A debt securities issued by corporations with generally at least one rating between "B-" and "BB+" inclusive by Standard and Poor's or similar ratings from other rating agencies. Given the risk profile of these investments, White Mountains has included returns on high-yield fixed maturity investment returns with returns on common equity securities and other long-term investments. A reconciliation of these returns follows:

Common equity securities and other long-term investment returns	March 31, 2017		
	GAAP return	Include: Impact of high-yield fixed maturity investments ⁽¹⁾⁽²⁾	Reported return
Quarter-to-date	4.2 %	(0.5) %	3.7 %

⁽¹⁾ High-yield fixed maturity investments returned 2.2% for the first quarter of 2017.

⁽²⁾ The impact of excluding high-yield fixed maturity investments from the GAAP fixed maturity investment returns was insignificant in the first quarter of 2017.

CRITICAL ACCOUNTING ESTIMATES

Refer to the Company's 2016 Annual Report on Form 10-K for a complete discussion regarding White Mountains's critical accounting estimates.

FORWARD-LOOKING STATEMENTS

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

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

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

- the risk that OneBeacon's proposed merger with Intact Financial Corporation (the “Transaction”) may not be completed on the currently contemplated timeline or at all;
- the possibility that any or all of the various conditions to the consummation of the Transaction may not be satisfied or waived, including the failure to receive any required regulatory approvals from any applicable governmental entities (or any conditions, limitations or restrictions placed on such approvals);
- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement dated May 2, 2017, among OneBeacon, Intact Financial Corporation and the other parties thereto (the “Merger Agreement”), including in circumstances which would require OneBeacon to pay a termination fee or other expenses;
- risks related to diverting management’s attention from White Mountains’s or OneBeacon’s ongoing business operations and other risks related to the announcement or pendency of the Transaction, including on White Mountains’s or OneBeacon’s ability to retain and hire key personnel, their ability to maintain relationships with its customers, policyholders, brokers, service providers and others with whom they do business and their operating results and business generally;
- the risk that shareholder litigation in connection with the transactions contemplated by the Merger Agreement may result in significant costs of defense, indemnification and liability;
- the risks associated with Item 1A of White Mountains’s 2016 Annual Report on Form 10-K;
- claims arising from catastrophic events, such as hurricanes, earthquakes, floods, fires, terrorist attacks or severe winter weather;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to White Mountains, its competitors or its customers;
- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch; and
- other factors, most of which are beyond White Mountains’s control.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Refer to White Mountains's 2016 Annual Report on Form 10-K and in particular **Item 7A. - "Quantitative and Qualitative Disclosures About Market Risk"**.

Item 4. Controls and Procedures.

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

There were no significant changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended March 31, 2017.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

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, OneBeacon-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, and in 2011, the Judicial Panel on Multidistrict Litigation granted a motion to consolidate the actions for pretrial matters and transferred all such proceedings to the U.S. District Court for the Southern District of New York (the "SDNY"). 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. OneBeacon received approximately \$32 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 the plaintiffs appealed. On March 29, 2016, a three judge panel of the U.S. Second Circuit Court of Appeals affirmed the dismissal of the Noteholder Actions. On July 22, 2016, the Plaintiff's petition to the Second Circuit for reconsideration or for a rehearing en banc was denied in full. On September 9, 2016, the Plaintiffs filed for a writ of certiorari, seeking review in the U.S. Supreme Court.

In addition, OneBeacon, OneBeacon-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. This matter was consolidated for pretrial matters with the Noteholder Actions in the SDNY and was stayed pending the motion to dismiss in the Noteholder Actions. An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014 and the motion was granted on January 6, 2017. The plaintiff has requested permission to move the SDNY to certify the decision as a final judgment capable of immediate appeal. No amount has been accrued in connection with this matter as of March 31, 2017, as the amount of loss, if any, cannot be reasonably estimated.

Item 1A. Risk Factors.

There have been no material changes to any of the risk factors previously disclosed the Registrant's 2016 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 ⁽¹⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plan ⁽¹⁾
January 1-January 31, 2017	7,699	\$ 836.05	—	878,130
February 1-February 28, 2017	—	\$ —	—	878,130
March 1-March 31, 2017	—	\$ —	—	878,130
Total	7,699	\$ 836.05	—	878,130

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

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a)	Exhibit number	Name
	3	— Amended and Restated Bye-Laws of the Company. *
	10.1	— Retirement Agreement dated March 1, 2017 between White Mountains Insurance Group, Ltd. and Raymond Barrette. *
	10.2	— Fourth Amendment dated as of February 28, 2017 to the Amended and Restated Investment Management Agreement dated as of December 23, 2014 by and between White Mountains Advisors LLC and OneBeacon Insurance Group, Ltd. *
	10.3	— OneBeacon's 2017 Management Incentive Plan. *
	10.4	— OneBeacon 2017 Long-Term Incentive Plan. *
	10.5	— Form of OneBeacon Insurance Group, Ltd. 2017 Special Restricted Share Award Agreement. *
	10.6	— Form of OneBeacon Insurance Group, Ltd. 2017-2019 Restricted Share Award Agreement. *
	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	— The following financial information from White Mountains's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 formatted in XBRL: (i) Consolidated Balance Sheets, March 31, 2017 and December 31, 2016; (ii) Consolidated Statements of Operations and Comprehensive Income, Three Ended March 31, 2017 and 2016; (iii) Consolidated Statements of Changes in Equity, Three Months Ended March 31, 2017 and 2016; (iv) Consolidated Statements of Cash Flows, Three Months Ended March 31, 2017 and 2016; 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 11 — “Earnings Per Share”** 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: May 2, 2017

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

AMENDED AND RESTATED
B Y E - L A W S
of
WHITE MOUNTAINS INSURANCE GROUP, LTD.
MAY 26, 2016

Adopted by Members on May 26, 2016

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INTERPRETATION

1. Interpretation

(1) In these Bye-laws the following words and expressions shall, where not inconsistent with the context, have the following meanings respectively:

“Act” means the Companies Act 1981 as amended from time to time;

“Alternate Director” means an alternate Director appointed in accordance with these Bye-laws and the Act;

“Auditor” includes any individual or partnership;

“Board” means the board of Directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the Directors present at a meeting of Directors at which there is a quorum;

“Byrne Entity” has the meaning set forth in Bye-law 80(3)(e);

“Company” means the company for which these Bye-laws are approved and confirmed;

“Controlled Shares” has the meaning set forth in Bye-law 47;

“Director” means a director of the Company and shall include an Alternate Director;

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder;

“Fair Market Value” means, with respect to a repurchase of any shares of the Company in accordance with Bye-law 10, (i) if such shares are listed on a securities exchange (or quoted in a securities quotation system), the average closing sale price of such shares on such exchange (or in such quotation system), or, if such shares are listed on (or quoted in) more than one exchange (or quotation system), the average closing sale price of the shares on the principal securities exchange (or quotation system) on which such shares are then traded, or, if such shares are not then listed on a securities exchange (or quotation system) but are traded in the over-the-counter market, the average of the latest bid and asked quotations for such shares in such market, in each case for the last five trading days immediately preceding the day on which notice of the repurchase of such shares is sent pursuant to these Bye-laws or (ii) if no such closing sales prices or quotations are available because such shares are not publicly traded or otherwise, the fair value of such shares as determined by one independent nationally recognized investment banking firm chosen in good faith by the Board, provided that the calculation of the Fair Market Value of the shares made by such appointed investment banking firm (i) shall not include any discount relating to the absence of a public trading market for, or any transfer restrictions on, such shares, and (ii) such calculation shall be final and the fees and expenses stemming from such calculation shall be borne by the Company or its assignee, as the case may be;

“general meeting” means either an annual or a special meeting of the Members;

Bye-laws

“Member” means the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons as the context so requires;

“notice” means written notice as further defined in these Bye-laws unless otherwise specifically stated;

“Officer” means any person appointed by the Board to hold an office in the Company;

“person” means any individual, partnership, limited liability company, joint venture, firm, corporation, association, trust, fund or other enterprise;

“Purchase Notice” has the meaning set forth in Bye-law 10;

“Purchase Price” has the meaning set forth in Bye-law 10;

“Register of Directors and Officers” means the Register of Directors and Officers referred to in these Bye-laws;

“Register of Members” means the Register of Members referred to in these Bye-laws;

“Resident Representative” means any person appointed to act as resident representative and includes any deputy or assistant resident representative; and

“Secretary” means the person appointed to perform any or all the duties of secretary of the Company and includes any deputy or assistant secretary.

(2) In these Bye-laws, where not inconsistent with the context:

- (a) words denoting the plural number include the singular number and vice versa;
- (b) words denoting the masculine gender include the feminine gender;
- (c) words importing persons include companies, associations or bodies of persons whether corporate or not;
- (d) the word:
 - (i) “may” shall be construed as permissive;
 - (ii) “shall” shall be construed as imperative; and
- (e) unless otherwise provided herein words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

(3) Expressions referring to writing or written shall, unless the contrary intention appears, include facsimile, printing, lithography, photography and other modes of representing words in a visible form.

(4) Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

BOARD OF DIRECTORS

2. Management of the Company

- (1) The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all corporate and other powers of the Company as are not, by statute or by these Bye-laws, required to be exercised by the Company in general meeting, and the business and affairs of the Company shall be so controlled by the Board. The Board may also present any petition and make any application in connection with the liquidation or reorganization of the Company.
- (2) No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board.
- (3) The Board may procure that the Company pays all expenses incurred in promoting and incorporating the Company.

3. Power to appoint managing director or chief executive officer

The Board may from time to time appoint one or more Directors to the office of managing director or chief executive officer of the Company who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company.

4. Power to appoint manager

The Board may appoint a person to act as manager of the Company's day to day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

5. Power to authorize specific actions

The Board may from time to time and at any time authorize any person to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

6. Power to appoint attorney

The Board may from time to time and at any time by power of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company.

7. Power to delegate to a committee
 - (1) The Board may appoint Board Committees from among its members to consist of not less than one (1) director for each Board Committee. The Board may designate one or more Directors as alternate members of any Board Committee, who may replace any absent or disqualified members at a meeting of such Board Committee. The Board Committees shall have such of the powers and authority of the Board in the management of the business and affairs of the Company as shall, from time to time, so be delegated to them by the Board.
 - (2) The Board may appoint other committees to consist of such number of members as may be fixed by the Board, none of whom need be a member of the Board, and may prescribe the powers and authority of such committees.
 - (3) Meetings and actions of Board Committees and other committees of the Company shall be governed by, held and taken in accordance with these Bye-laws, with such changes in the context of those Bye-laws as are necessary to substitute the committee and its members for the Board and its members, except that the time of regular meetings of committees may also be called by resolution of the Board and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. Further, the Board or the committee may adopt rules for the governance of any committee not inconsistent with the provisions of these Bye-laws.
8. Power to appoint and dismiss employees

The Board may appoint, suspend or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties.
9. Power to borrow and charge property.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party.
10. Exercise of power to purchase shares of or discontinue the Company
 - (1) The Board may exercise all the powers of the Company to purchase all or any part of its own shares pursuant to Section 42A of the Act.
 - (2) Without limiting the foregoing, subject to Section 42A of the Act, if the Board in its absolute and unfettered discretion determines that share ownership by any Member may result in adverse tax, regulatory or legal consequences to the Company, any of its subsidiaries or any of its Members, the Company will have the option, but not the obligation, to purchase all or part of the shares held by such Member (to the extent the Board, in the reasonable exercise of its discretion, determines it is necessary to avoid or cure such adverse consequences) with immediately available funds in an amount equal to the Fair Market Value of such shares on the date the Company sends the Purchase Notice referred to below (the "Purchase Price"); provided, that the Board will use

reasonable efforts to exercise this option equally among similarly situated Members (to the extent possible under the circumstances). The Company will also be entitled to assign its purchase right to a third party, which party may be a Member. Each Member shall be bound by the determination by the Company to purchase or assign its right to purchase such Member's shares and, if so required by the Company, shall sell the number of shares that the Company requires it to sell. In the event that the Company or its assignee(s) determines to purchase any such shares, the Company shall provide each Member concerned with written notice of such determination (a "Purchase Notice") at least seven (7) calendar days prior to such purchase or such shorter period as each such Member may authorize, specifying the date on which any such shares are to be purchased and the Purchase Price. The Company may revoke the Purchase Notice at any time before it (or its assignee(s)) pays for the shares. Neither the Company nor its assignee(s) shall be obligated to give general notice to the Members of any intention to purchase or the conclusion of any purchase of shares. The Board may authorize any person to sign, on behalf of any Member who is the subject of a Purchase Notice, an instrument of transfer relating to any of such Member's shares which the Company has an option to purchase. Payment of the Purchase Price by the Company or its assignee(s) shall be by wire transfer or certified check and made at a closing to be held no less than seven (7) calendar days after receipt of the Purchase Notice by the Member.

- (3) The Board may exercise all the powers of the Company to discontinue the Company to a named country or jurisdiction outside Bermuda pursuant to Section 132G of the Act.

11. Election of Directors

- (1) The Board shall consist of not less than two Directors nor more than eighteen Directors with the exact number of Directors to be determined from time to time by resolution adopted by the affirmative vote of a majority of the Board.
- (2) The Directors shall be divided into three classes designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of Directors constituting the entire Board. At each succeeding annual general meeting beginning in 2000, successors to the class of directors whose term expires at that annual general meeting shall be elected for a three-year term. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, and any additional Director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of Directors shorten the term of any incumbent Director. A Director shall hold office until the annual general meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.
- (3) Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preference Shares issued by the Company shall have the right, voting separately by class or series, to elect Directors at an annual or special general meeting, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Board resolution creating such classes or series of Preference Shares, and such directors so elected shall not be divided into classes pursuant to this Bye-law II unless expressly provided by such terms.

12. Defects in appointment of Directors

All acts done bona fide by any meeting of the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

13. Notification of Nominations

Subject to the rights of the holders of any class or series of Preference Shares, nominations for the election of Directors may be made by the Board or by any Member entitled to vote for the election of Directors. Any Member entitled to vote for the election of Directors may nominate persons for election as Directors only if written notice of such Member's intent to make such nomination is given, either by personal delivery or by mail, postage prepaid or any recognized overnight delivery service, to the Secretary of the Company not later than (i) with respect to an election to be held at an annual general meeting, 90 days prior to the anniversary date of the immediately preceding annual meeting or not later than 10 days after notice or public disclosure of the date of the annual meeting is given or made available to Members, whichever date is earlier, and (ii) with respect to an election to be held at a special general meeting for the election of Directors, the close of business on the seventh day following the date on which notice of such meeting is first given to Members. Each such notice shall set forth: (a) the name and address of the Member who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the Member is a holder of record of shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the Member and each such nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Member; (d) such other information regarding each nominee proposed by such Member as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the United States Securities and Exchange Commission had each such nominee been nominated, or intended to be nominated, by the Board; and (e) the consent of each such nominee to serve as a director of the Company if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

14. Alternate Directors

An individual may be appointed an Alternate Director by or in accordance with a resolution of the members. Unless otherwise determined by the Board (and subject to such limitations as may be set by the Board), no Director shall have the right to appoint another person to act as his Alternate Director.

15. Vacancies on the Board, Etc.

- (1) Except in the case of vacancies on the Board that under applicable law must be filled by the Members, any vacancy on the Board that results from an increase in the number of directors shall be filled by a majority of the Board then in office, provided that a quorum is present, and any other vacancy occurring in the Board shall be filled by a majority of the directors then in office, even if less than a quorum, or a sole remaining director and the Board shall have the power to appoint an Alternate Director for any Director appointed to fill a vacancy. Any director

elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

(2) Unless otherwise determined by the Board, the Members shall not be entitled to remove a Director.

16. Notice of meetings of the Board; Adjournment

- (1) Notice of the time and place of each meeting of the Board, whether regular or special, shall be served upon or telephoned or mailed or telegraphed or transmitted by facsimile to each director at his residence or usual place of business, at least twenty-four (24) hours before the time fixed for the meeting.
- (2) A majority of the Directors present, whether or not a quorum is present, may adjourn any Directors meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.
- (3) Notice of any meeting or any irregularity in any notice may be waived by any Director before the meeting is held. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting by such Director.

17. Quorum at meetings of the Board

At all meetings of the Board, one half (1/2) of the Directors then in office (but not less than two (2) Directors) if present in person at such meeting shall be sufficient to constitute a quorum for a meeting of Directors.

18. Meetings of the Board

- (1) All meetings of the Directors shall be held at the principal office of the Company or at such other place either within or without Bermuda as shall be designated by the Board.
- (2) The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit.
- (3) Directors may participate in a meeting of the Board through use of conference telephone or similar communications equipment, so long as all Directors participating in such meeting can hear one another. Participation in a meeting of the Board by this means constitutes presence in person at such meeting.
- (4) Unless a greater number is otherwise expressly required by statute or these Bye-laws, every act or decision done or made by a majority of the Directors present at a meeting duly held, at which a quorum is present, shall be regarded as the act of the Board.

19. Regular Board Meetings

The next meeting of the Board subsequent to the annual general meeting shall be held for the purpose of organizing the Board, electing officers and transacting such other business as may come before the meeting. Thereafter regular meetings of the Board shall be held at such time as may be designated by the Board. If the day fixed for any regular meeting shall fall on a holiday, the meeting shall take place on the next business day, unless otherwise determined by the Board.

20. Special Board Meetings

Special meetings of the Board may be called by the Chairman of the Board, or by the President, or by any two (2) Directors.

21. Chairman of meetings

The Chairman of the Board, or in the Chairman's absence, any Director selected by the Directors present, shall preside as chairman at meetings of the Board.

22. Unanimous written resolutions

Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board shall consent thereto in writing. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. For the purposes of this Bye-law, "Director" shall not include an Alternate Director.

23. Contracts and disclosure of Directors' interests

- (1) Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in a professional capacity for the Company and such Director or such Director's firm, partner or such company shall be entitled to remuneration for professional services as if such Director were not a Director.
- (2) A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest.
- (3) Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

24. Remuneration of Directors

- (1) The remuneration (if any) of the Directors shall be as determined by the Directors and shall be deemed to accrue from day to day. The Directors shall also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

- (2) The Directors may by resolution award special remuneration to any Director of the Company undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as a Director. Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves it in a professional capacity, shall be in addition to his remuneration as a Director.

25. Register of Directors and Officers

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

OFFICERS

26. Principal Officers

The principal Officers of the Company shall be such officers as the Board may determine. Any two or more of such offices, except those of President and Secretary, may be held by the same person except as prohibited by the Act. The Chairman of the Board need not be an executive officer of the Company.

27. Other Officers

The Board, the Chairman of the Board or the President may appoint such other Officers as the conduct of the business of the Company may require, each of whom shall hold office for such period as the Board, the Chairman of the Board or the President may from time to time determine.

28. Remuneration of Officers

The Officers shall receive such remuneration as the Board may from time to time determine.

29. Duties of Officers

Each Officer shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to him by the Board, or, if such Officer was appointed by the Chairman of the Board or the President, as may be delegated to him by either such person, from time to time.

30. Election

Each principal Officer shall be elected annually by the Board at its organization meeting after the annual general meeting, or any subsequent meeting of the Board, and (subject to the power of removal by the Board) shall hold office until a successor is elected and qualified or until the officer's death, resignation, disqualification or removal.

31. Removal

Any principal Officer may be removed either with or without cause by the Board. Upon removal of an Officer, such office shall be deemed vacant.

MINUTES

32. **Obligations of Board to keep minutes**

- (1) The Board shall cause minutes to be duly entered in books provided for the purpose:
 - (a) of all elections and appointments of Officers;
 - (b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and
 - (c) all resolutions and proceedings of general meetings of the Members, meetings of the Board and meetings of committees appointed by the Board.
- (2) Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

INDEMNITY

33. **Right to Indemnification**

The Company shall indemnify its officers and directors to the fullest extent possible except as prohibited by the Act. Without limiting the foregoing, the Directors, Secretary and other Officers (such term to include, for the purposes of this Bye-law, any Alternate Director or any person appointed to any committee by the Board or any person who is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan)) and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted (actual or alleged) in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, provided that this indemnity shall not extend to any matter in respect of which such person is, or may be, found guilty of fraud or dishonesty.

- (1) The Company may purchase and maintain insurance to protect itself and any Director, Officer or other person entitled to indemnification pursuant to this Bye-law to the fullest extent permitted by law.
- (2) All reasonable expenses incurred by or on behalf of any person entitled to indemnification pursuant to Bye-law 33(l) in connection with any proceeding shall be advanced to such person by the Company within twenty (20) business days after the receipt by the Company of a statement or statements from

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such person requesting such advance or advances from time to time, whether prior to or after final disposition of such proceeding. Such statement or statements shall reasonably evidence the expenses incurred by such person and, if required by law or requested by the Company at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of such person to repay the amounts advanced if it should ultimately be determined that such person is not entitled to be indemnified against such expenses pursuant to this Bye-law.

- (3) The right of indemnification and advancement of expenses provided in this Bye-law shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled, and the provisions of this Bye-law shall inure to the benefit of the heirs and legal representatives of any person entitled to indemnity under this Bye-law and shall be applicable to proceedings commenced or continuing after the adoption of this Bye-law, whether arising from acts or omissions occurring before or after such adoption. Any repeal or modification of the foregoing provisions of this section shall not adversely affect any right or protection existing at the time of such repeal or modification.

34. Waiver of claims

The Company and each Member agrees to waive any claim or right of action it might have, whether individually or by or in the right of the Company, against any Director or Officer, and no Director or Officer shall have any liability for monetary damages, on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company, provided that such waiver shall not extend to any matter in respect of which such person is, or may be, found guilty of fraud or dishonesty.

35. Indemnification of Employees

The Board may provide indemnification and advancement of expenses to the employees of the Company for their acts or omissions as the Board may, from time to time, determine.

MEMBERS MEETINGS

36. Place of Meeting

All meetings of Members shall be held either at the principal office of the Company or at any other place within or without Bermuda as may be designated by the Board.

37. Annual Meeting

- (1) The annual general meeting shall be held on such date, at such time and at such place as shall be designated by the Board and any annual general meeting may be adjourned as provided by law or pursuant to these Bye-laws. At each annual general meeting there shall be elected Directors to serve for the designated term, and such other business shall be transacted as shall properly come before the meeting.
- (2) Any business properly brought before an annual general meeting of the Members of the Company may be transacted at such meeting.

38. Business to be conducted at Meetings

Subject to the Act, to be properly brought before a general meeting, business must be specified in the notice of the meeting (or any supplement thereto). Only business which the Board has concluded can be properly brought before a general meeting of Members in accordance with these Bye-laws and applicable law shall be conducted at such meeting, and the chairman of such meeting may refuse to permit any business to be brought before such meeting which has not been properly brought before it in accordance with these Bye-laws and applicable law.

39. Notice of general meeting

“Notice of General Meeting” as proposed to be amended as follows:

- (1) Notice of each general meeting, whether annual or special, shall be given in writing to the Members entitled to vote thereat, not less than ten (10) nor more than sixty (60) days before such meeting. Notice of any meeting of Members shall specify the place, the day, and the hour of the meeting, as well as the general nature of the business to be transacted. A notice may be given by the Company to any Member either personally or by mail or by transmitting it by electronic means (including facsimile and electronic mail) or in accordance with Bye-law 39(2).
- (2) Where a Member indicates his consent (in a form and manner satisfactory to the Board) to receive information or documents by accessing them on a website rather than by other means, or receipt in this manner is otherwise permitted by the Act, the Company may deliver such information or documents by notifying the Member of their availability and including therein the address of the website, the place on the website where the information or document may be found, and instructions as to how the information or document may be accessed on the website.

40. Accidental omission of notice of general meeting

The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

41. Call of Special General Meeting

- (1) Special general meetings for any purpose or purposes may be called only (i) by the Chairman of the Board; (ii) by the President; (iii) by a majority of the entire Board or (iv) as required by the Act.
- (2) Only such business as is specified in the notice of any special general meeting shall come before such meeting.

42. Postponement of meetings

The Secretary may postpone any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

43. Quorum for general meeting

The presence of two or more persons representing, in person or by proxy, not less than a majority of the voting power represented by the shares entitled to vote thereat shall constitute a quorum for the transaction of business at any general meeting.

44. Adjournment of meetings

- (1) Any general meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the voting power represented by the shares represented at the meeting, either in person or by proxy, but in the absence of a quorum no other business may be transacted at that meeting.
- (2) When any general meeting, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the date, time and place are announced at a meeting at which the adjournment occurs, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than thirty (30) days from the date set for the original meeting, in which case the Board shall set a new record date. Notice of any such adjourned meeting, if required, shall be given to each Member of record entitled to vote at the adjourned meeting in accordance with the provisions of Bye-law 39. At any adjourned meeting the Company may transact any business that might have been transacted at the original meeting.

45. Written resolutions

Subject to applicable law, no action required to be taken, or which may be taken, at any annual or special general meeting may be taken without a meeting, and the Members shall have no power to consent in writing, without a meeting, to the taking of any action.

