

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

SEPTEMBER 5, 2001  
Date of Report (Date of earliest event reported)

WHITE MOUNTAINS INSURANCE GROUP, LTD.  
(Exact name of registrant as specified in its charter)

BERMUDA	1-8993	94-2708455
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. Employer Identification No.)

80 SOUTH MAIN STREET, HANOVER, NEW HAMPSHIRE 03755  
(Address of principal executive offices)

(603) 643-1567  
(Registrant's telephone number, including area code)

ITEM 5. OTHER EVENTS.

OneBeacon Insurance Group ("OneBeacon"), a wholly owned subsidiary of White Mountains Insurance Group, Ltd. (the "Registrant") announced that it has reached a non-binding agreement in principle with Liberty Mutual Insurance Group ("Liberty Mutual") to transfer OneBeacon's property and casualty business, staff and operations in 42 states and the District of Columbia to Liberty Mutual. Under the terms of the proposed agreement, Liberty Mutual will assume all new and renewal business effective November 1, 2001 (the "Effective Date"). Additionally, OneBeacon will reinsure 66 2/3% of the net premiums written and the net liability for loss and loss adjustment expense of all policies subject to the proposed agreement during the first twelve months after the Effective Date and 33 1/3% of such net premiums written and net liability for loss and loss adjustment expense written during the following twelve months.

The OneBeacon press release dated September 5, 2001 and the Summary of Significant Terms of the Non-Binding Agreement in Principle are attached herewith as Exhibit 99(a) and 99(b), respectively, and are incorporated by reference in their entirety.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits. The following exhibits are filed herewith:

EXHIBIT NO.	DESCRIPTION
99(a)	Text of press release issued by OneBeacon Insurance Group, dated September 5, 2001.
99(b)	Summary of significant Terms of Non-Binding Agreement in Principle between OneBeacon Insurance Group and Liberty Mutual Insurance Group.

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.

Dated: September 7, 2001

By: /s/ J. Brian Palmer

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J. Brian Palmer  
Chief Accounting Officer

PRESS RELEASE  
FOR IMMEDIATE RELEASE

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LIBERTY MUTUAL AND ONEBEACON PARTNER  
ON INDEPENDENT AGENCY INSURANCE BUSINESS  
LIBERTY MUTUAL TO ASSUME ONEBEACON'S BUSINESS & OPERATIONS IN 42 STATES  
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(BOSTON, MA - SEPTEMBER 5, 2001) - Liberty Mutual Group and OneBeacon, a wholly owned subsidiary of White Mountains Insurance Group, Ltd. (NYSE ticker: WTM), have reached an agreement in principle to enter into a partnership designed to transfer OneBeacon's property and casualty business and staff and operations in 42 states and the District of Columbia to Liberty Mutual. The transaction is subject to the parties entering into definitive agreements. Under the proposed agreement, Liberty Mutual will begin to effect the orderly transition of the business, operations and staff immediately and will assume all new and renewal business effective November 1, 2001. OneBeacon will continue to participate in the future results of this and other Liberty Mutual business for up to five years through reinsurance agreements. Service agreements will be put in place to ensure a smooth transition.

OneBeacon's \$1.5 billion book of personal and commercial accounts as well as most of the 2,600 employees in those states will be integrated into Liberty Mutual's Regional Agency Markets business unit. The portion of OneBeacon's business being transferred in the Pacific Northwest will be managed by Liberty Northwest, a separate company in the Liberty Mutual Group.

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This will give the Liberty Mutual Group one of the largest organizations of regional insurance operations in the United States solely focused on independent agents. Liberty Mutual and OneBeacon have agreed on a structure that will provide continuity for the transferred agents and employees.

OneBeacon is a leading market for independent agents in New England, New York and New Jersey and this partnership will allow OneBeacon to focus on those Northeast operations. OneBeacon will also continue to operate in selected specialty businesses, including Folksamerica Re, International Marine Underwriters and others. As the partnership does not apply to these markets, OneBeacon and Liberty Mutual will remain competitors in these regions.

Liberty Mutual has been building a national organization of regional property and casualty companies that distribute insurance products solely through independent agents. Those companies currently have in total direct written premiums of approximately \$2.1 billion. They are:

- o Northeast - Peerless Insurance
- o Midwest - Indiana Insurance
- o Mountain - Colorado Casualty Insurance Co.
- o California - Golden Eagle Insurance Corp.
- o Southeast - Montgomery Insurance Companies
- o Specialty - Summit Holdings Southeast and GoAmerica Auto Insurance

In addition, Liberty Northwest has been a specialty workers compensation provider in the Pacific Northwest since 1984.

