

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, 2018

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 May 1, 2018, 3,753,405 common shares with a par value of \$1.00 per share were outstanding (which includes 41,509 restricted common shares that were not vested at such date).

WHITE MOUNTAINS INSURANCE GROUP, LTD.

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Part I. FINANCIAL INFORMATION.
Item 1. Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

Millions, except share and per share amounts	March 31, 2018	December 31, 2017
Assets	Unaudited	
Financial Guarantee (HG Global/BAM)		
Fixed maturity investments, at fair value	\$ 622.1	\$ 623.6
Short-term investments, at fair value	88.0	69.8
Total investments	710.1	693.4
Cash	9.4	25.6
Insurance premiums receivable	5.2	4.5
Deferred acquisition costs	15.9	14.8
Accrued investment income	4.4	3.4
Accounts receivable on unsettled investment sales	—	.1
Other assets	5.1	5.6
Total Financial Guarantee assets	750.1	747.4
Marketing Technology (MediaAlpha)		
Cash	15.9	9.1
Goodwill and other intangible assets	50.8	53.7
Accounts receivable from publishers and advertisers	35.4	32.4
Other assets	1.6	1.3
Total Marketing Technology assets	103.7	96.5
Other		
Fixed maturity investments, at fair value	711.7	1,506.1
Short-term investments, at fair value	675.0	106.3
Common equity securities, at fair value	945.6	866.1
Other long-term investments	253.1	208.8
Total investments	2,585.4	2,687.3
Cash	94.9	62.4
Accrued investment income	10.7	13.9
Accounts receivable on unsettled investment sales	14.0	20.9
Goodwill and other intangible assets	8.4	8.4
Other assets	16.5	19.1
Assets held for sale	3.3	3.3
Total Other assets	2,733.2	2,815.3
Total assets	\$ 3,587.0	\$ 3,659.2

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS (CONTINUED)

Millions, except share and per share amounts	March 31, 2018	December 31, 2017
Liabilities	Unaudited	
Financial Guarantee (HG Global/BAM)		
Unearned insurance premiums	\$ 140.2	\$ 136.8
Accrued incentive compensation	8.4	18.2
Accounts payable on unsettled investment purchases	18.8	.6
Other liabilities	12.2	11.4
Total Financial Guarantee liabilities	<u>179.6</u>	<u>167.0</u>
Marketing Technology (MediaAlpha)		
Debt	21.5	23.8
Amounts due to publishers and advertisers	37.4	31.6
Accrued incentive compensation	.9	2.0
Other liabilities	.9	2.4
Total Marketing Technology liabilities	<u>60.7</u>	<u>59.8</u>
Other		
Accrued incentive compensation	23.7	60.6
Accounts payable on unsettled investment purchases	17.7	—
Other liabilities	9.5	11.0
Total Other liabilities	<u>50.9</u>	<u>71.6</u>
Total liabilities	<u>291.2</u>	<u>298.4</u>
Equity		
White Mountains's common shareholders' equity		
White Mountains's common shares at \$1 par value per share—authorized 50,000,000 shares; issued and outstanding 3,753,405 and 3,750,171 shares	3.8	3.8
Paid-in surplus	671.5	666.8
Retained earnings	2,765.0	2,823.2
Accumulated other comprehensive loss, after-tax:		
Net unrealized foreign currency translation losses	(1.3)	(1.3)
Total White Mountains's common shareholders' equity	<u>3,439.0</u>	<u>3,492.5</u>
Non-controlling interests	<u>(143.2)</u>	<u>(131.7)</u>
Total equity	<u>3,295.8</u>	<u>3,360.8</u>
Total liabilities and equity	<u>\$ 3,587.0</u>	<u>\$ 3,659.2</u>

See Notes to Consolidated Financial Statements

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

Millions	Three Months Ended March 31,	
	2018	2017
Revenues:		
Financial Guarantee (HG Global/BAM)		
Earned insurance premiums	\$ 3.0	\$ 2.0
Net investment income	3.7	2.6
Net realized and unrealized investment (losses) gains	(7.9)	1.3
Other revenues	.2	.4
Total Financial Guarantee revenues	(1.0)	6.3
Marketing Technology (MediaAlpha)		
Advertising & commission revenues	70.1	32.5
Other revenues	1.6	—
Total Marketing Technology revenues	71.7	32.5
Other		
Earned insurance premiums	—	1.0
Net investment income	16.0	10.2
Net realized and unrealized investment (losses) gains	(45.8)	35.0
Advertising & commission revenues	.9	1.3
Other revenues	.3	2.5
Total Other revenues	(28.6)	50.0
Total revenues	42.1	88.8
Expenses:		
Financial Guarantee (HG Global/BAM)		
Insurance acquisition expenses	1.4	1.2
Other underwriting expenses	.1	.1
General and administrative expenses	11.8	10.6
Total Financial Guarantee expenses	13.3	11.9
Marketing Technology (MediaAlpha)		
Cost of Sales	57.4	27.7
General and administrative expenses	11.2	3.2
Amortization of other intangible assets	2.9	2.4
Interest expense	.4	.2
Total Marketing Technology expenses	71.9	33.5
Other		
Loss and loss adjustment expenses	—	1.1
Insurance acquisition expense	—	.1
Cost of sales	.7	1.1
General and administrative expenses	22.0	44.5
Interest expense	.2	.2
Total Other expenses	22.9	47.0
Total expenses	108.1	92.4
Pre-tax loss from continuing operations	(66.0)	(3.6)
Income tax (expense) benefit	(.7)	.3
Net loss from continuing operations	(66.7)	(3.3)
Gain (loss) from sale of discontinued operations, net of tax	.1	(1.0)
Net income from discontinued operations, net of tax	—	32.3
Net (loss) income	(66.6)	28.0
Net loss attributable to non-controlling interests	18.6	1.0
Net (loss) income attributable to White Mountains's common shareholders	\$ (48.0)	\$ 29.0