46. Attendance of Directors

The Directors of the Company shall be entitled to receive notice of and to attend and be heard at any general meeting.

47. Limitation on voting rights of Controlled Shares

- (1) Every Member of record owning shares conferring the right to vote present in person or by proxy shall have one vote, or such other number of votes as may be specified in the terms of the issue and rights and privileges attaching to such shares or in these Bye-laws, for each such share registered in such Member's name, provided that if and so long as the votes conferred by the

Controlled Shares of any person constitute ten percent (10%) or more of the votes conferred by the issued shares of the Company, each issued share comprised in such Controlled Shares shall confer only a fraction of a vote that would otherwise be applicable according to the following formula:

$\{(T \text{ divided by } 10) - 1\} \text{ divided by } C.$

Where: "T" is the aggregate number of votes conferred by all the issued shares of the Company; and "C" is the number of votes conferred by the Controlled Shares of such person.

"Controlled Shares" in reference to any person means:

- (i) all shares of the Company directly, indirectly or constructively owned by such person within the meaning of Section 958 of the Internal Revenue Code of 1986, as amended, of the United States of America; and
- (ii) all shares of the Company directly, indirectly or constructively owned by any person or "group" of persons within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of the United States of America and the rules and regulations promulgated thereunder; provided that this clause (ii) shall not apply to (a) any person (or any group that includes any person) that is excluded from the definition of Interested Member (set forth in Bye-law 80) or (b) any person or group that the Board, by the affirmative vote of at least seventy-five percent (75%) of the entire Board, may exempt from the provisions of this clause (ii).

For the purposes of this Bye-law 47, "person" shall mean any individual, firm, partnership, corporation, association, or other entity, or any "group" of persons within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of the United States of America and the rules and regulations thereunder.

The limitations contained in this Bye-law 47(l) shall not apply to any Member which is a Byrne Entity for any matter submitted to the vote of shareholders, except with respect to the election of directors.

- (2) If, as a result of giving effect to the forgoing provisions of Bye-law 47 or otherwise, the votes conferred by the Controlled Shares of any person would otherwise represent 10% or more of the votes conferred by all the issued shares of the Company, the votes conferred by the Controlled Shares of such person shall be reduced in accordance with the foregoing provisions of Bye-law 47. Such process shall be repeated until the votes conferred by the Controlled Shares of each person represent less than 10% of the votes conferred by all the issued shares of the Company.
- (3) Upon written notification by a Member to the Board, the number of votes conferred by the total number of shares held by such Member shall be reduced to that percentage of the total voting power of the Company, as so designated by such Member (subject to acceptance of such reduction

by the Board in its sole discretion) so that (and to the extent that) such Member may meet any applicable insurance or other regulatory requirement or voting threshold or limitation that may be applicable to such Member or to evidence that such person's voting power is no greater than such threshold.

- (4) Notwithstanding the foregoing provisions of this Bye-law 47, after having applied such provisions as best as they consider reasonably practicable, the Board may make such final adjustments to the aggregate number of votes conferred by the Controlled Shares of any person that they consider fair and reasonable in all the circumstances to ensure that such votes represent less than 10% (or the percentage designated by a Member pursuant to paragraph (3) of this Bye-law 47) of the aggregate voting power of the votes conferred by all the issued shares of the Company.

48. Voting at meetings

- (1) Unless a different number is otherwise expressly required by statute (without modification of these Bye-laws) or these Bye-laws, every act or decision (including any act or resolution regarding any amalgamation, scheme of arrangement, merger, consolidation or sale or transfer of assets that has been approved by the affirmative vote of at least two-thirds of the entire Board) done or made by a majority of the voting power held by the Members present in person or by proxy at a meeting duly held, at which a quorum is present, shall be regarded as the act or resolution of the Members.
- (2) At any election of Directors, each Director shall be elected by a majority of the votes cast with respect to that Director's election, provided, however, that (i) in a contested director election in which the number of nominees exceeds the number of Directors to be elected, the nominees receiving the highest number of votes, up to the number of Directors to be elected, shall be elected (a "Plurality Vote"); and (ii) in an uncontested election, any Director who receives less than a majority of the votes cast with respect to that Director's election but whose resignation is declined in accordance with this Bye-law shall be elected by a Plurality Vote. For purposes of this Bye-Law, a majority of the votes cast with respect to a Director's election shall mean that the number of votes cast "for" a Director's election exceeds the number of votes cast "against" that Director's election (with "abstentions", "withholds" and "broker non-votes" and other comparable absences of expression of a Member's intentions not being counted as a vote cast either "for" or "against" that Director's election). If an incumbent Director receives less than a majority of the votes cast in an uncontested election, such Director shall tender his or her resignation to the Board, whereupon the Board shall, within ninety (90) days after the receipt thereof, either (i) accept the resignation of such Director, and determine a date on which such resignation will take effect within ninety (90) days of the date of such decision and make public the effective date of such resignation, or (ii) upon the vote of at least a majority of the Board (excluding any such resigning Director(s)), decline to accept such resignation and, not later than five business days thereof, make public, together with a summary of the analysis used in reaching the conclusion, the specific reasons why the Board chose not to accept the resignation and believes that decision was in the best interest of the Company.
- (3) No Member shall be entitled to vote at any general meeting unless he or she is a Member on the record date for such meeting.

- (4) No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at such general meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the general meeting whose decision shall be final and conclusive. Notwithstanding the foregoing, however, the Chairman of the general meeting may, in his discretion, whether or not an objection has been raised, and if the Chairman considers that such action is necessary to determine accurately the vote count, defer until after the conclusion of the general meeting a decision as to the proper application of Bye-law 47 to any vote at such meeting. If the decision has been so deferred, then the Chairman of the general meeting or, failing such decision within ninety (90) days of the general meeting, the Board, shall make such decision and such decision shall be final and conclusive.

49. Presiding Officer

The Chairman of the Board, the President, or another person selected by the Board shall act as chairman of general meetings. The Secretary of the Company, or, in the Secretary's absence, an Assistant Secretary of the Company, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the meeting shall choose any person present to act as secretary of the meeting.

50. Conduct of meeting; Decision of chairman

The chairman shall conduct each general meeting in a manner consistent with the Act and these Bye-laws, but shall not be obligated to follow any technical, formal or parliamentary rules or principles of procedure. The chairman's rulings on procedural matters shall be conclusive and binding on all Members, unless at the time of such ruling a request for a vote on the ruling is made by a Member entitled to vote and represented in person or by proxy at the meeting, in which case the decision of a majority of such Members shall be conclusive and binding on all Members.

- (1) At any general meeting if an amendment shall be proposed to any resolution under consideration but shall be ruled out of order by the chairman of the meeting the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.
- (2) At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Bye-laws, be conclusive evidence of that fact.

51. Seniority of joint holders voting

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

52. Proxies

Every person entitled to vote shares has the right to do so either in person or by one or more persons authorized by (a) a written proxy in such form as the Board may determine from time to time or (b) such telephonic, electronic or other means as may be approved by the Board from time to time. The appointment of a proxy must be received by the Company at such place and in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the appointment proposes to vote. Any such proxy shall continue in full force and effect unless revoked by the person executing it by a writing delivered to the Company stating that the proxy is revoked or by a subsequent proxy executed by such Member presented to the meeting or by attendance at a meeting and voting in person by such Member. However, no proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless otherwise provided in the proxy. The decision of the chairman of any general meeting as to the validity of any instrument of proxy shall be final.

53. Representation of corporations at meetings

A corporation which is a Member may, by written instrument, authorize such person as it thinks fit to act as its representative at any general meeting and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he or she thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

SHARE CAPITAL AND SHARES

54. Rights of shares

- (1) At the date these Bye-laws become effective, the total number of authorized common shares is fifty million (50,000,000) common shares having a par value of U.S. one dollar (\$1.00) per share (the "Common Shares"), and the total number of authorized preference shares is twenty million (20,000,000) preference shares having a par value of U.S. one dollar (\$1.00) per share (the "Preference Shares").
- (2) The holders of Common Shares shall, subject to the provisions of these Bye-laws:
 - (a) be entitled (subject to Bye-law 47) to one vote per share;
 - (b) be entitled to such dividends as the Board may from time to time declare;
 - (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
 - (d) generally be entitled to enjoy all of the rights attaching to shares.

- (3) The Board shall have the full power to issue any unissued shares of the Company on such terms and conditions as it may, in its absolute discretion, determine. The Board is authorized to provide for the issuance of the Preference Shares in one or more series, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion or exchange privileges (including, without limitation, conversion into Common Shares), and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate in such events as the Board shall determine;
- (e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the manner of selecting shares for redemption if less than all shares are to be redeemed, the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
- (f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;
- (g) The right of the shares of that series to the benefit of conditions and restrictions upon the creation of indebtedness of the Company or any subsidiary, upon the issue of any additional shares (including additional shares of such series or any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Company or any subsidiary of any outstanding shares of the Company;
- (h) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the relative rights of priority, if any, of payment of shares of that series; and

- (i) Any other relative participating, optional or other special rights, qualifications, limitations or restrictions of that series.

55. Power to issue shares

- (1) The issuance of any authorized Common Shares or Preference Shares and any other actions permitted to be taken by the Board pursuant to Bye-law 54 must be authorized by the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the entire Board.
- (2) Any Preference Shares of any series which have been redeemed (whether through the operation of a sinking fund or otherwise) or which, if convertible or exchangeable, have been converted into or exchanged for shares of any other class or classes shall have the status of authorized and unissued Preference Shares of the same series and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preference Shares to be created by resolution or resolutions of the Board or as part of any other series of Preference Shares, all subject to the conditions and the restrictions on issuance set forth in the resolution or resolutions adopted by the Board providing for the issue of any series of Preference Shares.
- (3) At the discretion of the Board, whether or not in connection with the issuance and sale of any of its shares or other securities, the Company may issue securities, contracts, warrants or other instruments evidencing any shares, option rights, securities having conversion or option rights, or obligations on such terms, conditions and other provisions as are fixed by the Board, including, without limiting the generality of this authority, conditions that preclude or limit any person or persons owning or offering to acquire a specified number or percentage of the outstanding Common Shares, other shares, option rights, securities having conversion or option rights, or obligations of the company or transferee of the person or persons from exercising, converting, transferring or receiving the shares, option rights, securities having conversion or option rights, or obligations.

56. Variation of rights, alteration of share capital and purchase of shares of the Company

- (1) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of a majority of the voting power represented by the issued shares of that class or with the sanction of a resolution passed by a majority of the voting power represented by the votes cast at a separate general meeting of the holders of the shares of the class in accordance with Section 47(7) of the Act. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
- (2) The Company may from time to time if authorized by resolution of the Members change the currency denomination of, increase, alter or reduce its share capital in accordance with the provisions of Sections 45 and 46 of the Act. Where, on any alteration of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such

manner as it thinks fit including, without limiting the generality of the foregoing, the issue to Members, as appropriate, of fractions of shares and/or arranging for the sale or transfer of the fractions of shares of Members.

- (3) The Company may from time to time, acting through the Board, purchase its own shares in accordance with the provisions of Section 42A of the Act.

57. Registered holder of shares

- (1) The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable or other claim to, or interest in, such share on the part of any other person.
- (2) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members or, in the case of joint holders, to such address of the holder first named in the Register of Members, or to such person and to such address as the holder or joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

58. Death of a joint holder

Where two or more persons are registered as joint holders of a share or shares then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

59. Share certificates

- (1) Share certificates shall be in such form as shall be required by law and as shall be approved by the Board. Each certificate shall have the corporate seal affixed thereto by impression or in facsimile and shall be signed by the Chairman of the Board, the President, or any Vice President, and countersigned by the Secretary or any Assistant Secretary; provided that certificates may be signed, countersigned or authenticated by facsimile signatures as provided by law.
- (2) Except as provided in this Bye-law 59, new certificates for shares shall not be issued to replace an old certificate unless the latter is surrendered to the Company and cancelled at the same time. The Board may, in case any share certificate or certificate for any other security is lost, stolen, or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the Board may require, including provision for indemnification of the Company secured by a bond or other adequate security which the Board deems sufficient to protect the Company against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft, or destruction of the certificate or the issuance of the replacement certificate.

RECORD DATES

60. Determination of record dates

Notwithstanding any other provision of these Bye-laws, the Board may fix any date as the record date for:

- (a) determining the Members entitled to receive any dividend; and
- (b) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

TRANSFER OF SHARES

61. Instrument of transfer

(1) An instrument of transfer shall be in such common form as the Board may accept. Such instrument of transfer shall be signed by or on behalf of the transferor. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

(2) The Board may refuse to recognize any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

62. Restriction on transfer

1. The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained.

2. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

3. (a) As used in this Bye-law only, the term:

(i) "Company Securities" means (I) Common Shares of the Company, (II) Preference Shares of the Company, (III) warrants, rights, or options (within the meaning of Treasury Regulation ss.1.382-2T(h)(4)(v)) to purchase Common Shares or Preference Shares of the Company, and (IV) any other interests that would be treated as "stock" of the Company pursuant to Treasury Regulation ss.1.382-2T(f)(18).

(ii) "Percentage Stock Ownership" means percentage stock ownership as determined in accordance with Treasury Regulation ss.1.382-2T(g), (h), (j), and (k).

(iii) “Five-Percent Shareholder” means a Person or group of Persons that is identified as a “5-percent shareholder” of the Company pursuant to Treasury Regulation ss.1.382-2T(g)(1).

(iv) “Person” means an individual, Company, estate, trust, association, company, partnership, joint venture or similar organization.

(v) “Prohibited Transfer” means any purported Transfer of Company Securities to the extent that such Transfer is prohibited and void under this Bye-law 62(3).

(vi) “Restriction Release Date” means, as determined by the Board in its sole discretion, the earlier to occur of (x) the five-year anniversary of the effective date of this Bye-law 62(3) (the “Expiration Time”), (y) the repeal of Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”) (and any comparable successor provision) (“Section 382”), or (z) the beginning of a taxable year of the Company (or any successor thereof) to which no Tax Benefits may be carried forward; provided, that, the Board may in its sole discretion resolve from time to time to extend the Expiration Time for up to an additional five years.

(vii) “Tax Benefits” means the net operating loss carry-overs, capital loss carry-overs, general business credit carry-overs, alternative minimum tax credit carry-overs and foreign tax credit carry-overs, as well as any “net unrealized built-in loss” within the meaning of Section 382, of the Company or any direct or indirect subsidiary thereof.

(viii) “Transfer” means any direct or indirect sale, transfer, assignment, conveyance, pledge, or other disposition. A Transfer also shall include the creation or grant of an option (within the meaning of Treasury Regulation ss.1.382-2T(h)(4)(v)) to effect a Transfer. A Transfer shall not include an issuance, allotment or grant of Company Securities by the Company or any repurchase of Company Securities by the Company.

(ix) “Treasury Regulation ss.1.382-2T” means the temporary income tax regulations promulgated under Section 382 and any successor regulations. References to any subsection of such regulations include references to any successor subsection thereof.

(b) Restrictions. Any attempted Transfer of Company Securities prior to the Restriction Release Date, or any attempted Transfer of Company Securities pursuant to an agreement entered into prior to the Restriction Release Date, shall be prohibited and void ab initio to the extent that, as a result of such Transfer (or any series of Transfers of which such Transfer is a part), either (1) any Person or group of Persons shall become a Five-Percent Shareholder, or (2) the Percentage Stock Ownership interest in the Company of any Five-Percent Shareholder shall be increased; provided, however, that nothing herein contained shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange, Inc. in the Company Securities.

(c) Certain Exceptions. The restrictions set forth in sub-paragraph (b) of this Bye-law 62(3) shall not apply to an attempted Transfer if the transferor or the transferee obtains the approval of the Board. As a condition to granting its approval, the Board may, in its discretion, require an opinion of counsel selected by the Board that the Transfer shall not result in the application of any Section 382 limitation on the use of the Tax Benefits. The restrictions set forth in sub-paragraph (b) of this Bye-law

62(3) shall not apply to any attempted Transfer which occurs after the Board shall have suspended the effectiveness of the restrictions set forth in sub-paragraph (b) by public announcement and prior to the time that the restrictions set forth in sub-paragraph (b) are restored to full force and effect by the Board.

(d) Treatment of Excess Securities.

(i) No employee, officer or agent of the Company shall record any Prohibited Transfer, and the purported transferee of such a Prohibited Transfer (the "Purported Transferee") shall not be recognized as a Member of the Company for any purpose whatsoever in respect of the Company Securities which are the subject of the Prohibited Transfer (the "Excess Securities"). Until the Excess Securities are acquired by another Person in a Transfer that is not a Prohibited Transfer, the Purported Transferee shall not be entitled with respect to such Excess Securities to any rights of Members of the Company, including without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any. Once the Excess Securities have been acquired in a Transfer that is not a Prohibited Transfer, the Company Securities shall cease to be Excess Securities.

(ii) If the Board determines that a Transfer of Company Securities constitutes a Prohibited Transfer then, upon written demand by the Company, the Purported Transferee shall transfer or cause to be transferred the Excess Securities, accompanied by the certificate for the Excess Securities (if any has been issued), together with any dividends or other distributions that were received by the Purported Transferee from the Company with respect to the Excess Securities ("Prohibited Distributions"), to an agent designated by the Board (the "Agent"). The Agent shall thereupon sell to a buyer or buyers, which may include the Company, the Excess Securities transferred to it in one or more arm's-length transactions (over the New York Stock Exchange, if possible); provided, however, that the Agent shall effect such sale or sales in an orderly fashion and shall not be required to effect any such sale within any specific time frame if, in the Agent's discretion, such sale or sales would disrupt the market for the Company Securities or otherwise would adversely affect the value of the Company Securities. If the Purported Transferee has resold the Excess Securities before receiving the Company's demand to surrender the Excess Securities to the Agent, the Purported Transferee shall be deemed to have sold the Excess Securities for the Agent, and shall be required to transfer to the Agent any Prohibited Distributions and the proceeds of such sale, except to the extent that the Agent grants written permission to the Purported Transferee to retain a portion of such sales proceeds not exceeding the amount that the Purported Transferee would have received from the Agent pursuant to sub-paragraph (d)(iii) of this Bye-law 62(3) if the Agent rather than the Purported Transferee had resold the Excess Securities.

(iii) The Agent shall apply any proceeds of a sale by it of Excess Securities and, if the Purported Transferee had previously resold the Excess Securities, any amounts received by it from a Purported Transferee, as follows: (1) first, such amounts shall be paid to the Agent to the extent necessary to cover its costs and expenses incurred in connection with its duties hereunder; (2) second, any remaining amounts shall be paid to the Purported Transferee, up to the amount paid by the Purported Transferee for the Excess Securities (or the fair market value, calculated on the basis of the closing market price for Company Securities on the day before the Transfer, of the Excess Securities at the time of the attempted Transfer to the Purported Transferee by gift, inheritance, or similar Transfer),

which amount (or fair market value) shall be determined in the discretion of the Board; and (3) third, any remaining amounts shall be paid to one or more organizations qualifying under Section 501(c)(3) of the Code (and any comparable successor provision) (“Section 501(c)(3)”) selected by the Board. The recourse of any Purported Transferee in respect of any Prohibited Transfer shall be limited to the amount payable to the Purported Transferee pursuant to clause (2) of the preceding sentence. In no event shall the proceeds of any sale of Excess Securities pursuant to this Bye-law 62(3) inure to the benefit of the Company.

(iv) If the Purported Transferee fails to surrender the Excess Securities or the proceeds of a sale thereof to the Agent within thirty business days from the date on which the Company makes a demand pursuant to sub-paragraph (d)(ii) of this Bye-law 62(3), then the Company shall institute legal proceedings to compel the surrender.

(v) The Company shall make the demand described in sub-paragraph (d)(ii) of this Bye-law 62(3) within thirty days of the date on which the Board determines that the attempted Transfer would result in Excess Securities; provided, however, that if the Company makes such demand at a later date, the provisions of this Bye-law 62(3) shall apply nonetheless.

(e) Legends, Determinations.

(i) All certificates representing Company Securities issued after the effectiveness of this Bye-law 62(3) shall bear a conspicuous legend as follows:

THE TRANSFER OF THE SECURITIES REPRESENTED HEREBY IS SUBJECT TO RESTRICTIONS PURSUANT TO BYE-LAW 62(3) OF WHITE MOUNTAINS INSURANCE GROUP, LTD. REPRINTED IN ITS ENTIRETY ON THE BACK OF THIS CERTIFICATE.

(ii) The Board shall have the power to determine all matters necessary to determine compliance with this Bye-law 62(3), including without limitation (1) whether a new Five-Percent Shareholder would be required to be identified in certain circumstances, (2) whether a Transfer is a Prohibited Transfer, (3) the Percentage Stock Ownership in the Company of any Five-Percent Shareholder, (4) whether an instrument constitutes a Company Security, (5) the amount (or fair market value) due to a Purported Transferee pursuant to clause (2) of sub-paragraph (d)(iii) of this Bye-law 62(3), and (6) any other matters which the Board determines to be relevant; and the good faith determination of the Board on such matters shall be conclusive and binding for all the purposes of this Bye-law 62(3).”

TRANSMISSION OF SHARES

63. Transfers by joint holders

The joint holders of any share or shares may transfer such share or shares to one or more of such joint holders, and the surviving holder or holders of any share or shares previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

64. Representative of deceased Member

In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognized by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of Section 52 of the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may in its absolute discretion decide as being properly authorized to deal with the shares of a deceased Member.

65. Registration on death or bankruptcy

Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer satisfactory to the Board. On the presentation thereof to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member but the Board shall, in either case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

DIVIDENDS AND OTHER DISTRIBUTIONS

66. Declaration of dividends by the Board

The Board may declare and make such dividends or other distributions (in each case in cash or in specie, as valued by the Board, or a combination thereof) to the Members as may be lawfully made out of the assets of the Company.

67. Unclaimed Dividends

Any dividend or other monies payable in respect of a share which has remained unclaimed for 5 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.

68. Undelivered Payments

The Company shall be entitled to cease sending dividend payments and cheques by post or otherwise to a Member if those instruments have been returned undelivered to, or left uncashed by, that Member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish the Member's new address. The entitlement conferred on the Company by this Bye-law in respect of any Member shall cease if the Member claims a dividend or cashes a dividend warrant or cheque.

69. Interest on Dividends
No dividend or distribution shall bear interest against the Company.

CAPITALIZATION

70. Issue of bonus shares
The Board may resolve to capitalize any part of the amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares to the Members.

FISCAL YEAR

71. Financial year end
The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

AUDIT

72. Appointment of Auditor
Subject to Section 88 of the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company.
73. Remuneration of Auditor
The Board may fix the remuneration of the Auditor as it may determine.

NOTICES

74. Notices to Members of the Company
A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Bye-law, a notice may be sent by mail, courier service, cable, telex, telecopier, facsimile or other mode of representing words in a legible and non-transitory form.

75. Notices to joint Members

Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

76. Service and delivery of notice

Any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile or other method as the case may be.

CERTAIN SUBSIDIARIES

77. Certain Subsidiaries

With respect to any subsidiary of the Company designated by the Board (a “Designated Company”), (i) the Members of the Company by resolution in general meeting shall designate the persons who are to be elected pursuant to this Bye-law 77 as the board of directors of each such Designated Company (the “Designated Company Directors”) and (ii) the Members of the Company by resolution in general meeting shall designate the persons who are to be removed pursuant to this Bye-law 77 as directors of such Designated Company (the “Removed Designated Company Directors”).

If the need for the appointment or removal of a director (including the requirement to appoint or remove directors to comply with the laws of the jurisdiction in which such Designated Company is organized) of a Designated Company arises between annual general meetings of the Members, such action shall be taken on an interim basis (A) by appointment or removal by the existing Designated Company Directors of such Designated Company or (B) if such appointment or removal is not possible by such Designated Company Directors, then by the Board acting on behalf of the Company.

Notwithstanding the general authority set out in Bye-law 2(l), the Board shall cause the Company to vote all shares owned by the Company in each Designated Company, or if such shares are owned by a subsidiary of the Company, the Board shall cause such subsidiary to vote such shares to elect the Designated Company Directors as the directors of such Designated Company and to remove the Removed Designated Company Directors as directors of such Designated Company. The Company shall take such other actions as are necessary to effectuate or implement this Bye-law 77.

SEAL OF THE COMPANY

78. The seal

The seal of the Company shall be in such form as the Board may from time to time determine. The Board may adopt one or more duplicate seals for use outside Bermuda.