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"This partnership strengthens our position in the independent agency distribution system," said Edmund F. Kelly, Liberty Mutual Group chairman, president and chief executive officer. "With this, Liberty Mutual will have significant presence in the agency market in all regions and, in aggregate one of the largest regionally based property and casualty books in the United States."

Roger Jean, president of Liberty Mutual's Regional Agency Markets business unit, said the transfer enhances the unit's scope of operations. "This agreement broadens our reach in meeting the needs of independent agents and their clients. We look forward to working with OneBeacon employees, who are known for their professionalism and service to the independent agency system."

OneBeacon chairman Jack Byrne said, "We are comfortable that we can offer our transferring agents and employees a partnership that provides continuity and a fine future with a responsible financial institution. In Liberty Mutual, we have found a partner that has figured out how to offer employees, independent agents and customers the benefits of a regional company, backed by the strength of a strong national brand."

Ray Barrette, managing director and CEO of OneBeacon added, "We are committed to improving OneBeacon's position as an independent agency company in the Northeast. Our renewed focus on our heartland territories of New England and New York can only enhance our ability to deliver real value to our agency partners."

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Boston-based Liberty Mutual is a diversified international group of insurance companies and one of the largest multi-line insurers in the North American property and casualty industry. The group has more than \$54 billion in consolidated assets, more than \$67 billion in assets under management, \$13.5 billion in consolidated revenue and ranks 121st on the Fortune 500 list of largest corporations in the United States. The A.M. Best Company has rated Liberty "A+" (Superior). Along with being the leading provider of workers compensation insurance, programs and services in the United States for 65 years, Liberty Mutual provides a wide range of products and services, including general liability, commercial auto and business property; group life and disability; private passenger auto and homeowners insurance; individual life and annuities, international programs and financial services.

OneBeacon was introduced as the group name on June 1, 2001, concurrent with White Mountains Insurance Group's acquisition of the former CGU U.S. property and casualty operations from CGNU plc. Headquartered in Boston, Massachusetts, OneBeacon has an A.M. Best rating of A (excellent). OneBeacon offers a wide range of personal, commercial and specialty products and services, which are sold exclusively through select independent agents.

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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The information contained in this press release may contain forward looking statements within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. White Mountains cautions that a number of important factors could cause actual results to differ materially from the plans, objectives,

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expectations, estimates and intentions expressed in forward-looking statements made by White Mountains. These factors include: (i) competitive forces, including the conduct of other property and casualty insurers and reinsurers, (ii) changes in domestic or foreign laws or regulations applicable to White Mountains, its competitors or its clients, (iii) an economic downturn or other economic conditions (such as a rising interest rate environment) adversely affecting White Mountains' financial position, (iv) loss reserves and other balance sheet items established by White Mountains subsequently proving to have been inadequate and (v) the failure of White Mountains to enter into or to complete the proposed transaction with Liberty Mutual under expected terms or at all. White Mountains cautions that the foregoing list of important factors is not exhaustive. In any event, such forward-looking statements made by White Mountains speak only as of the date on which they are made, and White Mountains does not undertake any obligation to update or revise such statements as a result of new information, future events or otherwise.



## SUMMARY OF SIGNIFICANT TERMS OF NON-BINDING AGREEMENT IN PRINCIPLE

On September 5, 2001, OneBeacon Corporation ("OneBeacon"), a subsidiary of White Mountains Insurance Group Ltd., announced that it reached an agreement in principle with Liberty Mutual Insurance Company ("Liberty") to negotiate a proposed book roll-over transaction (the "Proposed Transaction") on the terms set forth in a non-binding term sheet (the "Term Sheet"). The Proposed Transaction involves certain property and casualty insurance policies distributed by independent agents and issued by OneBeacon in the United States, other than New York, New Jersey and New England (the "Subject Policies"). The Proposed Transaction excludes such insurance policies relating to the specialty and national accounts lines of business. Approximately \$1.5 billion of premium in force is expected to become available following the effective date of the Proposed Transaction, which the parties expect to be November 1, 2001. OneBeacon and Liberty have agreed to work in good faith toward executing definitive documents relating to the Proposed Transaction, and OneBeacon has granted Liberty an exclusivity period.