See Notes to Consolidated Financial Statements

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

Millions	Three Months Ended March 31,	
	2018	2017
Net (loss) income attributable to White Mountains's common shareholders	\$ (48.0)	\$ 29.0
Other comprehensive income, net of tax:		
Other comprehensive income, net of tax	—	.1
Comprehensive income from discontinued operations, net of tax	—	.1
Comprehensive (loss) income	(48.0)	29.2
Comprehensive income attributable to non-controlling interests	—	—
Comprehensive (loss) income attributable to White Mountains's common shareholders	\$ (48.0)	\$ 29.2

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2018	2017
Basic (loss) earnings per share		
Continuing operations	\$ (12.85)	\$ (0.52)
Discontinued operations	0.03	6.86
Total consolidated operations	\$ (12.82)	\$ 6.34
Diluted (loss) earnings per share		
Continuing operations	\$ (12.85)	\$ (0.52)
Discontinued operations	0.03	6.86
Total consolidated operations	\$ (12.82)	\$ 6.34
Dividends declared and paid per White Mountains's common share	\$ 1.00	\$ 1.00

See Notes to Consolidated Financial Statements.

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

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

(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	\$ 2,776.6	\$ (4.6)	\$ 3,582.7	\$ 133.3	\$ 3,716.0
Net income (loss)	—	29.0	—	29.0	(1.0)	28.0
Net change in foreign currency translation and benefit plan assets and obligations	—	—	.2	.2	—	.2
Total comprehensive income (loss)	—	29.0	.2	29.2	(1.0)	28.2
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)
Dilution from restricted shares issued at OneBeacon	(4.1)	—	—	(4.1)	4.1	—
Capital contributions from BAM members, net of tax	—	—	—	—	7.0	7.0
Amortization of restricted share awards	2.6	—	—	2.6	.2	2.8
Deconsolidation of non-controlling interests associated with the sale of Tranzact	—	—	—	—	(4.4)	(4.4)
Balance at March 31, 2017	\$ 807.8	\$ 2,795.9	\$ (4.4)	\$ 3,599.3	\$ 131.5	\$ 3,730.8

See Notes to Consolidated Financial Statements

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

(Millions)	Three Months Ended March 31,	
	2018	2017
Cash flows from operations:		
Net loss (income)	(66.6)	\$ 28.0
Charges (credits) to reconcile net income to net cash used for operations:		
Net realized and unrealized investment losses	53.7	(36.3)
Deferred income benefit	(.8)	(3.0)
Net income from discontinued operations	—	(32.3)
Net (gain) loss from sale of discontinued operations, net of tax	(.1)	1.0
Amortization of restricted share and option awards	3.2	1.8
Amortization and depreciation	4.8	5.8
Net change in unearned insurance premiums	3.4	17.4
Net change in deferred acquisition costs	(1.1)	(1.3)
Net change in other assets and liabilities, net	(41.3)	(35.9)
Net cash used for operations - continuing operations	(44.8)	(54.8)
Net cash provided from (used for) operations - discontinued operations	.1	(1.3)
Net cash provided from used for operations	(44.7)	(56.1)
Cash flows from investing activities:		
Net change in short-term investments	(587.5)	36.1
Sales of fixed maturity and convertible investments	1,266.5	375.4
Maturities, calls and paydowns of fixed maturity and convertible investments	40.6	70.2
Sales of common equity securities	14.4	15.9
Distributions and redemptions of other long-term investments and settlements of forward contracts	(6.9)	3.2
Net settlement of investment cash flows and contributions with discontinued operations	.1	—
Purchases of other long-term investments	(46.0)	(21.6)
Purchases of common equity securities	(109.4)	(111.9)
Purchases of fixed maturity and convertible investments	(537.1)	(363.4)
Net change in unsettled investment purchases and sales	42.9	3.1
Net acquisitions of property and equipment	(.1)	—
Net cash provided from investing activities - continuing operations	77.5	7.0
Net cash (used for) provided from investing activities - discontinued operations	(.1)	32.3
Net cash provided from investing activities	77.4	39.3
Cash flows from financing activities:		
Repayment of debt and revolving line of credit	(2.3)	(1.2)
Cash dividends paid to the Company's common shareholders	(3.8)	(4.6)
Distribution to non-controlling interest shareholders	—	(.3)
Contributions from discontinued operations	—	15.1
Capital contributions from BAM members	4.9	9.6
Restricted share statutory withholding tax payments	(8.4)	(6.5)
Net cash used for financing activities - continuing operations	(9.6)	12.1
Net cash used for financing activities - discontinued operations	—	(21.0)
Net cash used for financing activities	(9.6)	(8.9)
Net change in cash during the period - continuing operations	23.1	(35.7)
Cash balances at beginning of period (excludes discontinued operations cash balances of \$0.0 and \$70.5)	97.1	80.2
Add: cash held for sale, excluding discontinued operations, at the beginning of period	—	.9
Less: cash held for sale, excluding discontinued operations, at the end of period	—	—
Cash balances at end of period (excludes discontinued operations cash balances of \$0.0 and \$79.6)	\$ 120.2	\$ 45.4
Supplemental cash flows information:		
Interest paid	\$ (.3)	\$ (.2)
Net income tax refunds	\$.2	\$ —