WINDING-UP

79. Winding-up/distribution by liquidator

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he or she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

BUSINESS COMBINATIONS

80. Business Combinations

- (1) The Company shall not engage in any business combination with any Interested Member for a period of three years following the time that such Member became an Interested Member, unless:
 - (a) prior to such time the Board approved either the business combination or the transaction which resulted in the Member becoming an Interested Member, or
 - (b) upon consummation of the transaction which resulted in the Member becoming an Interested Member, the Interested Member owned at least 85% of the voting shares of the Company outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are Directors and also officers and (ii) employee share plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or
 - (c) at or subsequent to such time the business combination is approved by the Board and authorized at an annual or special general meeting, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting shares which are not owned by the Interested Member.
- (2) The restrictions contained in this Bye-law shall not apply if:
 - (a) a Member becomes an Interested Member inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the Member ceases to be an Interested Member and (ii) would not, at any time within the 3-year period immediately prior to a business combination between the Company and such Member, have been an Interested Member but for the inadvertent acquisition of ownership; or
 - (b) the business combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required hereunder of a proposed transaction which (i) constitutes one of the transactions described in the second

sentence of this paragraph; (ii) is with or by a person who either was not an Interested Member during the previous 3 years or who became an Interested Member with the approval of the Board; and (iii) is approved or not opposed by a majority of the members of the Board then in office (but not less than 1) who were Directors prior to any person becoming an Interested Member during the previous 3 years or were recommended for election or elected to succeed such Directors by a majority of such Directors. The proposed transactions referred to in the preceding sentence are limited to (x) an amalgamation, scheme of arrangement, merger, consolidation or similar transaction involving the Company (except for any such transaction in respect of which no vote of the Members of the Company is required); (y) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect subsidiary of the Company (other than to any direct or indirect wholly-owned subsidiary of the Company or to the Company) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding shares of the Company; or (z) a proposed tender or exchange offer for 50% or more of the outstanding voting shares of the Company. The Company shall give not less than 20 days notice to all Interested Members prior to the consummation of any of the transactions described in clauses (x) or (y) of the second sentence of this paragraph.

(3) As used in this Bye-law only, the term:

- (a) “affiliate” means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.
- (b) “associate,” when used to indicate a relationship with any person, means (i) any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting shares, (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.
- (c) “business combination,” when used in reference to the Company and any Interested Member of the Company, means:
 - (i) any amalgamation, scheme of arrangement, merger, consolidation or similar transaction involving the Company or any direct or indirect subsidiary of the Company with (A) the Interested Member, or (B) with any other corporation, partnership, unincorporated association or other entity if such transaction is caused by the Interested Member and as a result of such transaction subsection (a) of this section is not applicable to the surviving entity;
 - (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a Member of such Company, to or with the Interested Member, whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect subsidiary of the Company

which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding shares of the Company;

- (iii) any transaction which results in the issuance or transfer by the Company or by any direct or indirect subsidiary of the Company of any shares of the Company or of such subsidiary to the Interested Member, except (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares of the Company or any such subsidiary which securities were outstanding prior to the time that the Interested Member became such, (B) pursuant to a Subsidiary Amalgamation, (C) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares of the Company or any such subsidiary which security is distributed, pro rata to all holders of a class or series of shares of the Company subsequent to the time the Interested Member became such, (D) pursuant to an exchange offer by the Company to purchase shares made on the same terms to all holders of said shares, or (E) any issuance or transfer of shares by the Company, provided however, that in no case under (C)-(E) above shall there be an increase in the Interested Member's proportionate share of the shares of any class or series of the Company or of the voting shares of the Company;
 - (iv) any transaction involving the Company or any direct or indirect subsidiary of the Company which has the effect, directly or indirectly, of increasing the proportionate share of the shares of any class or series, or securities convertible into the shares of any class or series, of the Company or of any such subsidiary which is owned by the Interested Member, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the Interested Member; or
 - (v) any receipt by the Interested Member of the benefit, directly or indirectly (except proportionately as a Member of the Company) of any loans, advances, guarantees, pledges, or other financial benefits (other than those expressly permitted in subparagraphs (i)-(iv) above) provided by or through the Company or any direct or indirect subsidiary.
- (d) "control," including the term "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract, or otherwise. A person who is the owner of 20% or more of the outstanding voting stock of any corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing this Bye-law, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.
- (e) "Interested Member" means any person (other than the Company and any direct or indirect subsidiary of the Company) that (i) is the owner of 15% or more of the outstanding voting shares of the Company, or (ii) is an affiliate or associate of the Company and was the owner

of 15% or more of the outstanding voting shares of the Company at any time within the 3-year period immediately prior to the date on which it is sought to be determined whether such person is an Interested Member, and the affiliates and associates of such person; provided, however, that the term “Interested Member” shall not include (x) any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of action taken solely by the Company provided that such person shall be an Interested Member if thereafter such person acquires additional shares of voting shares of the Company, except as a result of further corporate action not caused, directly or indirectly, by such person or (y) any Byrne Entity. “Byrne Entity” means any of John J. Byrne, any foundation or trust established by John J. Byrne, Patrick Byrne, and any associate or affiliate of any of them (or any group of which any of them is a part), as defined under Section 13(d) of the United States Securities Exchange Act of 1934, as amended. For the purpose of determining whether a person is an Interested Member, the voting shares of the Company deemed to be outstanding shall include shares deemed to be owned by the person through application of paragraph (h) of this subsection but shall not include any other unissued shares of such Company which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

- (f) “stock” means, with respect to any corporation, capital stock and, with respect to any other entity, any equity interest.
- (g) “voting stock” means, with respect to any corporation, stock of any class or series entitled to vote generally in the election of directors and, with respect to any entity that is not a corporation, any equity interest entitled to vote generally in the election of the governing body of such entity.
- (h) “owner” including the terms “own” and “owned” when used with respect to any stock means a person that individually or with or through any of its affiliates or associates:
 - (i) beneficially owns such stock, directly or indirectly; or
 - (ii) has (A) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of stock tendered pursuant to a tender or exchange offer made by such person or any of such person's affiliates or associates until such tendered stock is accepted for purchase or exchange; or (B) the right to vote such stock pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any stock because of such person's right to vote such stock if the agreement, arrangement or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or
 - (iii) has any arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (B) of clause (ii) of this paragraph), or disposing of such stock with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such stock.

- (i) “Subsidiary Amalgamation” means an amalgamation, scheme of arrangement, merger, consolidation or similar transaction with or into a single direct or indirect wholly-owned subsidiary of the Company if: (1) the Company and the direct or indirect wholly-owned subsidiary of the Company are the only constituent companies to such transaction; (2) each share or fraction of a share of the Company outstanding immediately prior to the effective time of such transaction is converted in such transaction into a share or equal fraction of a share of shares of a holding company having the same designations, rights, powers and preferences, and the qualifications, limitations and restrictions thereof, as the share of the constituent company being converted in such transaction; (3) the holding company and each of the constituent companies to such transaction are companies incorporated in Bermuda; (4) the memorandum of association and bye-laws of the holding company immediately following the effective time of such transaction contain provisions identical to the memorandum of continuance and bye-laws of the Company immediately prior to the effective time of such transaction (other than provisions, if any, regarding the incorporator or incorporators, the corporate name, the registered office and agent, the initial board of directors and the initial subscribers for shares and such provisions contained in any amendment to the charter documents as were necessary to effect a change, exchange, reclassification or cancellation of shares, if such change, exchange, reclassification or cancellation has become effective); (5) as a result of such transaction the Company or its successor or continuing company becomes or remains a direct or indirect wholly-owned subsidiary of the holding company; (6) the directors of the Company become or remain the directors of the holding company upon the effective time of such transaction; (7) the memorandum of association and bye-laws of the surviving or continuing company immediately following the effective time of such transaction are identical to the memorandum of association and bye-laws of the Company immediately prior to the effective time of such transaction (other than provisions, if any, regarding the incorporator or incorporators, the corporate name, the registered office and agent, the initial board of directors and the initial subscribers for shares and such provisions contained in any amendment to the charter documents as were necessary to effect a change, exchange, reclassification or cancellation of shares, if such change, exchange, reclassification or cancellation has become effective); provided, however, that (i) the memorandum of association and bye-laws of the surviving or continuing company shall be amended in such transaction to contain a provision requiring that any act or transaction by or involving the surviving or continuing company that requires for its adoption under the Act or its bye-laws the approval of the Members of the surviving or continuing company shall, by specific reference to this subsection, require, in addition, the approval of the Members of the holding company (or any successor), by the same vote as is required by the Act and/or by its bye-laws of the surviving or continuing company, and (ii) the bye-laws of the surviving or continuing company may be amended in such transaction to reduce the number of classes and shares of capital stock that the surviving or continuing company is authorized to issue; and (8) the Members of the Company do not recognize gain or loss for United States federal income tax purposes as determined by the board of directors of the constituent company.
- (j) Notwithstanding any other provisions of these Bye-laws (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law or these Bye-laws), the affirmative vote of the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the voting power represented by the votes entitled to be cast by the holders of all the then outstanding voting shares voting together as a single class, excluding voting shares beneficially owned by any Interested Member, shall be required to amend, alter, change or repeal, or adopt any provision

as part of these Bye-laws inconsistent with the purpose and intent of, this Bye-law 80; *provided, however*, that this Bye-law 80(4) shall not apply to, and such sixty-six and two-thirds percent (66 2/3%) vote shall not be required for, any such amendment, repeal or adoption recommended by the affirmative vote of at least seventy-five percent (75%) of the entire Board (not including Directors who are affiliates of any Interested Member).

ALTERATION OF BYE-LAWS

81. Alteration of Bye-laws

No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved both by a resolution of the Board and by a resolution of the Members, provided that, if under applicable law, action by the Board would be sufficient to amend a Bye-law (in the absence of this sentence), then only a resolution of the Board shall be required to amend such Bye-law.

Notwithstanding any other provision of these Bye-laws, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of the shares entitled to vote at an election of directors shall be required to amend, alter, change or repeal, or adopt any provision inconsistent with the purpose or intent of, Bye-laws 10(2), 11, 15, 34, 41, 47, 48(4), 54, 55 and 81. In addition, the affirmative vote set forth in Bye-law 80(4) shall be required to amend, alter, change or repeal, or adopt any provision inconsistent with the purpose or intent of, Bye-law 80. In addition, the consent of a majority of the shares held by the Byrne Entities shall be required to amend, alter, change or repeal, or adopt any provision that would adversely affect, the exemptions provided to the Byrne Entity (or its constituent members) under Bye-law 47 or 80.

March 1, 2017

Raymond Barrette

Dear Ray:

This letter agreement (this "Agreement") is intended to set forth our mutual understanding and agreement regarding your retirement as Chief Executive Officer ("CEO") of White Mountains Insurance Group, Ltd. (the "Company") and as a member of the board of directors of the Company (the "Board").

The Board would like to begin by thanking you for your extraordinary efforts on behalf of the Company. The Board is grateful for your leadership and wishes you the best in your retirement. The terms of your retirement are as follows:

1. Retirement. You will retire as CEO of the Company (and from any other employment position with the Company or its subsidiaries) effective as of March 1, 2017 (the "Retirement Date"). You will also retire as a member of the Board (and from the board of directors of any Company subsidiary and as a Company-designated director of Build America Mutual Assurance Company ("BAM")) effective as of the Retirement Date. Your retirement as CEO, member of the Board and from all other positions with the Company and its subsidiaries, as well as your retirement as a Company-designated director of BAM, will be automatic and without any further action on your part or on the part of the Company and its subsidiaries or BAM. You agree to execute and deliver any additional notices or other documents reasonably necessary to implement such retirements. Your retirement as the CEO is intended to constitute a "separation from service" as of the Retirement Date for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder ("Section 409A"). The parties hereto acknowledge and agree that your retirement shall not be treated as a termination of employment in connection with a change in control of the Company for purposes of Sections 280G or 4999 of the Code.

2. Accrued Obligations Following Retirement Date. Following the Retirement Date, the Company shall provide you with the following payments and benefits:

(a) Earned Salary. A lump-sum cash payment equal to your earned but unpaid base salary through the Retirement Date (determined based on your current annual base salary rate of \$500,000), payable within ten days following the Retirement Date.

(b) FY 2016 Annual Cash Bonus. An annual cash bonus award payable under the Company's Annual Bonus Program ("Annual Bonus Program") for the Company's 2016 fiscal year ("FY 2016") equal to \$337,500, based upon an agreed assumption that applicable performance goals for FY 2016 under the Annual Bonus Program have been attained at 90% of target level of performance. Such bonus amount will be paid within

ten days after the Retirement Date (or, if earlier, on the date that such bonuses are paid to other senior executives of the Company).

(c) 2014-2016 Performance Share Award. Your award of performance shares for the 2014-2016 performance cycle under the Company's Long-Term Incentive Plan ("LTIP") and, such award, the "2014-2016 Performance Share Award"), which has a target payout of 10,750 shares of common stock, par value 1.00 per share, of the Company ("Common Stock"), will vest on the Retirement Date and be settled in cash based upon an agreed assumption that the applicable performance goals have been attained at 76% of target level of performance. The cash amount payable in respect of the 2014-2016 Performance Share Award will be the sum of (i) an amount equal to the product of (x) the number of shares of Common Stock ("Shares") deliverable upon settlement, which will equal 8,170 Shares based upon the agreed assumption of 76% of target level of performance and (y) the same price per Share paid to other senior executives of the Company with respect to their equivalent LTIP awards (which is currently expected to be the average of the high and low prices of Shares on March 1, 2017) and (ii) if the Company declared any cash dividends during the 2014-2016 performance cycle, the aggregate amount of such dividends payable on such number of Shares deliverable upon settlement. Such cash amount will be paid to you within ten days after the Retirement Date (or, if earlier, on the date that payments in respect of such awards are made to other senior executives of the Company)

(d) Unreimbursed Business Expenses. Any unreimbursed business expenses incurred by you, payable in accordance with the Company's expense reimbursement policy.

(e) Other Accrued Benefits. Any other earned and vested amounts, entitlement or benefits (including the ability to elect continued health coverage under COBRA), to the extent not otherwise described herein, which will be provided to you in accordance with the terms of the applicable plans and arrangements of the Company.

3. Retirement Payments and Benefits. In connection with your retirement as CEO in accordance with Section 1 above, subject to your satisfaction of the Release Requirement described in Section 4 below and in lieu of any other severance or separation payments or benefits under the Company's compensation and benefit plans and arrangements, the Company shall provide you with the payments and benefits described in this Section 3.

(a) Annual Cash Bonus. An annual cash bonus award under the Annual Bonus Program for the Company's 2017 fiscal year ("FY 2017") equal to \$187,500, which is 50% of the amount that would be payable if applicable performance goals for FY 2017 under the Annual Bonus Program were to be attained at target level of performance. Such bonus amount will be paid within five days after the Release Date (as defined below).

(b) Outstanding Equity Awards. Other than in the case of the 2014-2016 Performance Share Award (which will vest and be settled in accordance with Section 2(c))

of this Agreement), your outstanding equity awards under the LTIP will be canceled as of the Retirement Date and, instead, you will receive a cash amount equal to the sum of (i) an amount equal to the product of (x) 22,500 and (y) a Share price determined by averaging the high and low average prices of Shares on each of the five consecutive trading days ending on March 1, 2017 and (ii) any accrued but unpaid dividends in respect of such equity awards as of the Release Date. Such cash amount will be paid within five days of the Release Date.

4. Release of Claims. As a condition of receiving the payments and benefits provided under Section 3, you will be required to execute, deliver and not revoke, within sixty (60) calendar days following the Retirement Date, the mutual release attached hereto as Exhibit A (the “Release”), such Release to be delivered by you and become irrevocable no later than sixty (60) calendar days following the Retirement Date (the “Release Requirement” and, the date such Release becomes effective and irrevocable in accordance with its terms, the “Release Date”). If the Release has not been executed, delivered and become irrevocable by the Executive prior to the 60th day following the Retirement Date (other than as a result of Executive’s death or incapacity), all benefits provided under Section 3 shall cease or be forfeited.

5. Administrative Support. During the period commencing on the Retirement Date and ending on December 31, 2018, the Company will reimburse you for the cost of obtaining administrative services; provided that the amount reimbursable by the Company with respect to any calendar month shall not exceed \$10,000; provided further, that, (i) except in the case of the Company employee who currently serves as your administrative assistant, you may not retain any individual who is currently employed by the Company or its subsidiaries to provide such services and (ii) to the extent that you wish to employ your current administrative assistant to provide such services, the Company shall make such assistant available to provide such services to you so long as she remains employed by the Company (without charge to you) and the reimbursement provided under this Section 5 shall commence after she ceases to be an employee of the Company.

6. Company Aircraft. During the period commencing on the Retirement Date and ending on June 30, 2017, you will be permitted to use (without charge to you) aircraft owned by the Company for purposes of flights that have been scheduled by you as of the date hereof or reasonably scheduled until June 30, 2017; provided that any such use of Company-owned aircraft shall be subject to availability of such aircraft (which shall be reasonably applied) and any applicable policies of the Company (other than policies prohibiting use by non-employees).

7. Indemnification. The Company shall indemnify you and hold you harmless from any claims, demands, liabilities, actions, suits or proceedings (“Claims”) asserted or claimed by third-parties arising out of the performance of your duties for the Company and its affiliates, in each case to the fullest extent provided in the Company’s governance documents, and permitted under applicable law, except to the extent such Claims arise from your willful misconduct or fraud. The Company shall also cause you to continue to be covered under applicable directors’ and officers’ liability insurance

policies with respect to your actions and inactions as an executive and/or director of the Company and any of its affiliates.

8. Restrictive Covenants. (a) Acknowledgment. You hereby acknowledge that in the course of your employment and association with the Company and its majority-owned subsidiaries (hereinafter collectively referred to as, the “Company Group”), you have become familiar with trade secrets and other confidential and proprietary information of the Company Group and that your services have been and would be of special, unique and extraordinary value to the Company. As consideration for your agreement to be bound by the restrictions in this Section 8, the Company will execute and deliver to you the Release.

(b). Non-Competition. You agree that during the period commencing on the Retirement Date and ending on December 31, 2018 (the “Restriction Period”), you will refrain from, directly or indirectly, owning any interest in, managing, controlling, financing, participating in, consulting with, or rendering services for, any activity or business transaction for yourself or any other person or entity, or affiliate, whether or not for remuneration, direct or indirect, contingent or otherwise, that competes with any businesses of the Company Group in operation as of the date hereof; provided that this provision shall not prohibit you from (i) serving as a non-employee director of any competing company or other entity or (ii) being a passive owner of not more than ten percent of the outstanding stock or equity interests of any competing company or other entity, so long as you have no active participation in the business of such company or entity (other than as contemplated under the foregoing clause (i)). For the avoidance of doubt, you shall not be prohibited from providing non-competitive services to a unit, division or affiliate of an entity which does engage in activities competitive with the businesses of Company Group so long as you do not directly or indirectly provide such competitive services. The Company acknowledges that, as a former director and employee, you will not be subject to the Company’s insider trading policy or any other Company policy on stock trading following the Retirement Date.

(c). Non-Solicitation. You further agree that, during the Restriction Period, you will refrain from, directly or indirectly: (i) soliciting or attempting to solicit any employee of the Company Group to leave the employ of the Company Group; (ii) hiring any person who was an employee of the Company Group at any time during the six month period preceding such hiring (other than the Company employee who serves as your administrative assistant immediately prior to the Retirement Date); and (iii) soliciting or attempting to solicit any existing or prospective customer, supplier, licensee, lender, licensor or other business relation of the Company Group to cease doing business with the Company Group or to reduce the level of business conducted with the Company Group. For the avoidance of doubt, you shall not be deemed to violate this paragraph by providing a personal reference or by a general advertisement for employees which is not targeted at employees of the Company Group.

(d). Non-Disparagement. During the Restriction Period (i) you shall not make, either directly or indirectly, any oral or written negative, disparaging or adverse statements or representations of or concerning the Company Group or its current officers,

directors, employees or businesses or, in relation to the Company Group, any of its clients or customers or businesses and (ii) the Company shall not issue, and shall instruct the Company Parties (as defined below) not to make, any oral or written negative, disparaging or adverse statements or representations of or concerning you; provided, however, that nothing in this Agreement shall prohibit (A) critical communications between you and the Company in connection with your employment, (B) you or any Company Party from disclosing truthful information if legally required (whether by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) or (C) you or the Company from acting in good faith to enforce your respective rights under this Agreement or in any other litigation. For purposes of this Agreement, the term "Company Parties" shall mean the members of the Board, executive officers and all spokespersons of the Company Group.

(e). Acknowledgement. In the event that you violate any covenant referenced or contained in this Agreement, the duration of such covenant shall automatically be extended by the length of time during which you were in violation of such covenant (unless the Company was aware of such violation and knowingly determined not to contest it), including, but not limited to, an extension for the period from the date of your first violation until an injunction is entered enjoining such violation. You acknowledge that the restrictions contained in this Agreement are, individually and in the aggregate, properly required by the Company Group and reasonable in duration, scope, area and nature. You shall not, and you hereby waive and release any rights or claims to, contest or challenge the reasonableness, validity or enforceability of the restrictions contained in this Agreement whether in court, arbitration or otherwise.

(f). Severability. If any provision of this Agreement, or the application of any provision of this Agreement to any person or circumstance, is, for any reason and to any extent, held invalid or unenforceable, such invalidity and unenforceability shall not affect the remaining provisions of this Agreement or its application to other persons or circumstances, all of which shall be enforced to the greatest extent permitted by applicable law; and you and the Company agree that any invalid or unenforceable provision may and shall be reformed and applied to the extent needed to avoid that invalidity or unenforceability and in a manner that is as similar as possible to the intent of yourself and the Company (as described in this Agreement) and preserves the essential economic substance and effect of this Agreement.

(g). Injunctive Relief. You acknowledge that any violation of the restrictions referenced or contained in this Agreement may give rise to losses or damages for which the Company cannot be reasonably or adequately compensated in an action at law and that such violation may result in irreparable and continuing harm to the Company. Accordingly, you agree that, in addition to any other remedy that the Company may have at law or in equity, the Company shall be entitled to seek injunctive relief to restrain any violation by you of the restrictions contained in this Agreement. The Company also agrees that you may seek injunctive relief to restrain any violation by the Company of any of its restrictions contained in this Agreement.

9. Announcement. Except as otherwise required by applicable law, the parties hereto agree that all press releases, employee communications and public announcements or filings relating to your retirement as a member of the Board and as CEO, in each case, shall be consistent with the press release attached hereto as Exhibit B. The parties hereto acknowledge that the terms of this Agreement will be publicly disclosed in accordance with applicable securities laws.

10. Legal Costs. The Company shall pay directly or reimburse you for reasonable legal fees and expenses incurred by you on or prior to March 1, 2017 in connection with the negotiation and preparation of this Agreement and related issues.

11. General Provisions.

(a). Modification or Waiver; Entire Agreement. No provision of this Agreement may be modified or waived except in a document signed by you and a person authorized by the Board. Failure to insist upon strict compliance with any term of this Agreement shall not be considered a waiver of any such term or any other term of this Agreement. This Agreement supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between you and the Company, whether written or oral, with respect to the subject matter hereof.

(b). Governing Law. The validity, construction and interpretation of this Agreement and the rights and duties of you and the Company hereunder shall be governed by the laws of the State of New York without reference to the State of New York choice of law rules. THE PARTIES HERETO AGREE THAT JURISDICTION AND VENUE IN ANY ACTION BROUGHT BY ANY PARTY PURSUANT TO THIS AGREEMENT SHALL PROPERLY (AND EXCLUSIVELY) LIE IN ANY FEDERAL OR STATE COURT LOCATED IN THE COUNTY OF NEW YORK IN THE STATE OF NEW YORK. BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY WITH RESPECT TO SUCH ACTION. THE PARTIES IRREVOCABLY AGREE THAT VENUE WOULD BE PROPER IN SUCH COURT, AND HEREBY WAIVE ANY OBJECTION THAT SUCH COURT IS AN IMPROPER OR INCONVENIENT FORUM FOR THE RESOLUTION OF SUCH ACTION. ANY PARTY MAY MAKE SERVICE ON ANY OTHER PARTY BY SENDING OR DELIVERING A COPY OF THE PROCESS TO THE PARTY TO BE SERVED. HOWEVER, NOTHING IN THIS SECTION 11(b) SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AT EQUITY.

(c). Survival. You and the Company agree that the covenants and promises set forth in this Agreement (and any other provision with efficacy following the receipt by you of all payments and benefits required to be provided to you by the Company hereunder) shall survive and continue in full force and effect to the extent necessary to effectuate the terms of this Agreement.

(d). Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to you:

To Raymond Barrette

P.O. Box 5254, Hanover, NH 03755

If to the Company:

White Mountains Insurance Group, Ltd.

80 S. Main Street

Hanover, NH 03755

Telecopy No.: 603-643-4592

Attention: Robert L. Seelig

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(e). Assignment; Successors. This Agreement shall be binding upon and shall inure to your benefit, the benefit of your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees and assigns and, as described in Section 11(i), the Company and its successors.

(f). Headings. The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision of this Agreement.