The following is a summary of the material provisions of the Term Sheet. Under the Proposed Transaction, OneBeacon and its affiliates would assist Liberty and its affiliates in offering to certain insureds covered by the Subject Policies either new policies written by Liberty's independent agency insurance companies (which Liberty refers to as its Regional Agency Markets business unit, or "RAM") or insurance policy renewals, as such policies expire. For a limited period of time, OneBeacon would continue to renew the Subject Policies, and cede such policies to Liberty, to the extent that RAM does not have available appropriate rates and forms or to the extent required by applicable law or contractual obligations.

Affiliates of OneBeacon and Liberty would enter into quota share reinsurance and retrocession arrangements pursuant to which Liberty would cede to OneBeacon, (i) 66 2/3% of the net liability for loss and allocated loss adjustment expenses incurred and 66 2/3% of the net premium written related to the renewed or rewritten policies written during the first twelve months after the effective date of the Proposed Transaction and (ii) 33 1/3% of such net liability incurred and net premium written related to the renewed or rewritten policies written during the following twelve months. Liberty would receive a ceding commission from OneBeacon based on OneBeacon's pro rata share of expenses (except for one-time expenses and unallocated loss adjustment expenses) incurred in connection with issuing the renewed or rewritten policies, subject to an aggregate cap on such expenses equal to 35% of the written premium attributable to such policies.

Liberty would grant OneBeacon an option to enter into a three-year quota share reinsurance arrangement effective January 1, 2004, providing for a 10% quota share on all insurance policies written during such period by RAM. In addition, in consideration for entering into the renewal arrangements set forth above, on March 15, 2004, Liberty would pay OneBeacon an amount equal to 3% of the direct written premium generated by all renewals or rewrites of Subject Policies written in the calendar year ending December 31, 2003.

As part of the Proposed Transaction, for the period from the effective date to December 31, 2001, Liberty would lease from OneBeacon the approximately 2,600 employees employed by OneBeacon in the business relating to the Subject Policies (the "Subject Business"). Thereafter, Liberty would offer employment to approximately 2,400 of such leased employees and would reimburse OneBeacon for certain severance costs for the remaining leased employees to the extent terminated prior to January 1, 2002. OneBeacon and Liberty would share certain transition costs, subject to agreed upon caps, relating to agent roll-over commissions, retention bonuses and accelerated vesting of stock grants.

Liberty would purchase the assets (including furniture, fixtures and equipment, intellectual property, hardware and software) exclusively relating to the Subject Business for \$10,000,000, and would receive a license or sub-license for the use of other assets used in the Subject Business. Liberty would lease or sublease the approximately 52 offices used by OneBeacon to conduct the Subject Business. OneBeacon would also sell to Liberty its subsidiary, Oregon Automobile Insurance Company (which owns 100% of North Pacific Insurance Company), for a purchase price equal to statutory surplus plus \$1,000,000. OneBeacon would enter into a non-compete agreement with Liberty which would include no-hire and non-solicit provisions, confidentiality provisions and limited non-competition provisions. The master agreement relating to the Proposed Transaction would contain appropriate representations and warranties, covenants and closing conditions applicable to a transaction of this type.

Finally, in connection with the Proposed Transaction, OneBeacon and Liberty would enter into a transition services agreement whereby OneBeacon would provide certain services to Liberty to permit Liberty to administer the various insurance policies contemplated by the Proposed Transaction, and the parties would enter into an administrative services agreement pursuant to which Liberty would provide certain services to OneBeacon relating to Subject Policies written by OneBeacon affiliates, including policies in force and expired as of the effective date.

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The information set forth above may contain forward looking statements within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. White Mountains cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in forward-looking statements made by White Mountains. These factors include: (i) competitive forces, including the conduct of other property and casualty insurers and reinsurers, (ii) changes in domestic or foreign laws or regulations applicable to White Mountains, its competitors or its clients, (iii) an economic downturn or other economic conditions (such as a rising interest rate environment) adversely affecting White Mountains' financial position, (iv) loss reserves and other balance sheet items established by White Mountains subsequently proving to have been inadequate and (v) the failure of OneBeacon to enter into or to complete the proposed transaction with Liberty Mutual under expected terms or at all. White Mountains cautions that the foregoing list of important factors is not exhaustive. In any event, such forward-looking statements made by White Mountains speak only as of the date on which they are made, and White Mountains does not undertake any obligation to update or revise such statements as a result of new information, future events or otherwise.