See Notes to Consolidated Financial Statements

Note 1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

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

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

Consolidation Principles

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

Intercompany transactions have been eliminated in consolidation. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation. These interim financial statements include all adjustments considered necessary by management to fairly state the financial position, results of operations and cash flows of White Mountains. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company's 2017 Annual Report on Form 10-K.

Use of Estimates

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

Reportable Segments

White Mountains has determined its reportable segments based on the nature of the underlying businesses, the manner in which the Company's subsidiaries and affiliates are organized and managed and the organization of the financial information provided to the chief operating decision maker to assess performance and make decisions regarding allocation of resources. White Mountains's reportable segments are HG Global/BAM, MediaAlpha and Other Operations. See **Note 12 — "Segment Information"**.

The HG Global/BAM segment consists of HG Global Ltd. and its wholly-owned subsidiaries ("HG Global") and the consolidated results of Build America Mutual Assurance Company ("BAM") (collectively, "HG Global/BAM"). BAM is the first and only mutual municipal bond insurance company in the United States. By insuring the timely payment of principal and interest, BAM provides market access to, and lowers interest expense for, issuers of municipal bonds used to finance essential public purposes such as schools, utilities and transportation facilities. BAM is owned by and operated for the benefit of its members, the municipalities that purchase BAM's insurance for their debt issuances. HG Global was established to fund the startup of BAM and, through its wholly-owned subsidiary, HG Re Ltd. ("HG Re"), to provide up to 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of \$503.0 million of surplus notes issued by BAM (the "BAM Surplus Notes"). As of March 31, 2018, \$499.0 million of the surplus notes remain outstanding. As of March 31, 2018 and December 31, 2017, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. White Mountains does not have an ownership interest in BAM. However, White Mountains is required to consolidate BAM's results in its financial statements because BAM is a VIE for which White Mountains is the primary beneficiary. BAM's results are attributed to non-controlling interests.

The MediaAlpha segment consists of QL Holdings LLC and its wholly-owned subsidiary QuoteLab, LLC (collectively “MediaAlpha”). MediaAlpha is a leading marketing technology company that develops technology that enables the programmatic buying and selling of vertical-specific, performance-based media between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory) through cost-per-click, cost-per-call and cost-per-lead pricing models. MediaAlpha’s media buying platform enables advertisers to create and automate data-driven bidding strategies designed to improve the efficiency and enhance overall performance of their marketing campaigns that target high-intent consumers at the time and place they are ready to purchase. MediaAlpha’s publisher platform is used by publishers to sell their vertical-specific, performance-based media to advertisers through transparent, programmatic, auction-based marketplaces. MediaAlpha works with 550 advertisers and 325 publishers across a number of insurance (auto, motorcycle, home, renter, health and life) and non-insurance (travel, education, personal finance and home services) verticals.

White Mountains’s Other Operations segment consists of the Company, its wholly-owned subsidiary, White Mountains Capital, Inc. (“WM Capital”), its wholly-owned investment management subsidiary, White Mountains Advisors LLC (“WM Advisors”), and its other intermediate holding companies, as well as certain consolidated and unconsolidated private capital and other investments. The consolidated private capital investments include Wobi Insurance Agency Ltd. (“Wobi”) and Removal Stars Ltd. (“Buzzmove”). During 2017, White Mountains revised certain of its previously issued financial statements for amounts relating to Wobi. See **Note 17 — “Financial Statement Revisions”**.

Discontinued Operations and Assets and Liabilities Held for Sale

On September 28, 2017, Intact Financial Corporation completed its acquisition of OneBeacon Insurance Group, Ltd. (“OneBeacon”) in an all-cash transaction for \$18.10 per share (the “OneBeacon Transaction”). On July 21, 2016, White Mountains completed its sale of Tranzact Holdings, LLC (“Tranzact”) to an affiliate of Clayton, Dubilier & Rice, LLC. On April 18, 2016, White Mountains completed its sale of Sirius International Insurance Group, Ltd. (“Sirius Group”) to CM International Pte. Ltd. and CM Bermuda Limited (collectively “CMI”), the Singapore-based investment arm of China Minsheng Investment Corp., Ltd. White Mountains has presented the results of OneBeacon, Tranzact and Sirius Group as discontinued operations in the statement of operations and comprehensive income and their assets and liabilities as held for sale in the balance sheet for all periods prior to the completion of each transaction.