(g). Section 409A. It is intended that the provisions of this Agreement comply with Section 409A, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. In the event the parties determine that any provision of this Agreement does not comply with Section 409A, you and the Company shall cooperate to amend or modify this Agreement to comply with Section 409A while preserving, to the maximum extent practicable, the economic benefits hereunder. Neither you nor any of your creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to you or for your benefit under this Agreement may not be reduced by, or offset against, any amount owing by you to the Company. If, at the time of your separation from service (within the meaning of Section 409A), you are a "specified employee" (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time), then you and the Company shall cooperate to make a good faith determination as to whether any amount payable

under this Agreement constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, and in such event the Company shall not pay any such amount on the otherwise scheduled payment date, but shall instead accumulate such amount and pay it, without interest, on the first business day after such six-month period. For purposes of Section 409A, each payment hereunder shall be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Except as specifically permitted by Section 409A, the benefits and reimbursements provided to you under this Agreement during any calendar year shall not affect the benefits and reimbursements to be provided to you under the relevant section of this Agreement in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit. Further, reimbursement payments shall be made to you as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred.

(h). Withholding/Set-Off/Mitigation. All payments made to you or on your behalf under this Agreement shall be reduced by any amount that the Company is required by applicable law to withhold in advance payment of your federal, state and local or foreign income, wage and employment tax liability. None of the payments due to you hereunder shall be subject to set-off or mitigation.

(i). Successors to Company. This Agreement may and shall be assigned or transferred to, and shall be binding upon and shall inure to the benefit of, any successor of the Company, and any successor shall be substituted for the Company under the terms of this Agreement. As used in this Agreement, the term “successor” means any person, firm, corporation or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. Notwithstanding any assignment, the Company shall remain, with any successor, jointly and severally liable for all its obligations under this Agreement. The covenants set forth in Section 8 shall not be expanded by the application of this Section 11(i) to a successor of the Company.

(j). Execution in Counterparts. This Agreement may be executed in counterparts (including by facsimile or by PDF), and by the parties hereto in separate counterparts, each of which shall be deemed to be an original, and all of which taken together shall constitute one and the same agreement (and all signatures need not appear on any one counterpart), and this Agreement shall become effective when one or more counterparts has been signed and delivered by each of the parties hereto.

[Remainder of page intentionally left blank.]

If the foregoing accurately reflects our agreement, please sign and return to us the enclosed duplicate copy of this letter.

White Mountains Insurance Group, Ltd.

/s/ Robert L. Seelig

Name: Robert L. Seelig
Title: Managing Director & General Counsel

Date: March 1, 2017

Accepted and Agreed to:

/s/ Raymond Barrette

Raymond Barrette

Date: March 1, 2017

Mutual Release of Claims

WHEREAS, Raymond Barrette (the "Executive"), retired from his positions as Chief Executive Officer of White Mountains Insurance Group, Ltd. (the "White Mountains") as of March 1, 2017 (the "Retirement Date"); and

WHEREAS, the Executive and White Mountains entered into that certain letter agreement, dated as of March 1, 2017 (the "Retirement Agreement").

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, the Executive and White Mountains agree as follows:

1. This mutual release of claims (this "Release") is effective as of the date hereof and shall continue in effect as provided herein.
2. (a) In consideration of the mutual covenants and agreements contained in the Retirement Agreement, the Executive, for himself and his dependents, successors, assigns, heirs, executors and administrators (and his and their legal representatives of every kind), hereby releases, dismisses, remises and forever discharges White Mountains and its respective predecessors, parents, subsidiaries, divisions, related or affiliated companies, officers, directors, stockholders, members, employees, heirs, successors, assigns, representatives, agents and counsel (collectively, the "Company") from any and all arbitrations, claims, including claims for attorney's fees, demands, damages, suits, proceedings, actions and/or causes of action of any kind and every description, whether known or unknown, which the Executive now has arising out of or relating to the Executive's employment by, or service with, the Company (including service as a White Mountains-designated member of the board of directors of, or White Mountains-designated representative to, an unaffiliated company or other entity) and retirement from such employment or service ("claims") including but not limited to:
 - (i) any and all claims of discrimination, including but not limited to claims of discrimination on the basis of sex, race, age, national origin, marital status, religion or handicap, including, specifically, but without limiting the generality of the foregoing, any claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act or any other applicable federal, state or local law provisions, whether domestic or foreign; and
 - (ii) any and all claims of wrongful or unjust discharge or breach of any contract or promise, express or implied.
- (b) The Executive understands and acknowledges that the Company does not admit any violation of law, liability or invasion of any of his rights and that any such violation, liability or invasion is expressly denied. The consideration provided for this Release is made for the purpose of settling and extinguishing all claims and rights (and every other similar or dissimilar matter) that the Executive ever had or now may have against the Company to the extent provided in this Release. The Executive further

agrees and acknowledges that no representations, promises or inducements have been made by the Company other than as appear in the Retirement Agreement.

(c). The Executive further agrees and acknowledges that:

(i). The release provided for herein releases claims up to and including the date of this Release;

(ii). The Executive has been advised by the Company to consult with legal counsel prior to executing this Release, has had an opportunity to consult with and to be advised by legal counsel of his choice, fully understands the terms of this Release, and enters into this Release freely, voluntarily and intending to be bound;

(iii). The Executive has been given a period of 45 days to review and consider the terms of this Release prior to its execution and that he may use as much of the 45-day period as he desires; and

(iv). The Executive may, within seven days after execution, revoke this Release. Revocation shall be made by delivering a written notice of revocation to the Company. For such revocation to be effective, such written notice must be actually received by the Company no later than the close of business on the seventh day after the Executive executes this Release. If the Executive exercises his right to revoke this Release, all of the terms and conditions of this Release shall be of no force and effect (including, for the avoidance of doubt, the release of claims by the Company described in Section 3 of this Release).

(d). The Executive agrees that he shall never file a lawsuit or other complaint asserting any claim that he releases in this Release or the validity or enforceability of this Release.

(e). The Executive does not by this Release relinquish (i) any right to any vested, deferred benefit in any benefit plan, (ii) any right to indemnification or insurance under any applicable directors and officers liability insurance policy, applicable state and federal law, and the Company's Memorandum of Continuance and Bye-Laws, (iii) any right that is not waivable under applicable law, (iv) any right with respect to any event, act or omission taking place after the date hereof, (v) any right with respect to the Company's breach of any terms or conditions of the Retirement Agreement or (vi) any right the Executive may have to obtain contribution as permitted by applicable law in the event of any judgment against the Executive as a result of any act or failure to act for which the Company or its affiliates and the Executive are jointly liable.

3. (a) In consideration of the mutual covenants and agreements contained in the Retirement Agreement, the Company hereby releases, dismisses, remises and forever discharges the Executive and his dependents, successors, assigns, heirs, executors and administrators (and his and their legal representatives of every kind) from any and all claims of any kind and every description, whether known or unknown, arising out of or

relating to the Executive's employment by or service with the Company and retirement from such employment or service.

(b). The Company understands and acknowledges that the Executive does not admit any violation of law, liability or invasion of any of its rights and that any such violation, liability or invasion is expressly denied. The consideration provided for this Release is made for the purpose of settling and extinguishing all claims and rights (and every other similar or dissimilar matter) that the Company ever had or now may have against the Executive to the extent provided in this Release. The Company further agrees and acknowledges that no representations, promises or inducements have been made by the Executive other than as appear in the Retirement Agreement.

(c). The Company further agrees and acknowledges that:

(i). The release provided for herein releases claims up to and including the date of this Release.

(ii). The Company agrees that it shall never file a lawsuit or other complaint asserting any claim that it releases in this Release or the validity or enforceability of this Release.

(d). The Company does not by this Release relinquish (i) any claims the Company may have against the Executive for illegal conduct, (ii) any right that is not waivable under applicable law, (iii) any right with respect to any event, act or omission taking place after the date hereof, (iv) any rights with respect to the Executive's breach of any terms or conditions of the Retirement Agreement or (v) any right the Company may have to obtain contribution as permitted by applicable law in the event of any judgment against the Company or its affiliates as a result of any act or failure to act for which the Executive and the Company or its affiliates are jointly liable.

4. The Company and the Executive agree that the terms of this Release are and shall be deemed to be strictly confidential, and each agrees not to disclose such terms to any person or entity other than their legal, financial and tax advisors (or, in the case of the Executive, his immediate family) or as required by applicable law or applicable regulatory rules, without the prior written consent of the other party. Notwithstanding the foregoing, this Release is not intended to, and shall be interpreted in a manner that does not, limit or restrict the Executive from exercising any legally protected whistleblower rights (including pursuant to Rule 21F under the Securities Exchange Act of 1934). The Company and the Executive each agree that they shall remain obligated to the other party under the Retirement Agreement from and after the date of this Release. The provisions of this Release are severable and if any part of it is found to be unenforceable, the other paragraphs shall remain full, valid and enforceable.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Executive and the Company have executed and delivered this Release on the dates set forth below.

White Mountains Insurance Group, Ltd.

By: /s/ Robert L. Seelig

Name: Robert L. Seelig

Title: Managing Director & General Counsel

/s/ Raymond Barrette

Raymond Barrette

**FOURTH AMENDMENT TO
AMENDED AND RESTATED INVESTMENT MANAGEMENT AGREEMENT**

THIS FOURTH AMENDMENT dated as of February 28, 2017, to the Amended and Restated Investment Management Agreement (the “Agreement”) dated as of December 23, 2014, is entered into between WHITE MOUNTAINS ADVISORS LLC, a limited liability company organized under the laws of the state of Delaware (the “Advisor”) and ONEBEACON INSURANCE GROUP, LTD., an exempted limited liability company organized under the laws of Bermuda (the “Client”).

WHEREAS, Advisor and Client are parties (“Parties”) to the Agreement;

WHEREAS, pursuant to Section 18 of the Agreement, Advisor and Client desire to modify certain terms of the Agreement; and

WHEREAS, pursuant to Section 17 of the Agreement, Advisor and Client desire to update Schedule B to reflect the removal of certain Affiliated Companies and to revise Section 16 to reflect the Client’s current address.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the Parties agree that the Agreement is hereby amended as follows:

1. Capitalized Terms. All capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Agreement.

2. Amendments.

a. Affiliated Companies. Schedule B is hereby deleted in its entirety and replaced with the attached Schedule B.

b. Notices. Section 16 of the Agreement is hereby deleted in its entirety and replaced with the following:

“16. Notices. All notices and instructions with respect to securities transactions or any other matters contemplated by this Agreement shall be deemed duly given when actually received by the intended party in writing, via facsimile, or e-mail or by first-class mail to the following addresses: (a) if to the Advisor, at its address set for above, Attention: Chief Financial Officer, if by facsimile to 203.458.0754 and if by e-mail, mplourde@whitemountainsadvisors.com or (b) if to the Client or any Affiliated Company, at 605 Highway 169 North, Suite 800, Plymouth, MN 55441, Attention: Chief Financial Officer, if by facsimile to 888.340.6383, and if by e-mail, pmcdonough@onebeacon.com. Any of the Advisor, the Client or an Affiliated Company may change its physical address, facsimile number or e-mail address or specify a different manner of addressing itself by giving notice of such change in writing to the other party.”

3. Ratification. Except as expressly modified by this Amendment, the Agreement is hereby ratified and confirmed in full force and effect.

4. Modifications. Except as expressly modified by this Amendment, the Agreement is hereby ratified and confirmed in full force and effect.

5. Counterparts. This Amendment may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized representatives as of the day and year first above written.

WHITE MOUNTAINS ADVISORS LLC ONEBEACON INSURANCE GROUP, LTD

By: /s/ Kevin B. Crawford	By: /s/ Sarah A. Kolar
Name: Kevin B. Crawford	Name: Sarah A. Kolar
Title: Chief Operations Officer	Title: Secretary & Deputy General Counsel

SCHEDULE B

AFFILIATED COMPANIES

MILL SHARES HOLDINGS (BERMUDA) LTD.
WM BELVAUX (LUXEMBOURG) S.À R.L.
ONEBEACON INSURANCE GROUP LLC
ONEBEACON U.S. ENTERPRISES HOLDINGS, INC.
ONEBEACON U.S. FINANCIAL SERVICES, INC.
ONEBEACON U.S. HOLDINGS, INC.
ATLANTIC SPECIALTY INSURANCE COMPANY
HOMELAND INSURANCE COMPANY OF DELAWARE
HOMELAND INSURANCE COMPANY OF NEW YORK
OBI NATIONAL INSURANCE COMPANY
OBI AMERICA INSURANCE COMPANY
ONEBEACON SELECT INSURANCE COMPANY
ONEBEACON SPECIALTY INSURANCE COMPANY
SPLIT ROCK INSURANCE, LTD.

ONEBEACON'S 2017 MANAGEMENT INCENTIVE PLAN

Purpose

The Management Incentive Plan (MIP) is an integral part of the total compensation program for managers and certain key individual contributors. Its primary purpose is to focus attention on 2017 profitability goals and to reward eligible participants for the achievement of those goals.

Eligibility

The Plan is limited to senior staff and certain key individuals who have a significant impact on OneBeacon's operating results.

Target Awards

Target awards for all participants are expressed as a percent of salary.

Performance Measures

The corporate MIP pool will be established primarily based upon achievement of solid financial performance and can vary from 25% to 175% of the total aggregate of target awards. The OneBeacon Insurance Group, Ltd. Compensation Committee (the "Committee") set the 2017 MIP primary performance objective at a 96.0% Combined Ratio or better.

The Committee established a performance scale around this primary objective as shown below:

CR	Performance Factor
91%	175%
92%	160%
93%	145%
94%	130%
95%	115%
96%	100%
97%	85%
98%	70%
99%	55%
100%	40%
101%	25%

In addition to the primary combined ratio objective, the 2017 MIP objectives include maintaining an appropriately conservative loss reserve position, optimizing capital management, being opportunistic about adding new teams or growing current teams, and continuing work on sun-setting of IT systems in order to reduce overall expense.

The Committee will look first to the actual combined ratio performance and the corresponding performance score on the scale and may adjust the size of the pool based on under- or over-achievement of the Company's other objectives at its sole discretion.

Individual Awards

Each business unit will be judged against a number of performance metrics including, where appropriate, a combined ratio target. Generally these metrics will relate to the aggregate financial plan rolled up by line of business. If the financial metrics are achieved, in conjunction with other business metrics, the business may be awarded 100% of its indicated share of the corporate pool. Businesses failing to meet goals may or may not, at the discretion of the CEO, receive a reduced, partial allocation of the pool. Businesses exceeding objectives may receive greater than 100% of indicated allocation. In no event will the sum of the performance-adjusted business unit pools be greater than the performance-adjusted Company pool as authorized by the Committee.

Within each business, it will be the prerogative of the business leader, with guidance from and after consultation with the CEO, to further allocate the business' pool amount to the constituent branches, lines of business and individuals, based upon performance and contributions to the attainment of business goals throughout the year.

For corporate or administrative functions that support all or multiple businesses, participants will receive allocations from the corporate pool based upon attainment of their department and individual goals for 2017. Each department leader shall allocate the department's pool amount to individuals based on performance and contributions to attainment of department goals throughout the year.

The salary used to determine the amount of the individual awards will be your final salary in effect under the plan.

Plan Participation for New Hires

Employees hired during the plan year are eligible to participate in the MIP. Awards will be pro-rated, specifically based on date of hire unless other arrangements are agreed to at the time of the employment offer.

Payment of Awards

Except as provided under Special Circumstances below, in the event of termination of employment prior to the payment of awards, no incentive payments will be made. Unless payment is deferred in accordance with an election made pursuant to the OneBeacon Deferred Compensation Plan and any related procedures adopted by the Company, payment of any MIP award shall be made by the Company no later than 2 1/2 months after the end of the Company's fiscal year in which such MIP award is earned, but in any event not prior to the Committee's certification of performance results following the end of the plan year. **In all cases, payment will not be made unless and until the Committee approves the overall corporate performance factor and performance-adjusted MIP pool and no payment will be made to the CEO, the Executive Team or any of the other executive officers without specific approval from the Committee.**

Clawback Policy

Amounts paid pursuant to the MIP are subject to clawback by OneBeacon pursuant to the Clawback Policy adopted by the Board of Directors of OBIG on June 16, 2010. The Clawback Policy provides that, in the event of a restatement of the financial statements of OBIG for failure to comply with the federal securities laws due to misconduct of a MIP participant, the Board of Directors of OBIG may require the participant to reimburse OneBeacon for all or a portion of his or her MIP award; provided, however, that in the event of fraud, the MIP participant shall reimburse OneBeacon for all of his or her MIP award.

Special Circumstances

The Committee may, in its sole discretion, also recognize extraordinary conditions or circumstances in determining payment eligibility.

In the event of termination due to (i.) retirement, (ii.) reduction in force, or (iii.) transfer of employment upon the acquisition of a OneBeacon business by a third party, at or after the end of the plan year but before payment is made, MIP payments may be made if approved by the senior business leader. Payment shall be contingent upon the participant signing a OneBeacon Agreement and Release as consideration for all incentive payments. No participant who has terminated prior to the payment of awards due to a reduction in force may be considered for a MIP payment unless the participant also signed the Agreement and Release provided to the participant at the time of termination within the time period specified in the Agreement and Release. For purposes of the MIP, "retirement" shall mean termination of service with the Company, other than for cause, at any time after attaining age sixty (60) or termination of service under circumstances which the Committee deems equivalent to retirement. These exceptions will be made on a case by case basis. In the event of death or disability, the participant or beneficiary may be considered for an award payment if approved by the senior business leader.

The MIP is discretionary; in no way does eligibility in this plan imply an obligation of payment on the part of OneBeacon nor should it be construed as a promise of continued employment.

Effect on Benefit Plans

Amounts paid under the terms of the MIP will not be counted for purposes of determining compensation under any other employee benefit plan sponsored by OneBeacon.

Plan Continuation

Notwithstanding any of the aforementioned, the MIP may be amended or terminated, in whole or in part, at any time, by the Committee.

OneBeacon 2017 Long-Term Incentive Plan**1. PURPOSE**

The purpose of this Plan is to advance the interests of OneBeacon Insurance Group, Ltd. (the “Company”) and its shareholders by providing the ability to grant long-term incentives to certain key employees, consultants and directors of the Company and of its Subsidiaries.

2. ADMINISTRATION

- (a) The Plan shall be administered by the Committee; provided, that each member of the Committee qualifies as (a) a “non-employee director” under Rule 16b-3 of the Exchange Act and (b) an “outside director” under Section 162(m) of the Code. In the event that any member of the Committee does not so qualify, the Plan shall be administered by a subcommittee of at least two Committee members who do so qualify. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify, to the greatest extent permitted by applicable law.
- (b) The Committee shall have exclusive authority to select the employees, consultants and directors to be granted Awards, to determine the type, size, terms and conditions of Awards (including those relating to vesting, cancellation, accelerations or waivers thereof, methods and form of settlement, and methods of exercise), and to prescribe the form of the instruments embodying Awards. The Committee shall specify the terms and conditions applicable to such Awards in an Award Agreement. The Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations which it believes necessary or advisable for the administration of the Plan. In connection with any Award, the Committee in its sole discretion may provide for vesting provisions that are different from the default vesting provisions that are contained in the Plan and such alternative provisions shall not be deemed to conflict with the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive. Notwithstanding the foregoing, the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors.
- (c) The Committee may act only by a majority of its members in office, except that the members thereof may authorize any one or more of the members of the Committee or any officer of the Company to execute and deliver documents on behalf of the Committee. The Committee, in its discretion and subject in all instances to applicable law, may delegate to one or more directors or committees of the Board all or part of the Committee’s authority and duties with respect to administering the Plan and granting Awards; provided, however, that in no event shall an officer be delegated the authority to grant awards to, or amend awards held by, the following individuals: (i) individuals who are subject to Section 16 of the Exchange Act, (ii) Covered Employees, or (iii) officers of the Company (or directors) to whom authority to grant or amend Awards has been delegated hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation, and the Board may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 2(c) shall serve in such capacity at the pleasure of the Board and the Committee.

- (d) Neither the Committee nor any member of the Board, or any administrator of the Plan or any employee or agent of the Company shall be liable for action, determination or interpretation taken or made, or omitted to be taken or made, by him or by any other Person in connection with the Plan or any Award hereunder (unless constituting fraud or a willful criminal act or omission, or as expressly provided by statute). The duties and obligations of the Company, the Committee and each member of the Committee shall be determined only with reference to the Plan, and no implied duties or obligations shall be read into the Plan or any Award Agreement on the part of the Company, the Committee, or any member of the Board or the Committee.
- (e) Notwithstanding anything to the contrary contained in the Plan, the Board may, in its sole discretion, at any time and from time to time, grant Awards and administer the Plan with respect to such Awards. Any such actions by the Board shall be subject to the applicable rules of the New York Stock Exchange (or other principal securities market on which Common Shares are traded). In any such case, the Board shall have all the authority granted to the Committee under the Plan.

3. **AWARDS**

- (a) **Eligible Individuals.** Any Non-Employee Director, or any employee or consultant of the Company or any of its Subsidiaries (provided such employee or consultant has executed a OneBeacon Confidentiality and Nonsolicitation Agreement in a form satisfactory to the Company), is eligible to receive an Award hereunder. The Committee shall select which eligible employees, consultants or Non-Employee Directors shall be granted Awards hereunder. No employee, director or consultant shall have a right to receive an Award hereunder, and the grant of an Award to an employee, director or consultant shall not obligate the Committee to continue to grant Awards to such employee, director or consultant in subsequent periods.
- (b) **Type of Awards.** Awards shall be limited to the following seven types: (i) Stock Options, (ii) Restricted Stock, (iii) Restricted Stock Units, (iv) Performance Compensation Awards, (v) Performance Shares, (vi) Performance Units and (vii) Other Incentive Awards.
- (c) **Maximum Number of Shares That May Be Issued.**
 - (i) Subject to adjustment as provided in Section 12, the maximum aggregate number of Shares that may be issued or transferred pursuant to Awards under the Plan is the sum of (i) the number of Shares which as of the Effective Date are available for issuance under the Prior Plan, less any Shares which are the subject of awards made under the Prior Plan after the Effective Date and prior to the date this Plan is approved by the Company's shareholders, and (ii) any Shares which become available for issuance upon the forfeiture or lapse of awards under the Prior Plan, without such awards having been exercised or settled. All of the Shares subject to the Plan Limit may be issued pursuant to Incentive Stock Options.
 - (ii) To the extent that an Award terminates, expires, or lapses for any reason, or an Award is settled in cash without the delivery of Shares to the Participant, then any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. Any Shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Award shall not be added back to the Plan Limit. Any Shares repurchased by the Company prior to vesting at par value or for no consideration (including by way of the Repurchase Right) will again be available for Awards. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against

the Shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3(c)(ii), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

- (iii) Notwithstanding anything to the contrary in Section 3(c)(i), but subject to adjustment under Section 12, the following special limits shall apply to Shares available for Awards under the Plan:
 - (A) the maximum number of Shares that may be issued pursuant to Stock Options and Stock Appreciation Rights granted to any Participant in any calendar year shall equal 1,000,000 Shares;
 - (B) the maximum amount that may be issued pursuant to Performance Compensation Awards (other than Stock Options and Stock Appreciation Rights) awarded to any Participant in any calendar year is \$25,000,000 measured as of the date of grant (with respect to Awards denominated in cash (based on the fair value of Shares on the date of grant as determined in accordance with applicable financial accounting rules)) or 750,000 Shares measured as of the date of grant (with respect to Awards denominated in Shares); and
 - (C) the maximum amount that may be issued pursuant to Awards awarded to any Non-Employee Director in any calendar year is \$1,000,000 measured as of the date of grant (with respect to Awards denominated in cash (based on the fair value of Shares on the date of grant as determined in accordance with applicable financial accounting rules)) or 50,000 Shares measured as of the date of grant (with respect to Awards denominated in Shares).
- (iv) To the extent permitted by applicable law or any exchange rule, Shares issued pursuant to any Substitute Award shall not be counted against the Plan Limit and shall not be counted against the special limitations set forth in Section 3(c)(iii); provided, however, that Substitute Awards issued or intended as “incentive stock options” within the meaning of Section 422 of the Code shall be counted against the aggregate number of Incentive Stock Options available under the Plan.
- (v) Shares delivered by the Company in settlement of Awards may be authorized and unissued shares, shares purchased on the open market or by private purchase or a combination of the foregoing.

Rights With Respect to Shares.

- i. A Participant to whom Restricted Stock has been issued shall have, prior to the expiration of the Restricted Period or Repurchase Right, ownership of such Shares, including the right to vote the same and to receive dividends thereon, subject, however, to the options, restrictions and limitations imposed thereon pursuant hereto. The Company, in its discretion, may hold custody during the Restricted Period of any Shares of Restricted Stock.
- ii. A Participant to whom Stock Options, Restricted Stock Units, Performance Compensation Awards, Performance Shares, Performance Units or Other Incentive Awards are granted (and any Person succeeding to such Participant's rights pursuant to the Plan) shall have no rights as a shareholder with respect to any Shares issuable pursuant thereto unless and until the date the Participant becomes the record owner of such Shares. (For the avoidance of doubt, with respect to any Restricted Stock Units, Performance Compensation Awards, Performance Shares, Performance Units or Other Incentive Awards which are ultimately settled in cash, the Participant shall never have any rights as a shareholder with respect to the referenced or underlying Shares of such Awards.) Except as provided in Sections 4, 5(c) or 12, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) the record date for which is prior to the date the Participant becomes the record owner of such Shares.
- iii. Any dividends or Dividend Equivalents permitted by the Plan may be payable in cash, Shares, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Committee, including, without limitation, payment directly to the Participant, withholding of such amounts by the Company subject to vesting of the Award or reinvestment in additional Shares, Restricted Stock or other Awards. Dividend Equivalents may be accumulated in respect of unearned Awards and paid as soon as administratively practicable, but no more than 60 days, after such Awards are earned and become payable or distributable (and the right to any such accumulated dividends or Dividend Equivalents shall be forfeited upon the forfeiture of the Award to which such dividends or Dividend Equivalents relate).