White Mountains has classified its Guilford, Connecticut property, which consists of an office building and adjacent land, as held for sale as of March 31, 2018 and December 31, 2017. See **Note 16 — “Held for Sale and Discontinued Operations”**.

Significant Accounting Policies

Refer to the Company’s 2017 Annual Report on Form 10-K for a complete discussion regarding White Mountains’s significant accounting policies.

Recently Adopted Changes in Accounting Principles

Revenue Recognition

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

Share-Based Compensation

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

On 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 \$8.4 million and \$6.5 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, 2018 and 2017. 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 recognizes excess tax benefits or expense in current period earnings, regardless of whether it is in a taxes payable position.

Business Combinations

On January 1, 2018, White Mountains adopted ASU 2017-01, *Business Combinations: Clarifying the Definition of a Business* (ASC 805), which clarifies the definition of a business and affects the determination of whether acquisitions or disposals are accounted for as assets or as a business. Under the new guidance, when substantially all of the fair value of the assets is concentrated in a single identifiable asset or group of similar assets, it is not a business. White Mountains has not had any transactions falling within the scope of ASU 2017-01 during the period ended March 31, 2018 and, accordingly, adoption did not have any impact on White Mountains's financial statements.

Cash Flow Statement

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

Financial Instruments - Recognition and Measurement

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

Recently Issued Accounting Pronouncements

Premium Amortization on Callable Debt Securities

In March 2017, the FASB issued ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities* (ASC 310-20), which changes the amortization period for certain purchased callable debt securities. Under the new guidance, for investments in callable debt securities held at a premium, the premium will be amortized over the period to the earliest call date. The new guidance does not change the amortization period for callable debt securities held at a discount. ASU 2017-08 is not expected to have any impact on White Mountains's financial statements at adoption but may affect the amortization recognized in future periods.

Credit Losses

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

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 guidance and available adoption methods.

Note 2. Significant Transactions

Dispositions

OneBeacon

On September 28, 2017, White Mountains received \$1.3 billion in cash proceeds from the OneBeacon Transaction and recorded a gain of \$554.6 million, net of transaction costs. As a result of the OneBeacon Transaction, OneBeacon's results have been reported as discontinued operations within White Mountains's GAAP financial statements. See **Note 16 — "Held for Sale and Discontinued Operations"**.

Star & Shield

On March 7, 2017, White Mountains completed the sale of Star & Shield Services LLC, Star & Shield Risk Management LLC, and Star & Shield Claims Services LLC (collectively "Star & Shield") and its investment in Star & Shield Insurance Exchange ("SSIE") surplus notes to K2 Insurance Services, 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 16 — "Held for Sale and Discontinued Operations"**.

Acquisitions

The following acquisitions are included in White Mountains's consolidated financial statements from the date of acquisition. The assets acquired and liabilities assumed have been measured at their acquisition date fair values.

DavidShield

On January 24, 2018, White Mountains acquired 50% of DavidShield Life Insurance Agency (2000) Ltd. ("DavidShield"), its joint venture partner in PassportCard Limited ("PassportCard"). DavidShield is a managing general agency that is the leading provider of expatriate medical insurance in Israel and uses the same card-based delivery system as PassportCard. As part of the transaction, White Mountains restructured its equity stake in PassportCard so that White Mountains and its partner in DavidShield would each own 50% of both businesses. To facilitate the transaction, White Mountains provided financing to its partner in the form of a non-interest bearing loan that is secured by the partner's equity in PassportCard and DavidShield. The gross purchase price for the 50% of DavidShield was \$41.8 million, or \$28.3 million net of the financing provided for the restructuring.

Kudu

On February 5, 2018, White Mountains entered into an agreement to fund up to \$127.5 million in Kudu Investment Management, LLC ("Kudu"), a leading capital provider to asset management and wealth management firms. Kudu specializes in providing capital solutions to asset managers and registered investment advisers, including generational ownership transfers, management buyouts, acquisition and growth finance, as well as liquidity for legacy partners.

As of March 31, 2018, White Mountains has funded \$1.8 million in Kudu. White Mountains has determined that Kudu is a VIE, however White Mountains is not the primary beneficiary. White Mountains has elected to take the fair value option for its investment in Kudu.

MediaAlpha

On October 5, 2017, MediaAlpha acquired certain assets associated with the Health, Life and Medicare insurance business of Healthplans.com for an aggregate purchase price of \$28.0 million. The majority of assets acquired, which are included in other intangible assets, consist of customer relationships, a non-compete agreement from the seller and domain names. See **Note 4 — "Goodwill and Other Intangibles Assets"**.

On October 5, 2017, White Mountains acquired 131,579 newly-issued Class A common units of MediaAlpha for \$12.5 million. As of March 31, 2018 and December 31, 2017 White Mountains's ownership share in MediaAlpha was 62.3% and 64.4%.

Note 3. Investments Securities

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

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

Realized investment gains (losses) resulting from sales of investment securities are accounted for using the specific identification method. Premiums and discounts on all fixed maturity investments are amortized or accreted to income over the anticipated life of the investment. Short-term investments consist of interest-bearing money market funds, 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, 2018 and December 31, 2017.

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

Net Investment Income

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

The following table presents pre-tax net investment income for the three months ended March 31, 2018 and 2017.

Millions	Three Months Ended	
	March 31,	
	2018	2017
Investment income:		
Fixed maturity investments	\$ 10.9	\$ 11.9
Short-term investments	2.6	.2
Common equity securities	5.0	1.3
Other long-term investments	1.9	(.1)
Total investment income	20.4	13.3
Third-party investment expenses	(.7)	(.5)
Net investment income, pre-tax	\$ 19.7	\$ 12.8

Net Realized and Unrealized Investment Gains (Losses)

The following table presents net realized and unrealized investment gains (losses) for the three months ended March 31, 2018 and 2017:

Millions	Three Months Ended	
	March 31,	
	2018	2017
Net realized investment (losses) gains, pre-tax	\$ (5.1)	\$.6
Net unrealized investment (losses) gains, pre-tax	(48.6)	35.7
Net realized and unrealized investment (losses) gains, pre-tax	(53.7)	36.3
Income tax benefit (expense) attributable to net realized and unrealized investment (losses) gains	5.7	(3.9)
Net realized and unrealized investment (losses) gains, after-tax	\$ (48.0)	\$ 32.4

Net Realized Investment Gains (Losses)

The following table presents net realized investment gains (losses) for the three months ended March 31, 2018 and 2017

Millions	Three Months Ended			Three Months Ended		
	March 31, 2018			March 31, 2017		
	Net realized (losses) gains	Net foreign exchange gains (losses)	Total net realized gains (losses) reflected in earnings	Net realized (losses) gains	Net foreign exchange gains	Total net realized (losses) gains reflected in earnings
Fixed maturity investments	\$ (13.7)	\$ 18.2	\$ 4.5	\$ (1.0)	\$.1	\$ (.9)
Short-term investments	(.1)	—	(.1)	—	—	—
Common equity securities	1.2	—	1.2	.8	.1	.9
Other long-term investments	(3.5)	(7.2)	(10.7)	.6	—	.6
Net realized investment (losses) gains, pre-tax	(16.1)	11.0	(5.1)	.4	.2	.6
Income tax expense attributable to net realized investment (losses) gains	(.6)	—	(.6)	(.2)	—	(.2)
Net realized investment (losses) gains, after-tax	\$ (16.7)	\$ 11.0	\$ (5.7)	\$.2	\$.2	\$.4

Net Unrealized Investment Gains (Losses)

The following tables present net unrealized investment gains (losses) and changes in the carrying value of investments measured at fair value for the three months ended March 31, 2018 and 2017:

Millions	Three Months Ended			Three Months Ended		
	March 31, 2018			March 31, 2017		
	Net unrealized losses	Net foreign exchange (losses) gains	Total net unrealized (losses) gains reflected in earnings	Net unrealized gains	Net foreign exchange gains (losses)	Total net unrealized gains reflected in earnings
Fixed maturity investments	\$ (18.6)	\$ (14.8)	\$ (33.4)	\$ 10.2	\$ 1.7	\$ 11.9
Short-term investments	(.7)	—	(.7)	—	—	—
Common equity securities	(16.7)	—	(16.7)	19.1	.5	19.6
Other long-term investments	(1.9)	4.1	2.2	6.9	(2.7)	4.2
Net unrealized investment (losses) gains, pre-tax	(37.9)	(10.7)	(48.6)	36.2	(.5)	35.7
Income tax benefit (expense) attributable to net unrealized investment gains (losses)	6.3	—	6.3	(3.7)	—	(3.7)
Net unrealized investment (losses) gains, after-tax	\$ (31.6)	\$ (10.7)	\$ (42.3)	\$ 32.5	\$ (.5)	\$ 32.0

The following table presents total gains (losses) included in earnings attributable to net unrealized investment gains (losses) for Level 3 investments for the three months ended March 31, 2018 and 2017:

Millions	Three Months Ended	
	March 31,	
	2018	2017
Other long-term investments	\$ (5.1)	\$.2
Total net unrealized investment (losses) gains, pre-tax - Level 3 investments	\$ (5.1)	\$.2

Investment Holdings

The following tables present the cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains, and carrying values of White Mountains's fixed maturity investments as of March 31, 2018 and December 31, 2017.