(d) Release Condition.

- (i) Except as otherwise determined by the Committee, if a Participant's employment terminates before the payment, exercise, settlement or removal of restrictions with respect to an Award, any subsequent payment, exercise, settlement or removal of restrictions (to the extent not otherwise forfeited) shall be conditioned upon the Participant signing and delivering an effective and irrevocable general release of claims, in the form provided by the Company ("Release"), as consideration for such payment, exercise, settlement or removal of restrictions. The Participant shall be required to execute and deliver such release to the Company within the time period specified in this Section 3(e) (or as set forth in the applicable Award Agreement or other written agreement between the Participant and the Company or its Subsidiary, as applicable) in a manner that complies with Sections 409A and 457A of the Code. The requirement to execute and deliver a Release under this Section release to the Company within the time period specified in this Section 3(e) is referred to as the "Release Condition."

- (ii) Unless otherwise set forth in the applicable Award Agreement or other written agreement between the Participant and the Company or its Subsidiary, the Release shall be subject to the following timing requirements:
- (A) With respect to (i) an Award that relates to a single-year or multi-year performance period, for which the performance results are contemplated to be certified in the first quarter following the end of the applicable performance period (including Performance Share Awards and Performance Unit Awards), and (ii) any other Award then held by the Participant which would vest on the same date and under the same performance cycle (including any service-vesting Restricted Stock or Restricted Stock Units), the Participant (or his legal guardian or estate, if applicable) must execute the Release after such certification, and such Release must become effective and irrevocable no later than April 30th of the same calendar year in which the certification occurred (or such earlier date occurring between the date of certification and April 30th of the same calendar year, as may be specified by the Company). Payments pursuant to such Award or Awards will be made in the same calendar year in which the certification occurred, and in all events no later than the next available payroll date following the date such Release becomes effective and irrevocable (subject to further delay, if required pursuant to Section 15(d) below).
- (B) With respect to any Award not described in subsection 2(a) above, the Participant (or his legal guardian or estate, if applicable) must execute the Release on or after such Participant's termination of employment, and such Release must become effective and irrevocable no later than the 61st day after termination of such Participant's employment.
- (1) Payments pursuant to such Award which do not constitute nonqualified deferred compensation and are not subject to Section 409A of the Code shall commence on the next available payroll date following the date such Release becomes effective and irrevocable (and in all events no later than March 15th of the calendar year following the year in which such termination of employment occurs).
- (2) Payments pursuant to such Award which are subject to Section 409A of the Code shall commence on the next available payroll date following the date such Release becomes effective and irrevocable (subject to further delay, if required pursuant to Section 15(d) below), provided that if the period between termination and payment could cross two tax years, such payment shall commence in the later tax year.

- (C) Without limiting the foregoing, the Company shall have the authority to provide in the applicable Award Agreement or other written agreement between the Participant and the Company or its Subsidiary, for modified timing requirements for any Release required under this Section 3(e) if and to the extent necessary or advisable to (i) comply with Section 409A or 457A of the Code (as determined by the Company) or (ii) achieve a reasonable business objective, subject to compliance with Section 409A or 457A of the Code (as determined by the Company).
- (D) Without limiting the foregoing, except as otherwise determined by the Committee, if a Participant's employment is terminated due to a reduction in force before the payment, exercise, settlement or removal of restrictions with respect to an Award, any subsequent payment, exercise, settlement or removal of restrictions shall also be conditioned upon the Participant signing any separation agreement and general release of claims provided by the Company to the Participant at the time of the termination of employment. The Participant shall be required to execute and deliver such separation agreement and release to the Company within the time period specified in the applicable separation agreement and release, in a manner that complies with Section 409A and 457A of the Code (as determined by the Company).

4. **STOCK OPTIONS**

The Committee may grant Stock Options to any Participant. Except as may otherwise be set forth in any Award Agreement, each Stock Option shall be subject to the following terms and conditions:

- (a) The per Share exercise price shall not be less than the greater of (i) the Fair Market Value per Share as of the date of grant or (ii) the par value per Share. Notwithstanding the foregoing, the exercise price of an Incentive Stock Option granted to a Ten-Percent Participant shall not be less than the greater of 110% of such Fair Market Value, or the par value per Share.
- (b) The Committee shall initially determine the number of Shares to be subject to each Stock Option, which number shall be set forth in the applicable Award Agreement.
- (c) The Stock Option shall not be transferable by the Participant other than by will or the laws of descent and distribution, and shall be exercisable during his lifetime only by him.
- (d) The Stock Option shall not be exercisable:
 - (i) after the expiration of (A) ten years from the date it is granted or (B) five years from the date it is granted in the case of an Incentive Stock Options granted to a Ten-Percent Participant, and may be exercised during such period only at such time or times as the Committee may establish;

- (ii) unless payment in full is made for the Shares being acquired thereunder at the time of exercise (including any U.S. Federal, state or local income or other taxes which the Committee determines are required to be withheld in respect of such shares); such payment shall be made (A) in United States dollars by cash, check or cash equivalent, (B) by tendering to the Company Shares owned by the Person exercising the Stock Option and having a Fair Market Value equal to the amount needed to pay for the aggregate exercise price and all applicable required withholding taxes (provided that such Shares are not subject to any pledge or other security interest), (C) if there is a public market for the Shares at such time, by the Company delivering for sale to a registered securities broker acceptable to the Company a number of the Shares being acquired by the Person exercising the Stock Option being sufficient, after brokerage commissions, to cover the aggregate exercise price thereof and all applicable required withholding taxes, together with instructions to the broker to remit to the Company the aggregate exercise price thereof and amounts sufficient to satisfy all applicable required withholding taxes, and the remainder to the Participant, (D) if there is a public market for the Shares at such time, by means of a “net exercise” procedure effected by withholding the minimum number of Shares otherwise deliverable in respect of a Stock Option that are needed to pay for the aggregate exercise price and all applicable required withholding taxes, (E) by such other method as the Committee may permit or (F) by a combination of the foregoing;
- (iii) by Participants who were employees of the Company or one of its Subsidiaries at the time of the grant of the Stock Option unless such Participant has been, at all times during the period beginning with the date of grant of the Stock Option and ending on the date three months prior to such exercise, an employee of the Company or a Subsidiary, or of a corporation, or a parent or subsidiary of a corporation, issuing or assuming the Stock Option in a transaction to which Section 424(a) of the Code is applicable, except that:
 - (A) if such Participant shall cease to be an employee of the Company and its Subsidiaries solely by reason of a period of Related Employment, the Committee, in its direction, may permit such Participant, during such period of Related Employment and for three months thereafter (but in no event after the Stock Option has expired under the provisions of Section 4(d)(i) hereof), to exercise such Stock Option as if he continued to be an employee of the Company and its Subsidiaries; or
 - (B) if such Participant’s employment with the Company and its Subsidiaries is terminated by the Company due to such Participant’s Disability, he may, at any time within three years from the date of such termination of employment (but in no event after the Stock Option has expired under the provisions of Section 4(d)(i) hereof), exercise the Stock Option with respect to (i) any Shares as to which he could have exercised the Stock Option on such termination date and (ii) subject to the Participant’s satisfaction of the Release Condition, if any portion of the Stock Option is not fully exercisable on such termination date, the number of additional Shares as to which the Stock Option would have become exercisable had he remained an employee through the end of the calendar year in which the termination of employment occurred; or

- (C) if such Participant shall die while holding a Stock Option, his executors, administrators, heirs or distributees, as the case may be, at any time within one year after the date of such death (but in no event after the Stock Option has expired under the provisions of Section 4(d)(i) hereof), may exercise the Stock Option with respect to (i) any Shares as to which the decedent could have exercised the Stock Option at the time of his death, and (ii) if the Stock Option is not fully exercisable on the date of his death, the number of additional Shares as to which the Stock Option would have become exercisable had he remained an employee through the end of the calendar year in which his death occurred; provided, however, that if his death occurs during the three-year period following a Disability as described in Section 4(d)(iii)(A) hereof or any period in respect of which the Committee has exercised its discretion to grant continuing exercise rights (including upon Retirement, as provided in Section 4(d)(iii)(C)), this clause (ii) shall not apply; or
- (D) if such Participant shall voluntarily terminate his employment with the Company due to Retirement, and the Participant executes and delivers a separation and release agreement in the form provided by the Company, containing noncompetition, nonsolicitation and other restrictive covenants, as well as a general release of claims in the manner contemplated by the Release Condition, the Committee, in its sole discretion, may determine to (i) provide for continued vesting of the Participant's Stock Option through the last day of the calendar year in which the Participant's termination of employment occurs (it being understood that any unvested portion of the Stock Option which is not otherwise scheduled to vest through such date shall be forfeited upon termination of employment), (ii) permit such Participant to exercise the Stock Option any time within three years from the date of such Participant's termination of employment, with respect to any Shares as to which the Participant could have exercised the Stock Option on such termination date plus any additional Shares as to which the Stock Option becomes exercisable by application of clause (i) hereof, and/or (iii) provide for tolling of the applicable post-termination exercise period until the final vesting date; provided, however, that in no event may any post-termination exercise under this subsection 2(d) take place after the Stock Option has expired under the provisions of Section 4(d)(i) hereof; provided, further, that if the Participant breaches the noncompetition, nonsolicitation or other restrictive covenants in his separation and release agreement, then the Participant's outstanding Stock Option shall be immediately canceled upon such breach, and the full amount recognized from any prior exercise of his Stock Option (and any gain thereto) shall be forfeited and the Participant shall be required to promptly repay such amounts to the Company within ten days following such breach.

provided, that, for the avoidance of doubt, in no event shall the Stock Option be exercisable after the Stock Option has expired under the provisions of Section 4(d)(i) hereof.

- (e) The aggregate Fair Market Value of Shares (determined as of the date of grant of the Stock Option) with respect to which Incentive Stock Options granted to any Participant under the Plan are exercisable for the first time by such Participant during any calendar year may not exceed the maximum amount permitted under Section 422(d) of the Code at the time of the Award grant. In the event this limitation would be exceeded in any year, the Participant may elect either (i) to defer to a succeeding year the date on which some or all of such Incentive Stock Options would first become exercisable or (ii) convert some or all of such Incentive Stock Options into non-qualified Stock Options.
- (f) No fractional Shares shall be delivered upon the exercise of any Stock Option, but in lieu thereof a cash settlement shall be made.
- (g) Notwithstanding anything herein to the contrary, in the event a Change in Control occurs and within 24 months thereafter: (A) there is a Termination Without Cause of an Participant's employment; or (B) there is a Constructive Termination of an Participant's employment; or (C) there occurs an Adverse Change in the Plan with respect to an Participant affecting any Award held by such Participant, and if the Participant then holds a Stock Option,
 - (A) in the case of a Termination Without Cause or a Constructive Termination, the Participant may exercise the entire Stock Option, at any time within 30 days following such Termination Without Cause or such Constructive Termination (but in no event after the Stock Option has expired under the provisions of Section 4(d)(i)); and
 - (B) in the case of an Adverse Change in the Plan with respect to a Participant, the Participant may exercise the entire Stock Option at any time after such Adverse Change in the Plan until the 30th day following any subsequent termination of his employment as a result of a Termination Without Cause or a Constructive Termination (but in no event after the Stock Option has expired under the provisions of Section 4(d)(i));provided, that if the Change in Control is an Unfriendly Change in Control, then effective as of the date a majority of the Continuing Directors adopts a resolution (or takes such other action) to determine that an Unfriendly Change in Control has occurred, all then outstanding Stock Options shall become immediately exercisable in full and shall remain exercisable until the Stock Option has expired under Section 4(d)(i) or Section 4(d)(iii), whichever is earlier.

5. **RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

- (a) The Committee may grant to Participants Restricted Stock and/or Restricted Stock Unit Awards.
- (b) Except as may otherwise be set forth in any Award Agreement, each Award of Restricted Stock shall comply with the following terms and conditions:
 - (i) The Committee shall determine the number of Shares of Restricted Stock to be issued to a Participant, which number shall be set forth in the applicable Award Agreement.

- (ii) Restricted Stock may be subject to such restrictions and other terms and conditions as the Committee determines appropriate, including service-based or performance-based vesting requirements, during the applicable Restricted Period. Shares of Restricted Stock issued may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, for the applicable Restricted Period. Upon the expiration of the Restricted Period and the attainment of any other vesting criteria, (A) the restrictions set forth in the applicable Award Agreement shall be of no further force or effect, except as set forth in the Award Agreement, and (B) any dividends attributable to the Restricted Stock that may have been accumulated and withheld by the Committee shall be distributed to the Participant in cash or in Shares having a Fair Market Value (on the date of distribution) equal to the amount of such dividends, upon the release of restrictions on such Share.
- (iii) Any Shares of Restricted Stock (A) held by a Participant whose employment with the Company and its Subsidiaries terminates prior to the expiration of the Restricted Period for any reason other than by reason of an event described in Section 5(b)(iv), or (B) which fail to vest upon a Participant's termination of employment after application of Section 5(b)(iv)(B) or (C), as applicable, shall be automatically repurchased by the Company in exchange for their aggregate par value, in a manner intended to comply with the Companies Act 1981 (Bermuda) as determined by the Company (the "Repurchase Right") upon such termination of employment. For the avoidance of doubt, any rights to dividends that may have been accumulated or withheld during the Restricted Period in respect of the repurchased Shares shall terminate upon such termination of employment, without further action or obligation of the Company.
- (iv) Upon the grant of Restricted Stock, the Committee shall cause Shares to be registered in the name of the Participant and held in book-entry form subject to the Company's directions. The Committee also may cause a stock certificate registered in the name of the Participant to be issued. In such event, such certificate shall bear an appropriate legend referring to the Repurchase Right and other restrictions. Any attempt to dispose of any such Shares in contravention of the Repurchase Right and other restrictions shall be null and void and without effect. If Shares issued pursuant to a Restricted Stock Award shall be repurchased pursuant to the Repurchase Right, the Participant to whom the Award was granted, or in the event of his death after such Repurchase Right becomes exercisable, his executor or administrator, shall forthwith deliver to the Secretary of the Company any certificates for the Shares awarded to the Participant, accompanied by such instruments of transfer, if any, as may reasonably be required by the Secretary of the Company.

- (v) If a Participant who has been in the continuous employment of the Company or of a Subsidiary shall:
- (A) terminate employment during the Restricted Period due to the Participant's death or Disability, the Repurchase Right and any and all other restrictions on the Restricted Stock Award shall lapse and cease to be effective as of the date on which such termination of employment occurs; provided, that if such termination of employment is due to the Participant's Disability, the Participant (or his representative, as appropriate) must satisfy the Release Condition; provided, further, that for purposes of the foregoing, any performance condition on such Restricted Stock Award shall be deemed satisfied at the target level;
 - (B) Retire during the Restricted Period, and the Participant executes and delivers a separation and release agreement in the form provided by the Company, containing noncompetition, nonsolicitation and other restrictive covenants, as well as a general release of claims in the manner contemplated by the Release Condition, the Committee, in its sole discretion, may determine to provide for (i) continued vesting of the Participant's Restricted Stock Award through the last day of the calendar year in which the Participant's termination of employment occurs (it being understood that any unvested Shares of Restricted Stock which are not otherwise scheduled to vest through such date shall be forfeited upon termination of employment), and (ii) tolling of the Repurchase Right until such final vesting date; provided, that if the Restricted Stock Award is a Performance Compensation Award or otherwise subject to performance-based vesting requirements, any such vesting credit applied upon Retirement shall be subject to the achievement of applicable Performance Objectives; provided, further, that if the Participant breaches the noncompetition, nonsolicitation or other restrictive covenants in his separation and release agreement, then upon such breach, the Participant's Restricted Stock Award shall be automatically repurchased pursuant to the Repurchase Right, and the full amount recognized from any prior vesting of such Restricted Stock Award (and any gain thereto) shall be forfeited and the Participant shall be required to promptly repay such amounts to the Company within ten days following such breach; or
 - (C) cease to be an employee of the Company and its Subsidiaries solely by reason of a period of Related Employment, the Committee, in its sole discretion, may determine to provide for continued vesting of the Participant's Restricted Stock Award during such period of Related Employment as if the Participant continued to be an employee of the Company and its Subsidiaries.

- (vi) In the event that, within 24 months after a Change in Control and during the Restricted Period:
 - (A) there is a Termination Without Cause of the employment of a Participant;
 - (B) there is a Constructive Termination of the employment of a Participant; or
 - (C) there occurs an Adverse Change in the Plan with respect to a Participant, then

any and all other restrictions on all Shares underlying his Award, including the Repurchase Right, shall lapse and cease to be effective as of the date on which such event occurs.

- (c) Except as may otherwise be set forth in any Award Agreement, each Award of Restricted Stock Units shall comply with the following terms and conditions:
 - (i) The Committee shall determine the target number of Restricted Stock Units to be granted to a Participant, which number shall be set forth in the applicable Award Agreement.
 - (ii) Each Restricted Stock Unit will represent one Share and the value of such Share shall be credited to a notional account maintained by the Company. No Shares shall be issued at the time an Award of Restricted Stock Units is made, and the Company will not be required to set aside a fund for the payment of any such Award. At the sole discretion of the Committee, an Award Agreement may provide that each Restricted Stock Unit shall also entitle the Participant to Dividend Equivalents.
 - (iii) Restricted Stock Units may be subject to such restrictions and other terms and conditions as the Committee determines appropriate, including service-based or performance-based vesting requirements, during the applicable Restricted Period. Unless otherwise provided by the Committee in an Award Agreement and subject to the Release Condition (if applicable), upon the expiration of the Restricted Period and the attainment of any other vesting criteria established by the Committee, with respect to any outstanding Restricted Stock Units, the Company shall deliver to the Participant, or his beneficiary (via book entry notation or, if applicable, in stock certificate form), one Share (or other securities or other property, as applicable) for each such outstanding Restricted Stock Unit which has not then been forfeited and with respect to which the applicable restrictions have expired and any other such vesting criteria are attained.
 - (iv) Except as otherwise provided in a Restricted Stock Unit Award Agreement or in Sections 5(c)(v) or (vi), Restricted Stock Units shall be canceled if the Participant's continuous employment with the Company and its Subsidiaries shall terminate for any reason prior to the end of expiration of the applicable Restricted Period. For the avoidance of doubt, any Dividend Equivalents that may have been accumulated or withheld during the Restricted Period in respect of any forfeited Restricted Stock Units shall terminate without further action or obligation of the Company.

- (v) If a Participant who has been in the continuous employment of the Company or of a Subsidiary shall:
- (A) terminate employment during the Restricted Period due to the Participant's death or Disability, any and all other restrictions on a *pro rata* portion of the Restricted Stock Units shall lapse and cease to be effective as of the date on which such termination of employment occurs. In such event, the Participant shall be entitled to a *pro rata* vesting of the Restricted Stock Unit Award determined as follows: (A) the number of Restricted Stock Units subject to the Award multiplied by (B) a percentage, the numerator of which is equal to the number of full or partial months from the beginning of the Restricted Period through the last day of the calendar year in which the Participant's termination of employment occurs, and the denominator of which is equal to the number of months in the Restricted Period. For purposes of the foregoing calculation, any performance condition on the Restricted Stock Award shall be deemed satisfied at the target level. Notwithstanding the foregoing, in the case of termination of employment due to Disability, unless the Committee otherwise determines, the vesting of such *pro rata* portion of the Restricted Stock Units shall be subject to the Participant (or his representative, as appropriate) satisfying the Release Condition;
 - (B) Retire, and the Participant executes and delivers a separation and release agreement in the form provided by the Company, containing noncompetition, nonsolicitation and other restrictive covenants, as well as a general release of claims in the manner contemplated by the Release Condition, the Committee, in its sole discretion, may determine to provide for continued vesting of the Participant's Restricted Stock Unit Award through the last day of the calendar year in which the Participant's termination of employment occurs (it being understood that any unvested Restricted Stock Units which are not otherwise scheduled to vest through such date shall be forfeited upon termination of employment); provided, that if the Restricted Stock Unit Award is a Performance Compensation Award or otherwise subject to performance-based vesting requirements, any such vesting credit applied upon Retirement shall be subject to the achievement of applicable Performance Objectives; provided, further, that if the Participant breaches the noncompetition, nonsolicitation or other restrictive covenants in his separation and release agreement, then upon such breach, the Participant's Restricted Stock Unit Award shall be immediately forfeited, and the full amount recognized from any prior vesting or settlement of such Restricted Stock Unit Award (and any gain thereto) shall be forfeited and the Participant shall be required to promptly repay such amounts to the Company within ten days following such breach; or

- (C) cease to be an employee of the Company and its Subsidiaries solely by reason of a period of Related Employment, the Committee, in its sole discretion, may determine to provide for continued vesting of the Participant's Restricted Stock Unit Award during such period of Related Employment as if the Participant continued to be an employee of the Company and its Subsidiaries.
- (vi) In the event that, within 24 months after a Change in Control and during the Restricted Period:
 - (A) there is a Termination Without Cause of the employment of a Participant;
 - (B) there is a Constructive Termination of the employment of a Participant; or
 - (C) there occurs an Adverse Change in the Plan with respect to a Participant, then

any and all restrictions on such Participant's Restricted Stock Units shall lapse and cease to be effective as of the date on which such event occurs.

- (vii) Unless payment is deferred in accordance with Section 409A of the Code and subject to the Release Condition (if applicable), the Committee shall cause an amount equal to the value of the Restricted Stock Units earned by the Participant to be paid to him or his beneficiary no later than 2-1/2 months after the end of the Company's fiscal year in which such Restricted Stock Units are earned. Restricted Stock Units may be settled in cash, in Shares or partly in cash and partly in Shares as determined by the Committee. If a cash payment is made in lieu of delivering Shares, the amount of such payment shall be equal to the Fair Market Value of the Shares as of the date on which the applicable restrictions lapsed with respect to such Restricted Stock Units.

6. PERFORMANCE COMPENSATION AWARDS

- (a) Generally. Performance Compensation Awards are intended to qualify as “performance-based compensation” under Section 162(m) of the Code. The Committee shall have the authority to designate any Award as a Performance Compensation Award, including (i) Restricted Stock, the restrictions with respect to which lapse upon the attainment of specified Performance Objectives (together with any applicable service-based or other vesting conditions), and (ii) any Restricted Stock Units or other performance or incentive Awards described in Sections 5, 7, 8 or 9 that vest or become exercisable or payable upon the attainment of one or more specified Performance Objectives (together with any applicable service-based or other vesting conditions). In addition, the Committee shall have the authority to make an award of a cash bonus to any Participant and designate such Award as a Performance Compensation Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code. Notwithstanding the foregoing, (i) any Award to a Participant who is a Covered Employee for a fiscal year that satisfies the requirements of this Section 6 may be treated as a Performance Compensation Award in the absence of any such Committee designation and (ii) if the Company determines that a Participant who has been granted an Award designated as a Performance Compensation Award is not (or is no longer) a Covered Employee, the terms and conditions of such Award may be modified without regard to any restrictions or limitations set forth in this Section 6 (but subject otherwise to the provisions of Section 16). The Committee may in its sole discretion grant Awards to other Participants that are based on Performance Criteria or Performance Objectives but that do not satisfy the requirements of this Section 6 and that are not intended to qualify as “performance-based compensation” under Section 162(m) of the Code.
- (b) Committee Discretion on Performance Compensation Awards. The Committee may select the length of an Award Period, the type(s) of Performance Compensation Awards to be issued, the Performance Criteria used to establish the Performance Objective(s), the kind(s) and/or level(s) of the Performance Objective(s) and the Performance Formula. Within the first 90 days of an Award Period (or the maximum period allowed under Section 162(m) of the Code), the Committee shall determine each of the matters enumerated in the immediately preceding sentence and record the same in writing (which may be in the form of minutes of a meeting of the Committee).
- (c) Certification; Determination of Awards. Following the completion of an Award Period, the Committee shall review and certify in writing (which may be in the form of minutes of a meeting of the Committee) whether, and to what extent, the Performance Objectives for the Award Period have been achieved and, if so, calculate and certify in writing (which may be in the form of minutes of a meeting of the Committee) that amount of the Performance Compensation Award earned for the period based upon the Performance Formula. The Committee shall then determine the amount of each Participant’s Performance Compensation Award actually payable for the Award Period.
- (d) Negative Discretion. In determining the amount of each Participant’s Performance Compensation Award actually payable for the Award Period, the Committee may, in its sole and absolute discretion, reduce or eliminate the size of the Performance Compensation Award consistent with Section 162(m) of the Code, even if applicable Performance Objectives have been attained; provided, that following a Change in Control, this discretion shall not apply to Awards outstanding at the time of the Change in Control.