Millions	March 31, 2018				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
U.S. Government and agency obligations	\$ 199.9	\$ —	\$ (2.2)	\$ —	\$ 197.7
Debt securities issued by corporations	760.5	.7	(17.5)	—	743.7
Mortgage and asset-backed securities	132.5	.1	(2.6)	—	130.0
Municipal obligations	261.8	1.9	(1.3)	—	262.4
Total fixed maturity investments	\$ 1,354.7	\$ 2.7	\$ (23.6)	\$ —	\$ 1,333.8

Millions	December 31, 2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
U.S. Government and agency obligations	\$ 297.8	\$ —	\$ (1.3)	\$ —	\$ 296.5
Debt securities issued by corporations	867.6	2.9	(4.3)	14.7	880.9
Mortgage and asset-backed securities	697.2	1.6	(4.1)	—	694.7
Municipal obligations	252.0	3.7	(.8)	—	254.9
Foreign government, agency and provincial obligations	2.6	—	—	.1	2.7
Total fixed maturity investments	\$ 2,117.2	\$ 8.2	\$ (10.5)	\$ 14.8	\$ 2,129.7

The following tables present the cost or amortized cost, gross unrealized investment gains (losses), net foreign currency losses, and carrying values of White Mountains's common equity securities and other long-term investments as of March 31, 2018 and December 31, 2017:

Millions	March 31, 2018				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency losses	Carrying value
Common equity securities	\$ 835.9	\$ 111.7	\$ (2.0)	\$ —	\$ 945.6
Other long-term investments	\$ 288.8	\$ 10.0	\$ (44.8)	\$ (0.9)	\$ 253.1

Millions	December 31, 2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency losses	Carrying value
Common equity securities	\$ 739.7	\$ 129.4	\$ (3.0)	\$ —	\$ 866.1
Other long-term investments	\$ 246.6	\$ 6.8	\$ (39.7)	\$ (4.9)	\$ 208.8

Other Long-Term Investments

The following table presents the carrying values of White Mountains's other long-term investments as of March 31, 2018 and December 31, 2017:

Millions	Carrying Value at	
	March 31, 2018	December 31, 2017
Hedge funds and private equity funds, at fair value	\$ 130.6	\$ 125.3
Private equity securities, at fair value ⁽¹⁾⁽²⁾⁽³⁾	108.4	83.2
Foreign currency forward contracts	—	(3.7)
Other	14.1	4.0
Total other long-term investments	\$ 253.1	\$ 208.8

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

⁽²⁾ Includes non-controlling interests in common equity securities, limited liability companies and private convertible preferred securities.

⁽³⁾ White Mountains holds a 20% ownership interest in OneTitle Holdings LLC ("OneTitle") and has provided a \$10.0 million surplus note facility under which OneTitle's wholly-owned insurance subsidiary, OneTitle National Guaranty Company, Inc., may draw funds under certain circumstances. At March 31, 2018, no funds had been drawn on the surplus note facility.

Hedge Funds and Private Equity Funds

White Mountains invests in hedge funds and private equity funds, which are included in other long-term investments. The fair value of these investments is generally estimated using the NAV of the funds. As of March 31, 2018, White Mountains held investments in one hedge fund and ten private equity funds. The largest investment in a single fund was \$56.4 million as of March 31, 2018 and \$54.9 million as of December 31, 2017.

The following table presents investments in hedge funds and private equity funds by investment objective and sector as of March 31, 2018 and December 31, 2017:

Millions	March 31, 2018		December 31, 2017	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Hedge funds				
Long/short banks and financial	\$ 56.4	\$ —	\$ 54.9	\$ —
Total hedge funds	56.4	—	54.9	—
Private equity funds				
Manufacturing/Industrial	44.5	10.4	43.3	10.4
Aerospace/Defense/Government	17.0	12.9	15.8	12.9
Direct lending	7.9	22.5	7.1	23.1
Financial services	4.8	11.1	4.2	11.7
Insurance	—	41.2	—	41.2
Real estate	—	50.0	—	—
Total private equity funds	74.2	148.1	70.4	99.3
Total hedge funds and private equity funds included in other long-term investments	\$ 130.6	\$ 148.1	\$ 125.3	\$ 99.3

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, 2018, White Mountains held one active hedge fund with a fair value of \$56.4 million. The hedge fund is subject to a lock-up period that expires on September 1, 2018, with a semi-annual restriction on redemption frequency thereafter and an advance notice period requirement of not less than 45 days.

White Mountains redeemed its one investment in a long/short equity REIT hedge fund having a fair value of \$20.8 million as of December 31, 2017. The bulk of the redemption proceeds were received early in the first quarter of 2018 with the balance received in April of 2018.

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 its investors.

The following table presents investments in private equity funds that were subject to lock-up periods as of March 31, 2018:

Millions	1 – 3 years	3 – 5 years	5 – 10 years	>10 years	Total
Private equity funds — expected lock-up period remaining	\$6.1	\$6.2	\$49.2	\$12.7	\$74.2

Fair Value Measurements as of March 31, 2018

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, 2018 and December 31, 2017, White Mountains used quoted market prices or other observable inputs to determine fair value for approximately 92% and 94% of the investment portfolio.

Fair Value Measurements by Level

The following tables present White Mountains's fair value measurements for investments as of March 31, 2018 and December 31, 2017 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.

Millions	March 31, 2018			
	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	\$ 197.7	\$ 197.7	\$ —	\$ —
Debt securities issued by corporations:				
Financials	151.0	—	151.0	—
Consumer	144.8	—	144.8	—
Technology	91.6	—	91.6	—
Communications	84.9	—	84.9	—
Health care	80.3	—	80.3	—
Materials	76.1	—	76.1	—
Energy	66.1	—	66.1	—
Industrial	33.9	—	33.9	—
Utilities	15.0	—	15.0	—
Total debt securities issued by corporations:	743.7	—	743.7	—
Mortgage and asset-backed securities	130.0	—	130.0	—
Municipal obligations	262.4	—	262.4	—
Total fixed maturity investments	1,333.8	197.7	1,136.1	—
Short-term investments ⁽¹⁾	763.0	737.3	25.7	—
Common equity securities:				
Exchange traded funds ⁽²⁾	653.2	592.2	61.0	—
Technology	18.0	18.0	—	—
Health care	16.9	16.9	—	—
Financials	15.9	15.9	—	—
Industrial	13.3	13.3	—	—
Consumer	8.6	8.6	—	—
Energy	6.5	6.5	—	—
Communications	5.2	5.2	—	—
Other ⁽³⁾	208.0	—	208.0	—
Total common equity securities	945.6	676.6	269.0	—
Other long-term investments ⁽⁴⁾	122.5	—	—	122.5
Total investments	\$ 3,164.9	\$ 1,611.6	\$ 1,430.8	\$ 122.5

⁽¹⁾ Short-term investments are measured at amortized cost, which approximates fair value.

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

⁽³⁾ Consists of two investments in unit trusts that primarily invest in international equities.

⁽⁴⁾ Excludes carrying value of \$130.6 associated with hedge funds and private equity funds for which fair value is measured at NAV using the practical expedient.

Millions	December 31, 2017			
	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	\$ 296.5	\$ 296.5	\$ —	\$ —
Debt securities issued by corporations:				
Consumer	185.1	—	185.1	—
Communications	127.8	—	127.8	—
Financials	114.8	—	114.8	—
Utilities	108.9	—	108.9	—
Materials	95.5	—	95.5	—
Health care	94.3	—	94.3	—
Technology	80.5	—	80.5	—
Energy	48.1	—	48.1	—
Industrial	25.9	—	25.9	—
Total debt securities issued by corporations:	880.9	—	880.9	—
Mortgage and asset-backed securities	694.7	—	694.7	—
Municipal obligations	254.9	—	254.9	—
Foreign government, agency and provincial obligations	2.7	—	2.7	—
Total fixed maturity investments	2,129.7	296.5	1,833.2	—
Short-term investments ⁽¹⁾	176.1	151.0	25.1	—
Common equity securities:				
Exchange traded funds ⁽²⁾	569.7	508.1	61.6	—
Health care	17.1	17.1	—	—
Financials	16.3	16.3	—	—
Technology	15.1	15.1	—	—
Industrial	11.9	11.9	—	—
Communications	10.9	10.9	—	—
Consumer	10.7	10.7	—	—
Energy	3.8	3.8	—	—
Other ⁽³⁾	210.6	—	210.6	—
Total common equity securities	866.1	593.9	272.2	—
Other long-term investments ⁽⁴⁾⁽⁵⁾	87.2	—	—	87.2
Total investments	\$ 3,259.1	\$ 1,041.4	\$ 2,130.5	\$ 87.2

⁽¹⁾ Short-term investments are measured at amortized cost, which approximates fair value.

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

⁽³⁾ Consists of two investments in unit trusts that primarily invests in international equities.

⁽⁴⁾ Excludes carrying value of \$(3.7) related to foreign currency forward contracts.

⁽⁵⁾ Excludes carrying value of \$125.3 associated with hedge funds and private equity funds for which fair value is measured at NAV using the practical expedient.

Debt Securities Issued by Corporations

The following table presents the ratings of debt securities issued by corporations held in White Mountains's investment portfolio as of March 31, 2018 and December 31, 2017:

Millions	Fair Value at	
	March 31, 2018	December 31, 2017
AAA	\$ 8.9	\$ 1.6
AA	79.1	42.6
A	274.6	192.5
BBB	211.5	465.2
BB	151.0	161.7
B	18.6	17.3
Debt securities issued by corporations ⁽¹⁾	\$ 743.7	\$ 880.9

⁽¹⁾ Credit ratings are assigned based on the following hierarchy: (1) Standard & Poor's Financial Services LLC ("S&P") and (2) Moody's Investor Service, Inc. ("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). As of March 31, 2018 White Mountains did not hold any RMBS categorized as sub-prime.

White Mountains considers 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, 2018, White Mountains did not hold any RMBS classified as non-prime.