- (e) Payment of Performance Awards. Unless otherwise provided in the applicable Award Agreement and only to the extent otherwise permitted by Section 162(m)(4)(C) of the Code, with respect to any Performance Compensation Award, the Participant must be employed by the Company or a Subsidiary throughout the Award Period. Unless otherwise provided in the applicable Award Agreement or permitted by Section 162(m) of the Code, the Committee shall not have the discretion to (i) provide payment or delivery in respect of a Performance Compensation Award for an Award Period if the Performance Objectives for such Award Period have not been attained; or (ii) increase a Performance Compensation Award above the applicable limitations set forth in Section 3(c).
- (f) Timing of Award Payments. Unless otherwise provided in the applicable Award Agreement, Performance Compensation Awards granted for an Award Period shall be paid to Participants as soon as administratively practicable following completion of the certifications required by this Section 6. Any deferral of payment or settlement of any Performance Compensation Award shall not (between (x) the date as of which the Award is deferred and (y) the payment or settlement date) increase (i) with respect to a Performance Compensation Award that is payable in cash, by a measuring factor for each fiscal year greater than a reasonable rate of interest set by the Committee, or (ii) with respect to a Performance Compensation Award that is payable in Shares, by an amount greater than the appreciation of a Share from the date such Award is deferred to the payment date. Unless otherwise provided in an Award Agreement, any Performance Compensation Award that is deferred and is otherwise payable in Shares may be credited (during the period between the date as of which the Award is deferred and the payment date) with Dividend Equivalents.
- (g) Additional Limitations. Notwithstanding any other provision of the Plan, Performance Compensation Awards shall be subject to any additional limitations set forth in Section 162(m) of the Code or any regulations or rulings issued thereunder that are requirements for qualification as “performance-based compensation” under Section 162(m) of the Code, and the Plan and the Award Agreement shall be deemed amended to the extent necessary to conform to such requirements.

7. **PERFORMANCE SHARES**

For purposes of the Plan, Performance Shares granted under this Section 7 are Restricted Stock Unit Awards, and the general terms and conditions of Section 5 shall apply to Performance Share Awards. Performance Shares granted to any Covered Employee for a relevant fiscal year shall be designated as Performance Compensation Awards, and the general terms and conditions of Section 6 shall apply to such Performance Share Awards.

The grant of a Performance Share Award to a Participant will entitle him to receive, without payment to the Company, all or part of a specified amount (the “Actual Value”) determined by the Committee, if the terms and conditions specified herein and in the Award Agreement are satisfied. Payment in respect of a Performance Share Award shall be made as provided in Section 5(c)(vii). Except as may otherwise be set forth in any Award Agreement, each Performance Share Award shall be subject to the following terms and conditions:

- (a) The Committee shall determine the target number of Performance Shares to be granted to a Participant, which number shall be set forth in the applicable Award Agreement. Performance Share Awards may be granted in different classes or series having different terms and conditions.

- (b) The Actual Value of a Performance Share Award shall be the product of (i) the target number of Performance Shares subject to the Performance Share Award, (ii) the Performance Percentage (as determined below) applicable to the Performance Share Award and (iii), if the Performance Share Award is settled in cash, the Fair Market Value of a Share on the date the Committee certifies the Performance Percentage. The “Performance Percentage” applicable to a Performance Share Award shall be a percentage of no less than 0% and no more than 200%, which percentage shall be determined by the Committee based upon the extent to which the Performance Objectives (as determined below) established for such Award are achieved during the Award Period. The method for determining the applicable Performance Percentage shall also be established by the Committee.
- (c) At the time each Performance Share Award is granted, the Committee shall establish Performance Objectives to be attained within the Award Period as the means of determining the Performance Percentage applicable to such Award, in the manner contemplated by Section 6(b).
- (d) The Award Period in respect of any grant of a Performance Share Award shall be such period as the Committee shall determine commencing as of the beginning of the fiscal year of the Company in which such grant is made. An Award Period with respect to a Performance Share Award may contain a number of sub-periods designated as “Performance Periods.” Each Performance Period shall commence on or after the first day of the Award Period and shall end no later than the last day of the Award Period. If the Committee does not specify in a Performance Share Award Agreement or elsewhere the Performance Periods contained in an Award Period, each 12-month period beginning with the first day of such Award Period shall be deemed to be a Performance Period.

- (e) Performance Shares shall be canceled if the Participant's continuous employment with the Company and its Subsidiaries shall terminate for any reason prior to the end of the Award Period, except (i) by reason of a period of Related Employment (unless otherwise determined by the Committee), (ii) as otherwise specified in this Section 7(e) or in Section 7(f) or (iii) as otherwise determined by the Committee. Notwithstanding the foregoing, if a Participant's employment shall terminate due to death or Disability, the provisions of Section 5(c)(v)(A) shall apply *mutatis mutandis* as if fully set forth herein with respect to Performance Shares.

Further, if the Participant Retires, and the Participant executes and delivers a separation and release agreement in the form provided by the Company, containing noncompetition, nonsolicitation and other restrictive covenants, as well as a general release of claims in the manner contemplated by the Release Condition, the Committee, in its sole discretion, may determine to provide for *pro rata* vesting of the Participant's Performance Shares, calculated based on (A) (i) the target number of Performance Shares for such Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full or partial months from the beginning of the Award Period through the last day of the calendar year in which the Participant's termination of employment occurs, and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) if the Performance Share Award is settled in cash, the Fair Market Value of a Share on the last day of the Performance Period in which the Retirement occurred, multiplied by (C) the Performance Percentage determined by the Committee to have been achieved through the end of the Performance Period in which the Retirement occurred; provided, that if the Participant breaches the noncompetition, nonsolicitation or other restrictive covenants in his separation and release agreement, then the Participant's outstanding Performance Shares shall be immediately canceled upon such breach, and the full amount recognized from any prior settlement of his Performance Shares (and any gain thereto) shall be forfeited and the Participant shall be required to promptly repay such amounts to the Company within ten days following such breach.

- (f) If within 24 months after a Change in Control:
- (i) there is a Termination Without Cause of the employment of a Participant;
 - (ii) there is a Constructive Termination of the employment of a Participant; or
 - (iii) there occurs an Adverse Change in the Plan with respect to a Participant (any such occurrence under the above clauses (i), (ii) or (iii), a “Trigger Event”), then
- with respect to Performance Share Awards that were outstanding on the date of the Trigger Event (each, an “Applicable Award”), each such Applicable Award shall be immediately canceled and, in respect thereof, such Participant, or the Participant’s legal representative, as the case may be, shall be entitled to receive a cash payment equal to the product of (A) the target number of Performance Shares for such Applicable Award multiplied by (B) a fraction, the numerator of which is equal to the number of full or partial months from the beginning of the Award Period through the date of the Trigger Event, and the denominator of which is equal to the total number of months within such Award Period, multiplied by (C) the greater of (i) the Fair Market Value of a Share immediately prior to the Change in Control and (ii) the Fair Market Value of a Share on the date the applicable Trigger Event occurs, multiplied by (D) the greater of (i) the Performance Percentage calculated through the end of the quarter preceding the Trigger Event, or (ii) 100%. For purposes of this Section 7(f), the Performance Percentage calculated as of the end of the quarter preceding the Trigger Event shall be calculated using actual financial results achieved through the end of the quarter preceding the Trigger Event and including any gain or loss related to the Change in Control as it relates to the Company recognized or to be recognized in the Company’s consolidated financial statements prepared in accordance with GAAP. If following a Change in Control, a Participant’s employment remains continuous through the end of an Award Period, then the Participant shall be paid with respect to such Awards for which he would have been paid had there not been a Change in Control and the Actual Value shall be determined in accordance with Section 7(g) below.
- (g) Except as otherwise provided in Sections 7(e) or (f), as soon as practicable after the end of the Award Period or such earlier date as the Committee in its sole discretion may designate, the Committee shall (i) determine, based on the extent to which the applicable Performance Objectives have been achieved, the Performance Percentage applicable to an Award of Performance Shares, (ii) calculate the Actual Value of the Performance Share Award and (iii) shall certify in writing the foregoing, in the manner contemplated by Section 6.

8. **PERFORMANCE UNITS**

For purposes of the Plan, Performance Units granted under this Section 8 are Restricted Stock Unit Awards, and the general terms and conditions of Section 5 shall apply to Performance Unit Awards. Performance Units granted to any Covered Employee for a relevant fiscal year shall be designated as Performance Compensation Awards, and the general terms and conditions of Section 6 shall apply to such Performance Unit Awards.

The grant of a Performance Unit Award to a Participant will entitle him to receive, without payment to the Company, all or part of a specified amount (the “Actual Value”) determined by the Committee, if the terms and conditions specified herein and in the Award Agreement are satisfied. Payment in respect of a Performance Unit Award shall be made as provided in Section 5(c)(vii). Except as may otherwise be set forth in any Award Agreement, each Performance Unit Award shall be subject to the following terms and conditions:

- (a) The Committee shall determine (i) the target number of Performance Units to be granted to a Participant and (ii) the amount designated as the Unit Value or method for calculating the Unit Value, which shall be set forth in the applicable Award Agreement. Performance Unit Awards may be granted in different classes or series having different terms and conditions.
- (b) The Actual Value of a Performance Unit Award shall be the product of (i) the target number of Performance Units subject to the Performance Unit Award, (ii) the Performance Percentage (as determined below) applicable to the Performance Unit Award and (iii) the Unit Value (or, if the relevant Performance Unit is settled in Shares, the Unit Value divided by the Fair Market Value of a Share on the date the Committee certifies the Performance Percentage). The “Performance Percentage” applicable to a Performance Unit Award shall be a percentage of no less than 0% and no more than 200%, which percentage shall be determined by the Committee based upon the extent to which the Performance Objectives (as determined below) established for such Award are achieved during the Award Period. The method for determining the applicable Performance Percentage shall also be established by the Committee.
- (c) At the time each Performance Unit Award is granted, the Committee shall establish Performance Objectives to be attained within the Award Period as the means of determining the Performance Percentage applicable to such Award, in the manner contemplated by Section 6(b).
- (d) The Award Period in respect of any grant of a Performance Unit Award shall be such period as the Committee shall determine commencing as of the beginning of the fiscal year of the Company in which such grant is made. An Award Period with respect to a Performance Unit Award may contain a number of sub-periods designated as “Performance Periods.” Each Performance Period shall commence on or after the first day of the Award Period and shall end no later than the last day of the Award Period. If the Committee does not specify in a Performance Unit Award Agreement or elsewhere the Award Periods contained in an Award Period, each 12-month period beginning with the first day of such Award Period shall be deemed to be a Performance Period.

- (e) Performance Units shall be canceled if the Participant's continuous employment with the Company and its Subsidiaries shall terminate for any reason prior to the end of the Award Period, except (i) by reason of a period of Related Employment (unless otherwise determined by the Committee), (ii) as otherwise specified in this Section 8(e) or in Section 8(f) or (iii) as otherwise determined by the Committee. Notwithstanding the foregoing, if a Participant's employment shall terminate due to death or Disability, the provisions of Section 5(c)(v)(A) shall apply *mutatis mutandis* as if fully set forth herein with respect to Performance Units. Further, if the Participant Retires, and the Participant executes and delivers a separation and release agreement in the form provided by the Company, containing noncompetition, nonsolicitation and other restrictive covenants, as well as a general release of claims in the manner contemplated by the Release Condition, the Committee, in its sole discretion, may determine to provide for *pro rata* vesting of the Participant's Performance Units, calculated based on (A) (i) the target number of Performance Units for such Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full or partial months from the beginning of the Award Period through the last day of the calendar year in which the Participant's termination of employment occurs, and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the Unit Value (or, if the relevant Performance Unit is settled in Shares, the Unit Value divided by the Fair Market Value of a Share on the last day of the Performance Period in which the Retirement occurred), multiplied by (C) the Performance Percentage determined by the Committee to have been achieved through the end of the Performance Period in which the Retirement occurred; provided, that if the Participant breaches the noncompetition, nonsolicitation or other restrictive covenants in his separation and release agreement, then the Participant's outstanding Performance Units shall be immediately canceled upon such breach, and the full amount recognized from any prior settlement of his Performance Units (and any gain thereto) shall be forfeited and the Participant shall be required to promptly repay such amounts to the Company within ten days following such breach.
- (f) If within 24 months after a Change in Control, a Trigger Event occurs, then with respect to Performance Unit Awards that were outstanding on the date of the Trigger Event (each, an "Applicable Award"), each such Applicable Award shall be immediately canceled and, in respect thereof, such Participant, or the Participant's legal representative, as the case may be, shall be entitled to receive a cash payment equal to the product of (A) the target number of Performance Units for such Applicable Award multiplied by (B) a fraction, the numerator of which is equal to the number of full or partial months from the beginning of the Award Period through the date of the Trigger Event, and the denominator of which is equal to the total number of months within such Award Period, multiplied by (C) the greater of (i) the Unit Value immediately prior to the Change in Control and (ii) the Unit Value on the date the applicable Trigger Event occurs, multiplied by (D) the greater of (i) the Performance Percentage calculated through the end of the quarter preceding the Trigger Event, or (ii) 100%. For purposes of this Section 8(f), the Performance Percentage calculated as of the end of the quarter preceding the Trigger Event shall be calculated using actual financial results achieved through the end of the quarter preceding the Trigger Event and including any gain or loss related to the Change in Control as it relates to the Company recognized or to be recognized in the Company's consolidated financial statements prepared in accordance with GAAP. If following a Change in Control, a Participant's employment remains continuous through the end of an Award Period, then the Participant shall be paid with respect to such Awards for which he would have been paid had there not been a Change in Control and the Actual Value shall be determined in accordance with Section 8(g) below.

- (g) Except as otherwise provided in Sections 8(e) and (f), as soon as practicable after the end of the Award Period or such earlier date as the Committee in its sole discretion may designate, the Committee shall (i) determine, based on the extent to which the applicable Performance Objectives have been achieved, the Performance Percentage applicable to an Award of Performance Units, (ii) calculate the Actual Value of the Performance Unit Award and (iii) shall certify in writing the foregoing, in the manner contemplated by Section 6.

9. OTHER INCENTIVE AWARDS

The Committee may issue under the Plan unrestricted Shares, rights to receive future grants of Awards, other Awards denominated in Shares (including performance shares, performance units or Stock Appreciation Rights), cash payments based in whole or in part on the value or future value of Shares, or other cash incentive awards, alone or in tandem with other Awards, in such amounts as the Committee shall from time to time determine (“Other Incentive Awards”). Each Other Incentive Award shall be evidenced by an Award Agreement, which may include conditions, including the payment by the Participant of the Fair Market Value of such Shares on the Date of Grant.

10. CERTAIN DEFINED TERMS

Wherever the following terms are used in the Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates. All references to Sections and Articles shall be deemed to be references to the Sections and Articles of the Plan, unless the context clearly indicates otherwise. As used in the Plan, the word “include” (and with correlative meaning “including”) means including, without limiting the generality of any description preceding such word.

- (a) “Acquirer Group” means, with respect to any Change in Control, a third-party acquirer, the ultimate parent of such third-party acquirer or any of its subsidiaries.
- (b) “Actual Value” has the meaning set forth in Section 7 or 8, as the case may be.
- (c) “Adverse Change in the Plan” means:
- (i) any amendment or termination of the Plan pursuant to Sections 16 or 17 that materially diminishes the value of Awards that may be granted under the Plan to Participants, either individually or in the aggregate, without the written consent of such affected Participant(s), *unless* there is substituted concurrently authority to grant long-term incentive awards of comparable value to Participants, either individually or in the aggregate, as the case may be; or
 - (ii) in respect of any Participant, a material diminution in his rights held under such Award (except as may occur under the terms of the Award as originally granted), *unless* there is substituted concurrently a long-term incentive award with a value at least comparable to the loss in value attributable to such diminution in rights.

In no event shall any amendment of the Plan or an Award permitted by Section 16 hereof be deemed an Adverse Change in the Plan. Notwithstanding anything herein to the contrary, in the event of a Change in Control where (x) the Participant continues employment with the Acquirer Group (including the Company or any Subsidiary), and (y) the applicable member of the Acquirer Group formally assumes the Company’s obligations under the Plan or places the Participant in a similar or like plan with no diminution of the value of the Participant’s Awards (as determined by the Committee (as constituted immediately prior to the Change in Control) in its sole discretion), such actions shall not be deemed to be an “Adverse Change in the Plan.”

- (d) “Affiliate” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by or is under common control with the first Person. The term “control” means the possession, directly or indirectly, of the power to direct the management and policies of such Person, whether through the ownership of voting or other securities, by contract or otherwise.
- (e) “Applicable Award” has the meaning set forth in Section 7(f) with respect to Performance Shares, and Section 8(f) with respect to Performance Units, as the case may be.
- (f) “Award” means a Stock Option, Restricted Stock, Restricted Stock Unit, Performance Compensation Award, Performance Share, Performance Unit or Other Incentive Award which may be awarded or granted under the Plan (collectively, “Awards”).
- (g) “Award Agreement” means any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Committee shall determine consistent with the Plan.
- (h) “Award Period” means, with respect to any Performance Compensation Award or other Award that is subject to the achievement of one or more Performance Objectives (including Awards of Performance Shares or Performance Units), one or more periods of time as the Committee may select, over which the attainment of one or more Performance Objectives will be measured for the purpose of determining the Participant’s right to, and the payment of, such Award.
- (i) “Beneficial Ownership” (and correlative “beneficial owner”) has the meaning set forth in Rule 13d-3 promulgated under Section 13 of the Exchange Act.
- (j) “Board” means the Board of Directors of the Company.
- (k) “Cause” means any of the following, as determined by the Committee in good faith: (i) the Participant’s dereliction of duties or negligence or failure to perform his duties, or willful refusal to follow any lawful directive of his immediate supervisor, the Company’s Chief Executive Officer or the Board, as applicable; (ii) the Participant’s conviction of, or plea of *nolo contendere* to, a felony or any crime involving moral turpitude or dishonesty; (iii) the Participant’s commission of fraud, embezzlement, theft or any deliberate misappropriation of money or other assets of the Company; (iv) the Participant’s breach of any term of any employment or similar agreement entered into between the Company and the Participant, or breach of his fiduciary duties to the Company; (v) any willful act, or failure to act, by the Participant in bad faith to the detriment of the Company, a Subsidiary or business unit thereof (whether financially or reputationally) (as determined by the Committee); or (vi) the Participant’s willful failure to cooperate in good faith with a governmental or internal investigation of the Company or any of its directors, managers, officers or employees, if the Company requests his cooperation. Notwithstanding anything herein to the contrary, if the Participant’s employment with the Company, a Subsidiary or business unit thereof shall terminate due to a Change in Control, where (x) the Participant continues employment with the Acquirer Group (including the Company or any Subsidiary), and (y) the applicable member of the Acquirer Group formally assumes the Company’s obligations under the Plan or places the Participant in a similar or like plan with no diminution of the value of the Participant’s Awards (as determined by the Committee in its sole discretion), such termination of employment shall not be deemed to be a “Termination Without Cause.”

- (l) “Change in Control” means the occurrence of one or more of the following:
- (i) A transaction or series of transactions whereby any Person directly or indirectly acquires Beneficial Ownership of 35% or more of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; provided, that such percentage exceeds the Beneficial Ownership percentage, immediately after such acquisition, of the total combined voting power of the Company’s securities attributed to White Mountains, together with its direct or indirect wholly owned subsidiaries;
 - (ii) the Continuing Directors cease for any reason to constitute a majority of the Board;
 - (iii) the business of the Company for which the Participant’s services are principally performed is, sold or transferred to another Person; provided, that, for the avoidance of doubt, a sale or transfer of such business shall be considered a Change in Control only for such Participant, and not for all Participants or the Plan as a whole; or
 - (iv) all or substantially all of the business-related assets of the Company are sold or transferred to another Person.

Notwithstanding the foregoing, with respect to an Award that is subject to Section 409A of the Code and the payment or settlement of the Award will accelerate upon a Change of Control, no event set forth herein will constitute a Change of Control for purposes of the Plan or any Award Agreement unless such event also constitutes a “change in ownership,” “change in effective control,” or “change in the ownership of a substantial portion of the Company’s assets” as defined under Section 409A of the Code.

- (m) “Code” means the Internal Revenue Code of 1986, as amended from time to time, and the applicable Treasury rules, regulations, and guidance promulgated thereunder.
- (n) “Committee” means the Compensation Committee of the Board, or a subcommittee thereof appointed to assume the functions of the Committee under the Plan, as provided in Section 2(a).
- (o) “Common Shares” means the common shares of the Company, par value \$0.01 per share, including Class A and Class B common shares.
- (p) “Company” has the meaning set forth in Section 1.
- (q) “Constructive Termination” means a termination of employment with the Company and its Subsidiaries at the initiative of the Participant that the Participant declares by prior written notice delivered to the Secretary of the Company to be a Constructive Termination by the Company or a Subsidiary, and which follows (a) a material decrease in his total annual compensation opportunity (calculated as a the sum of such Participant’s annual base salary plus target annual bonus) or (b) a material diminution in the authority, duties or responsibilities of his position such that the Participant cannot continue to carry out his job in substantially the same manner as it was intended to be carried out immediately before such diminution. Notwithstanding anything herein to the contrary, Constructive Termination shall not occur unless and until (i) the Participant delivers such notice within 30 days following the initial existence of the circumstances giving rise to Constructive Termination, (ii) 30 days have elapsed from the date the Company receives such notice from the Participant without the Company curing or causing to be cured the circumstances giving rise to Constructive Termination, and (iii) the Participant’s effective date of resignation is no later than ten days following the Company’s failure to cure. For the avoidance of doubt, in connection with a Change in Control, (A) if the Participant becomes an employee of an Acquirer Group, “Constructive Termination” for that Participant shall thereafter refer to his employment status with the Acquirer Group, and (B) if the Participant remains an employee of the Company or

one of its Subsidiaries following the Change in Control, “Constructive Termination” will continue to refer to his employment status with the Company and its Subsidiaries.

- (r) “Continuing Director” means a member of the Board (A) who is not an employee of the Company or its Subsidiaries or of a holder, employee or Affiliate of a Person or group that holds, 35% or more of the total combined voting power of the Company’s securities outstanding as of the date of determination and (B) who either was a member of the Board on October 18, 2006, or who subsequently became a director of the Company and whose election, or nomination for election, by the Company’s shareholders was approved by a vote of a majority of the Continuing Directors then on the Board (which term, for purposes of this definition, shall mean the whole Board and not any committee thereof). Any action, approval of which shall require the approval of a majority of the Continuing Directors, may be authorized by one Continuing Director, if he is the only Continuing Director on the Board, but no such action may be taken if there are not Continuing Directors on the Board.
 - (s) “Covered Employee” means any employee of the Company or its Subsidiaries who is, or could be, a “covered employee” within the meaning of Section 162(m) of the Code (unless such employee is employed by a non-U.S. Subsidiary and Section 162(m) of the Code is not applicable to such employee’s compensation).
 - (t) “Disability” (or the correlative “Disabled”) means a determination that the Participant is disabled in accordance with a long-term disability insurance program maintained by the Company or a determination by the U.S. Social Security Administration that the Participant is totally disabled.
 - (u) “Dividend Equivalent” means a right to receive the equivalent value (in cash or Share) of dividends paid on Shares, awarded under Section 5(c).
 - (v) “Effective Date” shall mean the date the Plan is approved by the Board, subject to approval of the Plan by the Company’s shareholders.
 - (w) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.
 - (x) “Fair Market Value” means, as of any date of determination, the value of a Share determined as follows:
 - (i) if the Common Shares are listed on any established stock exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market) or national market system, its Fair Market Value shall be determined by a reasonable method established by the Committee in good faith, using actual transactions in such Shares as reported by such exchange or market system, in accordance with Treas. Reg. § 1.409A-1(b)(5)(iv)(A);
 - (ii) if the Common Shares are not listed on an established stock exchange or national market system, but the Common Shares are regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a Share on such date, the high bid and low asked prices for a Share on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or
 - (iii) if the Common Shares are neither listed on an established stock exchange or a national market system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Committee in good faith.
- For the avoidance of doubt, in the event of a Change in Control, the Committee as constituted immediately prior to the Change in Control shall determine the manner in which the Fair Market Value of Shares will be determined following the Change in Control.
- (y) “GAAP” means generally accepted accounting principles in the United States.

- (z) “Incentive Stock Option” means a Stock Option that is intended to qualify as an incentive stock option and conforms to the applicable provisions of Section 422 of the Code.
- (aa) “Non-Employee Director” means a member of the Board (as constituted from time to time) who is not an officer or other employee of the Company, White Mountains or any of their respective direct or indirect Subsidiaries.
- (bb) “Other Incentive Award” has the meaning set forth in Section 9.
- (cc) “Participant” means a person who has been granted an Award.
- (dd) “Performance Compensation Award” means an Award granted pursuant to Section 6, which is intended to qualify as “performance-based compensation” as described in Section 162(m)(4)(C) of the Code.
- (ee) “Performance Criteria” means the criteria (and adjustments) that the Committee selects, in its sole discretion, for an Award for purposes of establishing the Performance Objective or Performance Objectives for an Award Period, determined as follows: shall be the specific performance criteria (and adjustments) selected by the Committee with respect to one or more of the following: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on shareholders’ equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) share price; (xi) combined ratio; (xii) operating ratio; (xiii) profitability of an identifiable business unit or product; (xiv) maintenance or improvement of profit margins; (xv) market share; (xvi) revenues or sales; (xvii) costs; (xviii) investment returns; (xix) cash flow; (xx) working capital; (xxi) return on assets; (xxii) customer satisfaction; (xxiii) employee satisfaction; (xxiv) economic value per Share; (xxv) underwriting return on capital; or (xxvi) underwriting return on equity. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or one or more of its divisions, units, partnerships, joint ventures or minority investments, product lines or products or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine.

The Committee may, in its sole discretion and without obtaining shareholder approval if applicable tax and/or securities laws so permit, provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Objectives. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle or tax laws, or other laws or regulatory rules affecting reported results; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions, divestitures, reorganization or restructuring programs; (vi) items attributable to the business operations of any entity acquired by the Company during the Award Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under GAAP; (ix) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the Award Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or infrequent corporate transactions, events or developments; (xii) asset write-downs or items related to amortization of acquired intangible assets; (xiii) litigation or claim judgments or settlements; (xiv) foreign exchange gains and losses; (xv) discontinued operations and infrequent charges; (xvi) a change in the Company’s fiscal year; (xvii) items that are outside the scope of the Company’s core, on-going business activities; (xviii) extraordinary infrequent items as described in Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management’s discussion and analysis of financial condition and results of operations appearing in the

Company's annual report to shareholders for the applicable year; or (xviii) items relating to any other unusual or infrequent events or changes in business conditions. For all Awards intended to qualify as Performance-Based Compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

- (ff) "Performance Formula" means, for an Award Period, the one or more objective formulae applied against the relevant Performance Objective to determine, with regard to the Performance Compensation Award of a particular Participant, whether all, some portion but less than all, or none of the Performance Compensation Award has been earned for the Award Period.
- (gg) "Performance Objectives" means, for an Award Period, the one or more goals established by the Committee for the Award Period based upon the Performance Criteria.
- (hh) "Performance Percentage" has the meaning set forth in Section 7(b) with respect to Performance Shares, and Section 8(b) with respect to Performance Units, as the case may be.
- (ii) "Performance Period" has the meaning set forth in Section 7(d) with respect to Performance Shares, and Section 8(d) with respect to Performance Units, as the case may be.
- (jj) "Performance Shares" has the meaning set forth in Section 7(a).
- (kk) "Performance Units" has the meaning set forth in Section 8(a).
- (ll) "Person" means "person" (or related "group" of "persons") as such terms are used in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that for purposes of the definitions of "Change in Control" and "Unfriendly Change in Control" used in this Plan, "Person" shall not include (i) the Company or any of its Subsidiaries, or White Mountains or one of its direct or indirect wholly owned subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of the Common Shares, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Common Shares.
- (mm) "Plan" means this OneBeacon 2017 Long-Term Incentive Plan.
- (nn) "Plan Limit" means the maximum aggregate number of Common Shares that may be issued for all purposes under the Plan as set forth in Section 3(c)(i).
- (oo) "Prior Plan" means the OneBeacon Long-Term Incentive Plan (2007).
- (pp) "Related Employment" means the employment of a Participant by an employer which is neither the Company nor a Subsidiary provided: (i) such employment is undertaken by the Participant and continued at the request of, or with the consent of, the Company or the Compensation Committee; (ii) immediately prior to undertaking such employment, the Participant was an employee or non-employee officer, director or consultant of the Company or a Subsidiary, or was engaged in Related Employment as herein defined; and (iii) such employment is recognized by the Committee, in its sole discretion, as Related Employment for the purposes of the Plan. The death or Disability of a Participant during a period of Related Employment shall be treated, for purposes of the Plan, as if the death or onset of Disability had occurred while the Participant was an employee of the Company. If, immediately prior to the undertaking of such Related Employment, the Participant was a non-employee officer, director or consultant of the Company or a Subsidiary, then references herein to the Participant's "employment" with the Company and its Subsidiaries immediately prior to undertaking such Related Employment, or the cessation thereof, or terms of like import, shall be interpreted as the Participant's "services" with the Company and its Subsidiaries, or the cessation thereof.

- (qq) “Restricted Period” means the period from the date on which an Award of Restricted Stock or Restricted Stock Unit, as applicable, is granted until the Award vests in accordance with the terms established by the Committee or as the Committee shall otherwise determine.
- (rr) “Repurchase Right” has the meaning set forth in Section 5(b)(iii).
- (ss) “Restricted Stock” means Shares granted under Section 5(b) that are subject to transferability restrictions and may be subject to risk of forfeiture or repurchase.
- (tt) “Restricted Stock Units” means the right to receive Shares (or cash payments based on the value or future value of Shares), granted under Section 5(c), subject to the satisfaction of the applicable terms and conditions.
- (uu) “Retainer Election” has the meaning set forth in Section 11.
- (vv) “Retirement” (or the correlative “retire”) means a Participant’s voluntary resignation from employment with the Company and its Subsidiaries at any time after attaining age 60 under circumstances which the Committee, in its sole discretion, determines to constitute “Retirement.” For the avoidance of doubt, the Committee’s determination of whether “Retirement” has occurred shall be made on an individual Award basis, and “Retirement” treatment for any one Award shall not require that all Awards held by the same Participant will receive “Retirement” treatment.
- (ww) “Securities Act” means the Securities Act of 1933, as amended from time to time.
- (xx) “Shares” means Class A Common Shares.
- (yy) “Stock Appreciation Right” means a right to receive, without payment to the Company, the excess, if any, of the Fair Market Value of a Share at exercise over a fixed Share price set at the date of grant (which fixed Share price shall equal 100% of the Fair Market Value of a Share on the date of grant, except for any Substitute Award or as otherwise determined by the Committee), subject to vesting, manner of exercise, and other terms and conditions determined by the Committee at the time of grant.
- (zz) “Stock Option” means a right to purchase Shares at a specified exercise price, granted under Section 4.
- (aaa) “Subsidiary” means any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than 50% of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.
- (bbb) “Substitute Award” means an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of a Stock Option or Stock Appreciation Right.
- (ccc) “Ten-Percent Participant” means a Participant who owns stock representing more than 10% of the voting power of all classes of stock of the Company, a Subsidiary or a parent of the Company.
- (ddd) “Termination Without Cause” means a termination of the Participant’s employment with the Company or a Subsidiary, or business unit thereof, by the Company (or the Subsidiary or business unit, as applicable) or, by any member of the Acquirer Group other than due to (i) the Participant’s death or Disability or (ii) Cause. For the avoidance of doubt, in connection with a Change in Control, (A) if the Participant becomes an employee of a member of the Acquirer Group, “Termination Without Cause” for that Participant shall thereafter refer to his employment status with the Acquirer Group, (B) if the Participant remains an employee of the Company or any of its Subsidiaries following the Change in Control, “Termination Without

Cause” will continue to refer to his employment status with the Company and its Subsidiaries, and (C) if the Participant is not offered employment with either the Acquirer Group or the Company and its Subsidiaries (other than for Cause), he shall be deemed Terminated Without Cause.

(eee) “Trigger Event” has the meaning set forth in Section 7(f).

(fff) “Unfriendly Change in Control” means (i) any Person becomes the Beneficial Owner of 35% or more of the then outstanding common shares of White Mountains through a transaction that is deemed an “Unfriendly Change in Control” by the Committee; and (ii) a majority of the Continuing Directors, by resolution (or other action) adopted within 30 days following the date the Company becomes aware clause (i) hereof has been satisfied, determines that an “Unfriendly Change in Control” has occurred.

(ggg) “Unit Value” means (i) the initial value of each Performance Unit granted under Section 8, which may be a fixed dollar value, plus (ii) if applicable, any growth factor to the initial value of such Performance Unit, in each case as set forth in the applicable Award Agreement.

(hhh) “White Mountains” means White Mountains Insurance Group, Ltd. (or its successor).

11. **DIRECTOR COMPENSATION**

In the event that the Board determines to grant an annual or other retainer for service on the Board or a committee of the Board, and if the Board determines that such retainer may be paid in Shares, rather than in cash, upon the election of the Directors, then each Director who receives such an Award may elect to have the Company pay all or a portion of his retainer in Shares, in lieu of cash, pursuant to a process set forth by the Board and memorialized in a written election form provided to the Director (which shall constitute the “Award Agreement” for purposes of this Plan) (a “Retainer Election”). The number of Shares paid shall be determined by dividing the dollar amount of the retainer or portion thereof which the Director has specified in her or his Retainer Election by the Fair Market Value of a Share on the date the retainers are otherwise payable, rounded down to the nearest whole share. In no case shall any fractional Shares be issued. In lieu of any fractional Shares, Directors shall be entitled to cash equal to the value of any fractional Shares. Shares issued in lieu of cash shall be fully vested and unrestricted.

12. **DILUTION AND OTHER ADJUSTMENTS**

(a) In the event of any change in the outstanding Shares of the Company by reason of any stock split, stock or extraordinary cash dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of Shares or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting the shares of the Company’s stock or the share price of the Company’s stock (including any transaction constituting a Change in Control), or any unusual or infrequent transactions or events affecting the Company, any Affiliate of the Company, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations or accounting principles, the Committee is hereby authorized in connection therewith to take any one or more of the following actions whenever the Committee determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles, to (i) make equitable adjustments, if any, in the terms and conditions of any Award, including an adjustment in the number or kind of Shares or other property that may be issued under the Plan Limit, in the number or kind of Shares or other property subject to, or the exercise price per Share under, any outstanding Stock Option or Stock Appreciation Right, in the number or kind of Shares or other property which have been awarded as Restricted Stock or Restricted

Stock Units, in the target or maximum number or kind of Shares or other property granted pursuant to Performance Share or Performance Unit Awards, or in any measure of performance if the Committee shall determine, in its sole discretion, that such change is appropriate; (ii) provide for a cash payment to the holder of any Stock Option or Stock Appreciation Right in consideration for the cancellation of such Stock Option or Stock Appreciation Right in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Stock Option or Stock Appreciation Right over the aggregate exercise price of such Stock Option or Stock Appreciation Right if the Committee shall determine, in its sole discretion, that such provision is appropriate; (iii) cancel and terminate any Stock Option or Stock Appreciation Right having a per-Share exercise price equal to, or in excess of, the Fair Market Value of a Share subject to such Stock Option or Stock Appreciation Right without any payment or consideration therefor if the Committee shall determine, in its sole discretion, that such cancellation is appropriate; (iv) provide for the replacement of such Award with other rights, cash or property selected by the Committee in its sole discretion having an aggregate value (as determined by the Committee) not exceeding the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or fully vested; (v) provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares or other property and prices; (vi) provide that such Award shall be exercisable or payable or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; or (vii) provide that the Award cannot vest, be exercised or become payable after such event.

- (b) The Committee may, in its sole discretion, include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of the Plan.
- (c) No action shall be taken under this Section 12 which shall cause an Award to fail to comply with Section 409A or 457A of the Code (as determined by the Company), to the extent applicable to such Award. Any adjustment affecting a Performance Compensation Award shall be made consistent with the requirements of Section 162(m) of the Code (as determined by the Company).
- (d) In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting the Shares or the price of Common Shares, including any Change in Control, for reasons of administrative convenience, the Company in its sole discretion may refuse to permit the exercise of any Award during a period of up to 30 days prior to the anticipated date of consummation of any such transaction.

13. **DESIGNATION OF BENEFICIARY BY PARTICIPANT**

A Participant may name a beneficiary to receive any payment to which he may be entitled in respect of any Award under the Plan in the event of his death, on a form to be provided by the Committee. A Participant may change his beneficiary from time to time in the same manner. If no designated beneficiary is living on the date on which any amount becomes payable to a Participant's executors or administrators, the term "beneficiary" as used in the Plan shall include such Person or Persons.

14. MISCELLANEOUS PROVISIONS

- (a) Award Agreements; Other Agreements. Each Award under the Plan shall be evidenced by an Award Agreement, which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto. An Award Agreement may be in written or electronic form and shall be signed (either in written or electronic form) by the Participant and a duly authorized representative of the Company. The terms of any Award Agreement, or any employment, change-in-control, severance or other agreement in effect with the Participant, may have terms or features different from and/or additional to those set forth in the Plan, and, unless expressly provided otherwise in such Award or other agreement, shall control in the event of any conflict with the terms of the Plan.
- (b) No Rights to Awards; No Right to Uniform Treatment. No employee, director, consultant or other person shall have any claim or right to be granted an Award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving an employee any right to be retained in the employ of the Company or any Subsidiary. Neither the Company nor the Committee is obligated to treat eligible individuals, Participants or any other Persons uniformly.
- (c) No Assignment or Transfer by Participant. A Participant's rights and interest under the Plan may not be assigned or transferred in whole or in part either directly or by operation of law or otherwise (except in the event of a Participant's death), including execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner and no such right or interest of any Participant in the Plan shall be subject to any obligation or liability of such Participant.
- (d) Clawback/Forfeiture. Notwithstanding anything to the contrary contained herein, an Award Agreement may provide that the Committee may cancel such Award if the Participant, without the consent of the Company, has engaged in or engages in activity that is in conflict with or adverse to the interest of the Company or any Affiliate while employed by or providing services to the Company or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, or violates a non-competition, non-solicitation, non-disparagement or non-disclosure covenant or agreement with the Company or any Affiliate, as determined by the Committee. The Committee may also provide in an Award Agreement that in such event, the Participant will forfeit any compensation, gain or other value realized thereafter on the vesting, exercise or settlement of such Award, the sale or other transfer of such Award, or the sale of Shares acquired in respect of such Award, and must promptly repay such amounts to the Company. The Committee may also provide in an Award Agreement that if the Participant receives any amount in excess of what the Participant should have received under the terms of the Award for any reason (including without limitation by reason of a financial restatement, mistake in calculations or other administrative error), all as determined by the Committee, then the Participant shall be required to promptly repay any such excess amount to the Company. To the extent required by applicable law (including, without limitation, Section 304 of the Sarbanes-Oxley Act and Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act) and/or the rules and regulations of the New York Stock Exchange or other securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, or if so required pursuant to a written policy adopted by the Company, Awards shall be subject (including on a retroactive basis) to clawback, forfeiture or similar requirements (and such requirements shall be deemed incorporated by reference into all outstanding Award Agreements).

- (e) Repricing. Except as otherwise permitted under Section 12, if (i) the Committee reduces the exercise price of any Stock Option or Stock Appreciation Right, (ii) the Committee cancels any outstanding Stock Option or Stock Appreciation Right and replaces it with a new Stock Option or Stock Appreciation Right with a lower exercise price or other Award or cash in a manner which would either (A) be reportable on the Company's proxy statement or Form 10-K (if applicable) as Stock Options which have been "repriced" (as such term is used in Item 402 of Regulation S-K promulgated under the Exchange Act), or (B) result in any "repricing" for financial statement reporting purposes (or otherwise cause the Award to fail to qualify for equity accounting treatment) or (iii) the Committee takes any other action which is considered a "repricing" for purposes of the shareholder approval rules of the applicable securities exchange or inter-dealer quotation service on which the Shares are listed or quoted, then, in the case of the immediately preceding clauses (i) through (iii), any such action shall not be effective without shareholder approval.
- (f) Compliance with Laws. No Shares shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable U.S. Federal and state securities laws, Bermuda law or other applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Nothing in this Plan shall be deemed to authorize the Committee or Board or any members thereof to take any action contrary to applicable law or regulation, or rules of the New York Stock Exchange. The Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any Shares pursuant to an Award unless such shares have been properly registered for sale pursuant to the Securities Act, with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to and in compliance with the terms of an available exemption. The Company shall be under no obligation to register for sale under the Securities Act any of the Shares to be offered or sold under the Plan. The Committee shall have the authority to provide that all Shares or other securities of the Company or any Affiliate delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement, the U.S. Federal securities laws, or the rules, regulations and other requirements of the U.S. Securities and Exchange Commission, any securities exchange or inter-dealer quotation service upon which such shares or other securities of the Company are then listed or quoted and any other applicable U.S. Federal, state, local or non-U.S. laws, rules, regulations and other requirements, and the Committee may cause a legend or legends to be put on any such certificates of Shares or other securities of the Company or any Affiliate delivered under the Plan to make appropriate reference to such restrictions or may cause such Shares or other securities of the Company or any Affiliate delivered under the Plan in book-entry form to be held subject to the Company's instructions or subject to appropriate stop-transfer orders. The Committee may cancel an Award or any portion thereof if it determines that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Shares from the public markets, the Company's issuance of Shares to the Participant, the Participant's acquisition of Shares from the Company and/or the Participant's sale of Shares to the public markets, illegal, impracticable or inadvisable.

- (g) Tax Withholding. The Company and its Subsidiaries shall have the right and is hereby authorized to deduct from any payment made under the Plan (in cash, Shares, other securities or other property) any U.S. Federal, state or local income or other taxes required by law to be withheld with respect to such payment, and to take such other action as the Committee or the Company deem necessary to satisfy all obligations for the payment of such withholding taxes. Unless otherwise provided by the Company, tax withholding shall be at the applicable minimum statutory rate. It shall be a condition to the obligation of the Company to issue Shares upon exercise of a Stock Option, upon settlement of a Stock Appreciation Right, vesting of Restricted Stock or Performance Share (if applicable) or upon vesting or payment of a Performance Unit or a Restricted Stock Unit that the Participant (or any beneficiary or Person entitled to payment pursuant to the Plan) pay to the Company, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold U.S. Federal, state or local income or other taxes. If the amount requested is not paid, the Company may refuse to issue Shares.
- (h) Expenses. The expenses of the Plan shall be borne by the Company. However, if an Award is made to an employee of a Subsidiary:
- (i) if such Award results in payment of cash to the Participant, such Subsidiary shall pay to the Company an amount equal to such cash payment; and
 - (ii) if the Award results in the issuance to the Participant of Shares, such Subsidiary shall pay to the Company an amount equal to Fair Market Value thereof, as determined by the Committee, on the date such Shares are issued (or, in the case of issuance of Restricted Stock or of Shares subject to transfer and forfeiture conditions, equal to the Fair Market Value thereof on the date on which such Shares are no longer subject to applicable restriction), minus the amount, if any received by the Company in exchange for such Shares.
- (i) No Trust or Fund Created. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in this Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any of its Subsidiaries.
- (j) Acceptance of Award. By accepting any Award or other benefit under the Plan, each Participant and each Person claiming under or through him shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.
- (k) No Section 83(b) Elections without Consent of Company. No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code) or under a similar provision of law may be made unless expressly permitted by the terms of the applicable Award Agreement or by action of the Committee in writing prior to the making of such election. If a Participant, in connection with the acquisition of Shares under the Plan or otherwise, is expressly permitted under the terms of the applicable Award Agreement or by such Committee action to make such an election and the Participant makes the election, the Participant shall notify the Committee of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code or any other applicable provision.

- (l) Notification of Disqualifying Dispositions. If any Participant shall make any disposition of Shares delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions) or any successor provision of the Code, such Participant shall notify the Company of such disposition within ten days of such disposition.
- (m) No Representations or Covenants With Respect to Tax Qualification. Although the Company may endeavor to (i) qualify an Award for favorable U.S. or non-U.S. tax treatment or (ii) avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants under the Plan.
- (n) No Interference. The existence of the Plan, any Award Agreement and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company, the Board, the Committee or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Shares or the rights thereof or which are convertible into or exchangeable for Common Shares, or the dissolution or liquidation of the Company or any Affiliate, or any sale or transfer of all or any part of their assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
- (o) Obligations Binding on Successors; Divisional Sale. The obligations of the Company under this Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. If a Person who acquires a Subsidiary or business unit agrees to fully assume the obligations of the Company under a Participant's outstanding Awards under the Plan or to replace them with similar or like awards with no diminution of value of the Awards, then the Company shall be released from its obligations to such Participant with respect to such Awards without the requirement of any action by or approval of the Participant. If a Person who acquires a Subsidiary or business unit declines to assume or replace such obligations, the Company shall remain obligated under the Awards as provided in the Plan.
- (p) Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he may be a party or in which he may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him in satisfaction of judgment in such action, suit, or proceeding against him, provided that he gives the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Persons may be entitled pursuant to the Company's Bye-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.
- (q) Reliance on Reports. Each member of the Committee and each member of the Board (and their respective designees) shall be fully justified in acting or failing to act, as the case may be, and shall not be liable for having so acted or failed to act in good faith, in reliance upon any report made by the independent registered public accounting firm of the Company and

its Affiliates and/or any other information furnished in connection with the Plan by any agent of the Company or the Committee or the Board, other than himself.

- (r) No Limit on Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Company or any Subsidiary from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, shares, performance shares, performance units, stock appreciation rights, other types of equity-based awards (subject to shareholder approval if such approval is required) and cash awards, and such arrangements may be either generally applicable or applicable only in specific cases.
- (s) Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.
- (t) Severability. If any provision of the Plan or any Award or Award Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or entity or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, person or entity or Award and the remainder of the Plan and any such Award shall remain in full force and effect.
- (u) Titles and Headings; Gender; References to Law. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. Masculine pronouns and other words of masculine gender shall refer to both men and women. References to sections of the Code, the Exchange Act, the Securities Act or other statutes shall include any amendment or successor thereto, and any rules, regulations or other interpretative guidance under such statute.

15.

DEFERRAL OF AWARDS, SETTLEMENTS AND SECTION 409A AND 457A COMPLIANCE

- (a) At the sole discretion of the Committee, the payment or settlement of an Award may be deferred by the Committee or the Participant in accordance with procedures adopted by the Committee. Notwithstanding the preceding sentence, if an Award is subject to Section 409A or 457A of the Code, or the deferral of such Award or settlement causes the Award to be subject to Section 409A or 457A of the Code, any such deferral must comply (as determined by the Company) with Section 409A and 457A of the Code, as applicable, and the terms of the Plan and Award Agreement shall be interpreted consistent therewith.
- (b) Notwithstanding any provision of the Plan or any Award Agreement to the contrary, each Award granted under the Plan either shall be excepted from the requirements of Section 409A or 457A of the Code, as applicable, or shall comply with the requirements of Section 409A or 457A of the Code, and the terms of the Plan and each Award Agreement shall be interpreted consistent therewith. An Award that is excepted from the requirements of Section 409A of the Code may not be amended or otherwise modified in such a manner that the Award becomes subject to Section 409A of the Code unless the Committee expressly provides that the amendment or modification is intended to subject the Award to the requirements of Section 409A of the Code and the amended or modified Award complies with such requirements. An Award that is subject to the requirements of Section 409A or 457A of the Code may not be amended or otherwise modified in such a manner that the Award no longer complies with Section 409A or 457A of the Code, as applicable (as determined by the Company), unless the

Committee expressly provides that the amendment or modification is intended to be non-compliant with Section 409A or 457A of the Code, as applicable.

- (c) Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan, including any taxes and penalties under Section 409A and 457A of the Code, as applicable, and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant or any beneficiary harmless from such taxes or penalties. With respect to any Award that is considered “deferred compensation” subject to Section 409A or 457A of the Code, as applicable, references in the Plan to “termination of employment” (and substantially similar phrases) shall mean “separation from service” within the meaning of Section 409A of the Code. For purposes of Section 409A of the Code, each of the payments that may be made in respect of any Award granted under the Plan is designated as a separate payment.
- (d) Notwithstanding anything in the Plan to the contrary, if a Participant is a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code, no payments or deliveries in respect of any Awards that are “deferred compensation” subject to Section 409A of the Code shall be made to such Participant prior to the date that is six months after the date of such Participant’s “separation from service” or, if earlier, the Participant’s date of death. All such delayed payments or deliveries will be paid or delivered (without interest) in a single lump sum on the next available payroll date following the earliest date permitted under Section 409A of the Code.
- (e) In the event that the timing of payments in respect of any Award that would otherwise be considered “deferred compensation” subject to Section 409A of the Code would be accelerated upon the occurrence of (i) a Change in Control, no such acceleration shall be permitted unless the event giving rise to the Change in Control satisfies the definition of a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation pursuant to Section 409A of the Code or (ii) a Disability, no such acceleration shall be permitted unless the Disability also satisfies the definition of “Disability” pursuant to Section 409A of the Code.

16.

AMENDMENT

- (a) Subject to any applicable law or government regulation, to any requirement that must be satisfied if the Plan is intended to be a shareholder-approved plan for purposes of Section 162(m) of the Code, to the rules of the New York Stock Exchange or any successor exchange or quotation system on which the Shares may be listed or quoted, and for changes in GAAP to new accounting standards (in each case, as determined by the Company), the Plan may be amended at any time and from time to time by the Board, but no amendment which increases the aggregate number of Shares which may be issued pursuant to the Plan or the class of persons eligible to participate shall be effective unless and until the same is approved by the shareholders of the Company. No amendment of the Plan shall materially and adversely affect any right of any Participant with respect to any Award previously granted without such Participant’s written consent, unless the Board determines that such amendment is required or advisable in order for the Company, the Plan or the Award to satisfy any applicable law or regulation.
- (b) The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any Award theretofore granted or any associated Award Agreement, prospectively or retroactively (including after a Participant’s termination of employment or service with the Company and its Subsidiaries); provided, however, that, except as set forth in the Plan, unless otherwise provided by the Committee in the applicable Award Agreement or unless the Committee determines that such either is required or advisable

in order for the Company, the Plan or the Award to satisfy any applicable law or regulation, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the applicable Participant, holder or beneficiary.

17. **TERMINATION**

This Plan shall terminate upon the earlier of the following dates or events to occur:

- (a) the adoption of a resolution of the Board terminating the Plan; or
- (b) ten years from the date the Plan is initially or subsequently approved and adopted by the shareholders of the Company in accordance with Section 19 hereof.

No termination of the Plan shall alter or impair any of the rights or obligations of any Participant, without his consent, under any Award previously granted under the Plan.

18. **GOVERNING LAW**

This Plan shall be governed by and construed in accordance with the laws of Bermuda.

19. **SHAREHOLDER ADOPTION**

This Plan shall be submitted to the shareholders of the Company for their approval or adoption. This Plan shall not be effective and no Award shall be made hereunder unless and until this Plan has been so approved and adopted by the shareholders, in the manner required by the laws of Bermuda and the New York Stock Exchange.

This Plan shall not terminate, amend or modify any provision of the Prior Plan or adversely affect any Awards or rights outstanding under the Prior Plan; provided, however, that, following approval of this Plan by the Company's shareholders, no further Awards will be granted under the Prior Plan.

The foregoing Plan was duly adopted by the Board on November 16, 2016, and reflects all approved modifications through April 11, 2017. The foregoing Plan was approved by the shareholders of the Company on _____, 2017.

OneBeacon Insurance Group, Ltd.
Long-Term Incentive Plan
2017 Special Restricted Share Award Agreement

THIS AWARD AGREEMENT (this “Agreement”) is made effective as of the 28th day of February 2017, between OneBeacon Insurance Group, Ltd., a Bermuda company (the “Company”) and <First Name><Last Name> (the “Participant”).

RECITALS:

WHEREAS, the Board of Directors of the Company (the “Board”) has adopted the OneBeacon Long-Term Incentive Plan (2007), as amended and restated from time to time (the “Plan”), which Plan is incorporated herein by reference and made part of this Agreement; and

WHEREAS, the Performance Compensation Subcommittee of the Compensation Committee of the Board (the “Committee”) has determined that it would be in the best interests of the Company to grant this award of restricted shares of the Company’s Class A Common Shares, par value \$.01 per share (the “Restricted Shares”), to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of the Restricted Shares. Pursuant to Section 5 of the Plan, the Company hereby grants to the Participant a Restricted Share Award (this “Award”) consisting of, in the aggregate, <grant> Restricted Shares, in consideration for services to be rendered by the Participant to the Company. The Restricted Shares shall be subject to the Company’s Repurchase Right (as described in Section 3). Capitalized terms used but not defined in this Restricted Share Award Agreement are defined in the Plan.

2. Vesting. Except as otherwise provided herein or the Plan, provided that the Participant has remained continuously employed with the Company and its subsidiaries through the applicable Vesting Date, the Restricted Shares will vest and no longer be subject to restriction or potential forfeiture in 50% installments on each of February 24, 2018 and February 24, 2019 (the “Vesting Dates”) (the period during which restrictions apply, the “Restricted Period”).

3. Repurchase Right. Except as otherwise set forth herein or in the Plan, if the Participant’s continuous employment with the Company or any of its subsidiaries is terminated prior to the end of the Restricted Period, the Participant shall forfeit any unvested Restricted Shares, and such Restricted Shares shall be automatically repurchased by the Company at a price equal to \$.01 per Restricted Share, in accordance with Section 5(b) of the Plan (the “Repurchase Right”). For the avoidance of doubt, any rights to dividends that may have been accumulated or withheld during the Restricted Period in respect of the repurchased Shares shall terminate upon such termination of employment, without further action or obligation of the Company.

4. Vesting in the Event of Certain Terminations of Employment.

(a) Termination Without Cause. If the Participant’s employment with the Company and its subsidiaries is Terminated Without Cause during the Restricted Period, then the Repurchase Right and any and all other restrictions on unvested Restricted Shares shall lapse and cease to be effective as of the date of such Termination Without Cause, subject to the Participant signing and delivering an effective and irrevocable general release of claims (“Release”), in the form provided by the Company, as consideration for such lapse of restrictions. Such Release must become effective and irrevocable no later than the 61st day after termination of such Participant’s employment.

(b) Death or Disability. If the Participant's employment with the Company and its subsidiaries terminates during the Restricted Period due to the Participant's death or Disability, the Repurchase Right and any and all other restrictions on unvested Restricted Shares shall lapse and cease to be effective as of the date on which such termination of employment occurs. Notwithstanding the foregoing, in the case of termination of employment due to Disability, the lapse of restrictions described in this Section shall be subject to the Participant (or his representative, as appropriate) signing and delivering an effective and irrevocable Release, in the form provided by the Company, as consideration for such lapse of restrictions. Such Release must become effective and irrevocable no later than the 61st day after termination of such Participant's employment. For the avoidance of doubt, this Section 4(b) shall not apply to any death or Disability of the Participant occurring after the date of termination of the Participant's employment for any reason (including Retirement).

(c) Eligible Retirement. In the discretion of the Committee, if the Participant's employment with the Company and its subsidiaries terminates during the Restricted Period due to the Participant's Retirement, and the Participant executes and delivers a separation agreement in the form provided by the Company, containing noncompetition, nonsolicitation and other restrictive covenants, as well as a Release in the form provided by the Company (which must become effective and irrevocable no later than the 61st day after termination of such Participant's employment), the Committee, in its sole discretion, may determine to provide for (i) continued vesting of the Participant's Restricted Shares through the last day of the calendar year in which the Participant's termination of employment occurs (it being understood that any unvested Restricted Shares which are not otherwise scheduled to vest through such date shall be forfeited upon termination of employment), and (ii) tolling of the Repurchase Right until such final vesting date; provided, that if the Participant breaches the noncompetition, nonsolicitation or other restrictive covenants in his separation agreement at any time, then upon such breach, the Participant's Restricted Shares shall be forfeited and automatically repurchased pursuant to the Repurchase Right, and the full amount recognized from any prior vesting of the Restricted Shares granted hereunder (and any gain thereto) shall be forfeited and the Participant shall be required to promptly repay such amounts to the Company within ten (10) days following such breach.

(d) Other. With respect to any Termination Without Cause, Constructive Termination or Adverse Change in the Plan occurring within 24 months after a Change in Control, Section 5(b)(iv) of the Plan shall apply to the Restricted Shares. In addition, any continued vesting in connection with Related Employment shall be determined in the Committee's sole discretion, pursuant to the Plan.

5. Book Entry. The Restricted Shares shall be registered in the Participant's name in book entry form on the share transfer books of the Company promptly after the date hereof.

6. Rights as a Shareholder. The Participant shall be the record owner of the Restricted Shares until and unless such Restricted Shares are repurchased by the Company pursuant to the Repurchase Right, and as record owner shall be entitled to all rights of a common shareholder of the Company, including the right to vote the Restricted Shares and receive dividends thereon. As soon as practicable following the applicable Vesting Date, the Company shall deliver to the Participant evidence of ownership in book entry form of the number of Shares which have vested as of such date, set forth opposite such date.

7. Legend. The Restricted Shares shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any share exchange upon which such Shares are listed, and any applicable federal, state or foreign laws, and the Committee may cause an appropriate reference to such restrictions to be made in the Company's share transfer books or on any certificate that may be issued to evidence the Restricted Shares.

8. Withholding. The Participant agrees to make appropriate arrangements with the Company for satisfaction of any applicable income tax withholding requirements, including the payment to the Company, upon each applicable Vesting Date (or such earlier date as may be applicable, including if an election has been made under Section 83(b) of the Internal Revenue Code) of all such taxes and other amounts, and the Company shall be authorized to take such action as may be necessary, in the opinion of the Company's counsel (including, without limitation, withholding Restricted Shares otherwise deliverable to Participant hereunder and/or, subject to applicable law, withholding amounts from any compensation or other amount owing from the Company to the Participant), to satisfy all obligations for the payment of such taxes and other amounts. Unless otherwise provided by the Company, tax withholding shall be at the applicable minimum statutory rate. The Participant may make and file with the Internal Revenue Service an election under Section 83(b) of the Code within 30 days of the grant of the Restricted Shares, electing to include in the Participant's gross income as of the grant date of this Award the fair market value of the Restricted Shares as of such grant date. The Participant shall promptly provide a copy of such election to the Company.

9. Clawback Policy. Amounts paid pursuant to this Agreement are subject to clawback by the Company pursuant to the Clawback Policy adopted by the Board on June 16, 2010. The Clawback Policy generally provides that, in the event of a restatement of the financial statements of the Company for failure to comply with the federal securities laws due to misconduct of the Participant, the Board may require the Participant to reimburse the Company for all or a portion of his or her compensation, gain or other value realized thereafter on the vesting of the Restricted Shares granted under this Agreement; provided, however, that in the event of fraud, the Participant shall reimburse the Company for all of such compensation, gain or other value realized.

10. Securities Laws. The granting of the Restricted Shares and any other obligations of the Company under this Agreement shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. Upon the applicable Vesting Dates, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws and with this Agreement.

11. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any of its subsidiaries. Further, the Company or any of its subsidiaries may at any time dismiss the Participant or discontinue any consulting relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein in this Agreement or the Plan. In addition, nothing herein shall obligate the Company to make future awards to the Participant.

12. Award Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan, understands the terms of the Plan and this Agreement and that this Award is subject to all of the terms and provisions set forth in the Plan and in this Agreement and accepts this Award subject to all such terms and conditions which are incorporated herein by reference, including, but not limited to, the requirement to execute a Confidentiality and Nonsolicitation Agreement. In the event of a conflict between any vesting or forfeiture provision contained in this Agreement and vesting or forfeiture provision contained in the Plan, this Agreement will govern and prevail. In the event of any other conflict between a term or provision contained in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

13. Beneficiary Designation. The Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Company and may, from time to time, amend or revoke such designation. If no beneficiary is designated, if the designation is ineffective, or if the beneficiary dies before the balance of a Participant's benefit is paid, the balance shall be paid to the Participant's estate. Notwithstanding the foregoing, however, a Participant's beneficiary shall be determined under applicable state law if such state law does not recognize beneficiary designations under Awards of this type and is not preempted by laws which recognize the provisions of this Section.

14. Adjustments. Without limiting Section 15 of the Plan, in the event of any change in the Shares of the Company by reason of any stock split, stock or extraordinary cash dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of Shares or other similar event, or in the event of an extraordinary cash dividend or other similar event, and if the Committee shall determine, in its sole discretion, that such change equitably requires an adjustment in the number or kind of Units which have been awarded to the Participant hereunder, or in the repurchase price used in connection with the Repurchase Right, then such adjustment shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan. Furthermore, upon such transactions or events, including a Change in Control, the Committee is authorized to make such adjustments as it determines appropriate, including (i) making the adjustments described in the previous sentence, or (ii) making provision for payment in cash or other property in replacement of this Award, or substitution or assumption of this Award by any successor, and any such adjustment shall be conclusive and binding for all purposes of the Plan.

15. No Transfer. Subject to any exceptions set forth in this Agreement or the Plan, during the Restricted Period, unvested Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered by the Participant, and shall not be subject to execution, attachment or similar process, except by will or the laws of descent and distribution.

16. Successors and Assigns. This Award shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant. If the Participant is employed by a business unit of the Company which is sold or transferred, the Company shall request the purchaser of such business unit (the "Purchaser") to fully assume the obligations of the Company under this Award or provide a substitute or replacement award of equal economic value, as determined by the Committee. If a Purchaser declines to assume such obligations or provide such a substitute or replacement award, the Company shall remain obligated under the terms of this Award; provided that the Company may (i) condition vesting on the Participant's continued employment with the Purchaser, subject to applicable law, and/or (ii) exercise or toll its Repurchase Right following any termination of the Participant's employment with the Company, any of its subsidiaries or the Purchaser, as applicable, prior to the end of the Restricted Period, at a repurchase price determined by the Committee.

17. Amendment; Waiver. The Committee at any time, and from time to time, may amend the terms of this Agreement, provided, however, that the rights of the Participant shall not be materially adversely affected without the Participant's written consent (except to the extent permitted under the Plan). Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages.

18. Notice. Any notice necessary under this Award shall be addressed to the Corporate Secretary of the Company at the Company's principal executive offices and to the Participant at the address appearing in the personnel records of the Company for such Participant or to either party at such other address as such party, hereto, may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

19. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

20. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

21. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Bermuda.

22. Entire Agreement. This Agreement, the Plan, and the rules and procedures adopted by the Committee, contain all of the provisions applicable to this Award and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to Participant.

23. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

OneBeacon Insurance Group, Ltd.

By: _____
<first><last>

By: /s/ T. Michael Miller

T. Michael Miller
President and Chief Executive Officer

Award Details:

2017 Special Restricted Share Award
<grant> Restricted Shares

OneBeacon Insurance Group, Ltd.
Long-Term Incentive Plan
2017-2019 Restricted Share Award Agreement

THIS AWARD AGREEMENT (this "Agreement") is made effective as of the 28th day of February 2017, between OneBeacon Insurance Group, Ltd., a Bermuda company (the "Company") and <First Name><Last Name> (the "Participant").

RECITALS:

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the OneBeacon Long-Term Incentive Plan (2007), as amended and restated from time to time (the "Plan"), which Plan is incorporated herein by reference and made part of this Agreement; and

WHEREAS, the Performance Compensation Subcommittee of the Compensation Committee of the Board (the "Committee") has determined that it would be in the best interests of the Company to grant this award of restricted shares of the Company's Class A Common Shares, par value \$.01 per share (the "Restricted Shares"), to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of the Restricted Shares. Pursuant to Section 5 of the Plan, the Company hereby grants to the Participant a Restricted Share Award (this "Award") consisting of, in the aggregate, <grant> Restricted Shares, in consideration for services to be rendered by the Participant to the Company. The Restricted Shares shall be subject to the Company's Repurchase Right (as described in Section 3). Capitalized terms used but not defined in this Restricted Share Award Agreement are defined in the Plan.

2. Vesting. Except as otherwise provided herein or the Plan, provided that the Participant has remained continuously employed with the Company and its subsidiaries through January 1, 2020 (the "Vesting Date"), the Restricted Shares will vest and no longer be subject to restriction or potential forfeiture as of the Vesting Date (the period during which restrictions apply, the "Restricted Period").

3. Repurchase Right. Except as otherwise set forth herein or in the Plan, if the Participant's continuous employment with the Company or any of its subsidiaries is terminated prior to the end of the Restricted Period, the Participant shall forfeit any unvested Restricted Shares, and such Restricted Shares shall be automatically repurchased by the Company at a price equal to \$.01 per Restricted Share, in accordance with Section 5(b) of the Plan (the "Repurchase Right"). For the avoidance of doubt, any rights to dividends that may have been accumulated or withheld during the Restricted Period in respect of the repurchased Shares shall terminate upon such termination of employment, without further action or obligation of the Company.

4. Vesting in the Event of Certain Terminations of Employment.

(a) Death or Disability. If the Participant's employment with the Company and its subsidiaries terminates during the Restricted Period due to the Participant's death or Disability, the Repurchase Right and any and all other restrictions on unvested Restricted Shares shall lapse and cease to be effective as of the date on which such termination of employment occurs. Notwithstanding the foregoing, in the case of termination of employment due to Disability, the lapse of restrictions described

in this Section shall be subject to the Participant (or his representative, as appropriate) signing and delivering an effective and irrevocable general release of claims (“Release”), in the form provided by the Company, as consideration for such lapse of restrictions. Such Release must become effective and irrevocable no later than the 61st day after termination of such Participant’s employment. For the avoidance of doubt, this Section 4(a) shall not apply to any death or Disability of the Participant occurring after the date of termination of the Participant’s employment for any reason (including Retirement).

(b) Eligible Retirement. In the discretion of the Committee, if the Participant’s employment with the Company and its subsidiaries terminates during the Restricted Period due to the Participant’s Retirement, and the Participant executes and delivers a separation agreement in the form provided by the Company, containing noncompetition, nonsolicitation and other restrictive covenants, as well as a Release, in the form provided by the Company (which must become effective and irrevocable no later than the 61st day after termination of such Participant’s employment), the Committee, in its sole discretion, may determine to provide for (i) continued vesting of the Participant’s Restricted Shares through the last day of the calendar year in which the Participant’s termination of employment occurs (it being understood that any unvested Restricted Shares which are not otherwise scheduled to vest through such date shall be forfeited upon termination of employment), and (ii) tolling of the Repurchase Right until such final vesting date; provided, that if the Participant breaches the noncompetition, nonsolicitation or other restrictive covenants in his separation agreement at any time, then upon such breach, the Participant’s Restricted Shares shall be forfeited and automatically repurchased pursuant to the Repurchase Right, and the full amount recognized from any prior vesting of the Restricted Shares granted hereunder (and any gain thereto) shall be forfeited and the Participant shall be required to promptly repay such amounts to the Company within ten (10) days following such breach.

(c) Other. With respect to any Termination Without Cause, Constructive Termination or Adverse Change in the Plan occurring within 24 months after a Change in Control, Section 5(b)(iv) of the Plan shall apply to the Restricted Shares. In addition, any continued vesting in connection with Related Employment shall be determined in the Committee’s sole discretion, pursuant to the Plan.

5. Book Entry. The Restricted Shares shall be registered in the Participant’s name in book entry form on the share transfer books of the Company promptly after the date hereof.

6. Rights as a Shareholder. The Participant shall be the record owner of the Restricted Shares until and unless such Restricted Shares are repurchased by the Company pursuant to the Repurchase Right, and as record owner shall be entitled to all rights of a common shareholder of the Company, including the right to vote the Restricted Shares and receive dividends thereon. As soon as practicable following the end of the Restricted Period, the Company shall deliver to the Participant evidence of ownership in book entry form of the number of Shares which have vested as of such date, set forth opposite such date.

7. Legend. The Restricted Shares shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any share exchange upon which such Shares are listed, and any applicable federal, state or foreign laws, and the Committee may cause an appropriate reference to such restrictions to be made in the Company’s share transfer books or on any certificate that may be issued to evidence the Restricted Shares.

8. Withholding. The Participant agrees to make appropriate arrangements with the Company for satisfaction of any applicable income tax withholding requirements, including the payment to the Company, at the end of the Restricted Period (or such earlier date as may be applicable, including if an election has been made under Section 83(b) of the Internal Revenue Code) of all such taxes and other

amounts, and the Company shall be authorized to take such action as may be necessary, in the opinion of the Company's counsel (including, without limitation, withholding Restricted Shares otherwise deliverable to Participant hereunder and/or, subject to applicable law, withholding amounts from any compensation or other amount owing from the Company to the Participant), to satisfy all obligations for the payment of such taxes and other amounts. Unless otherwise provided by the Company, tax withholding shall be at the applicable minimum statutory rate. The Participant may make and file with the Internal Revenue Service an election under Section 83(b) of the Code within 30 days of the grant of the Restricted Shares, electing to include in the Participant's gross income as of the grant date of this Award the fair market value of the Restricted Shares as of such grant date. The Participant shall promptly provide a copy of such election to the Company.

9. Clawback Policy. Amounts paid pursuant to this Agreement are subject to clawback by the Company pursuant to the Clawback Policy adopted by the Board on June 16, 2010. The Clawback Policy generally provides that, in the event of a restatement of the financial statements of the Company for failure to comply with the federal securities laws due to misconduct of the Participant, the Board may require the Participant to reimburse the Company for all or a portion of his or her compensation, gain or other value realized thereafter on the vesting of the Restricted Shares granted under this Agreement; provided, however, that in the event of fraud, the Participant shall reimburse the Company for all of such compensation, gain or other value realized.

10. Securities Laws. The granting of the Restricted Shares and any other obligations of the Company under this Agreement shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. At the end of the Restricted Period, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws and with this Agreement.

11. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any of its subsidiaries. Further, the Company or any of its subsidiaries may at any time dismiss the Participant or discontinue any consulting relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein in this Agreement or the Plan. In addition, nothing herein shall obligate the Company to make future awards to the Participant.

12. Award Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan, understands the terms of the Plan and this Agreement and that this Award is subject to all of the terms and provisions set forth in the Plan and in this Agreement and accepts this Award subject to all such terms and conditions which are incorporated herein by reference, including, but not limited to, the requirement to execute a Confidentiality and Nonsolicitation Agreement. In the event of a conflict between any vesting or forfeiture provision contained in this Agreement and vesting or forfeiture provision contained in the Plan, this Agreement will govern and prevail. In the event of any other conflict between a term or provision contained in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

13. Beneficiary Designation. The Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Company and may, from time to time, amend or revoke such designation. If no beneficiary is designated, if the designation is ineffective, or if the beneficiary dies before the balance of a Participant's benefit is paid, the balance shall be paid to the Participant's estate. Notwithstanding the foregoing, however, a Participant's beneficiary shall be determined under applicable state law if such state law does not recognize beneficiary designations under

Awards of this type and is not preempted by laws which recognize the provisions of this Section.

14. Adjustments. Without limiting Section 15 of the Plan, in the event of any change in the Shares of the Company by reason of any stock split, stock or extraordinary cash dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of Shares or other similar event, or in the event of an extraordinary cash dividend or other similar event, and if the Committee shall determine, in its sole discretion, that such change equitably requires an adjustment in the number or kind of Units which have been awarded to the Participant hereunder, or in the repurchase price used in connection with the Repurchase Right, then such adjustment shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan. Furthermore, upon such transactions or events, including a Change in Control, the Committee is authorized to make such adjustments as it determines appropriate, including (i) making the adjustments described in the previous sentence, or (ii) making provision for payment in cash or other property in replacement of this Award, or substitution or assumption of this Award by any successor, and any such adjustment shall be conclusive and binding for all purposes of the Plan.

15. No Transfer. Subject to any exceptions set forth in this Agreement or the Plan, during the Restricted Period, unvested Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered by the Participant, and shall not be subject to execution, attachment or similar process, except by will or the laws of descent and distribution.

16. Successors and Assigns. This Award shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant. If the Participant is employed by a business unit of the Company which is sold or transferred, the Company shall request the purchaser of such business unit (the "Purchaser") to fully assume the obligations of the Company under this Award or provide a substitute or replacement award of equal economic value, as determined by the Committee. If a Purchaser declines to assume such obligations or provide such a substitute or replacement award, the Company shall remain obligated under the terms of this Award; provided that the Company may (i) condition vesting on the Participant's continued employment with the Purchaser, subject to applicable law, and/or (ii) exercise or toll its Repurchase Right following any termination of the Participant's employment with the Company, any of its subsidiaries or the Purchaser, as applicable, prior to the end of the Restricted Period, at a repurchase price determined by the Committee.

17. Amendment; Waiver. The Committee at any time, and from time to time, may amend the terms of this Agreement, provided, however, that the rights of the Participant shall not be materially adversely affected without the Participant's written consent (except to the extent permitted under the Plan). Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages.

18. Notice. Any notice necessary under this Award shall be addressed to the Corporate Secretary of the Company at the Company's principal executive offices and to the Participant at the address appearing in the personnel records of the Company for such Participant or to either party at such other address as such party, hereto, may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

19. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

20. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

21. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Bermuda.

22. Entire Agreement. This Agreement, the Plan, and the rules and procedures adopted by the Committee, contain all of the provisions applicable to this Award and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to Participant.

23. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

OneBeacon Insurance Group, Ltd.

By: _____
<first><last>

By: /s/ T. Michael Miller

T. Michael Miller
President and Chief Executive Officer

Award Details:

2017-2019 Restricted Share Award
<grant> Restricted Shares

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

I, G. Manning Rountree, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 2, 2017

By:

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

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

I, 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.

May 2, 2017

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 March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, G. Manning Rountree, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ G. Manning Rountree

Chief Executive Officer
(Principal Executive Officer)

May 2, 2017

**PRINCIPAL FINANCIAL OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd. (the "Company"), for the period ending March 31, 2017 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

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

May 2, 2017