The following table presents the carrying value of White Mountains's mortgage and asset-backed securities as of March 31, 2018 and December 31, 2017:

Millions	March 31, 2018			December 31, 2017		
	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
Mortgage-backed securities:						
Agency:						
GNMA	\$ 27.3	\$ 27.3	\$ —	\$ 46.3	\$ 46.3	\$ —
FNMA	53.9	53.9	—	84.5	84.5	—
FHLMC	36.1	36.1	—	62.0	62.0	—
Total agency ⁽¹⁾	117.3	117.3	—	192.8	192.8	—
Non-agency:						
Commercial	—	—	—	70.5	70.5	—
Total non-agency	—	—	—	70.5	70.5	—
Total mortgage-backed securities	117.3	117.3	—	263.3	263.3	—
Other asset-backed securities:						
Credit card receivables	8.9	8.9	—	206.0	206.0	—
Vehicle receivables	3.8	3.8	—	142.4	142.4	—
Other	—	—	—	83.0	83.0	—
Total other asset-backed securities	12.7	12.7	—	431.4	431.4	—
Total mortgage and asset-backed securities	\$ 130.0	\$ 130.0	\$ —	\$ 694.7	\$ 694.7	\$ —

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

Rollforward of Fair Value Measurements by Level

White Mountains uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturity investments, common equity securities and other long-term investments as of March 31, 2018 and 2017 consist of securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

The following tables present the changes in White Mountains's fair value measurements by level for the three months ended March 31, 2018 and 2017:

Millions	Level 3 Investments				Hedge Funds and Private Equity Funds measured at NAV ⁽³⁾	Total
	Level 1 investments	Level 2 investments	Fixed maturity investments	Other long-term investments		
Balance at January 1, 2018	\$ 890.4	\$ 2,105.4	\$ —	\$ 87.2	\$ 125.3	\$ 3,208.3 ⁽¹⁾⁽²⁾
Net realized and unrealized (losses) gains	(14.3)	(26.0)	—	(8.7)	3.6	(45.4) ⁽⁴⁾
Amortization/Accretion	—	(1.2)	—	—	—	(1.2)
Purchases	238.9	407.7	—	44.0	2.0	692.6
Sales	(240.7)	(1,080.8)	—	—	(.3)	(1,321.8)
Transfers in	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—
Balance at March 31, 2018	\$ 874.3	\$ 1,405.1	\$ —	\$ 122.5	\$ 130.6	\$ 2,532.5 ⁽²⁾

⁽¹⁾ Excludes carrying value of \$(3.7) as of January 1, 2018 associated with foreign currency forward contracts.

⁽²⁾ Excludes carrying value of \$176.1 and \$763.0 at January 1, 2018 and March 31, 2018 classified as short-term investments.

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

⁽⁴⁾ Excludes realized and unrealized losses associated with foreign currency forward contracts, foreign currency on cash and open trades and short-term investments of \$3.5, \$4.2 and \$0.6 for the three months ended March 31, 2018.

Millions	Level 3 Investments				Hedge Funds and Private Equity Funds measured at NAV ⁽³⁾	Total
	Level 1 investments	Level 2 investments	Fixed maturity investments	Other long-term investments		
Balance at January 1, 2017	\$ 279.5	\$ 2,093.8	\$ —	\$ 91.4	\$ 82.6	\$ 2,547.3 ⁽¹⁾⁽²⁾⁽⁴⁾
Net realized and unrealized gains	13.1	18.4	.1	.2	7.3	39.1 ⁽⁵⁾
Amortization/Accretion	—	(2.5)	—	—	—	(2.5)
Purchases	115.2	351.1	11.0	.2	21.4	498.9
Sales	(76.0)	(387.6)	—	(2.0)	(1.2)	(466.8)
Deconsolidation of SSIE	—	(5.2)	—	—	—	(5.2)
Transfers in	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—
Balance at March 31, 2017	\$ 331.8	\$ 2,068.0	\$ 11.1	\$ 89.8	\$ 110.1	\$ 2,610.8 ⁽¹⁾⁽²⁾

⁽¹⁾ Excludes carrying value of \$175.0 and \$138.2 at January 1, 2017 and March 31, 2017 classified as short-term investments, of which \$0.1 is classified as held for sale at January 1, 2017.

⁽²⁾ Excludes carrying value of \$(1.2) and \$(4.1) as of January 1, 2017 and March 31, 2017 associated with foreign currency forward contracts.

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

⁽⁴⁾ 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.

⁽⁵⁾ Excludes realized and unrealized losses associated with foreign currency forward contracts of \$2.8 for the three months ended March 31, 2017.

Fair Value Measurements — Transfers Between Levels - Three-months ended March 31, 2018 and 2017

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 2018 and 2017, there were no fixed maturity investments or other long-term investments classified as Level 3 measurements in the prior period that were transferred to Level 2 measurements.

Significant Unobservable Inputs

The following tables present significant unobservable inputs used in estimating the fair value of investment securities, other than hedge funds and private equity funds, classified within Level 3 as of March 31, 2018 and December 31, 2017. The fair value of investments in hedge funds and private equity funds are generally estimated using the NAV of the funds.

\$ in millions, except share price		March 31, 2018	
Description	Valuation Technique(s)	Fair Value ⁽¹⁾	Unobservable Input
Private equity security	Discounted cash flow	\$21.0	Discount rate - 25.0%
Private equity security	Discounted cash flow	\$22.1	Implied share price - \$.68
Private convertible preferred security	Discounted cash flow	\$14.5	Implied share price - \$2.06
Private equity security	Discounted cash flow/ Option pricing method	\$11.6	Discount rate - 21.0%
			Time until expiration - 4 years
			Volatility/Standard deviation - 50.0%
			Risk free rate - 1.77%
Private debt instrument	Discounted cash flow	\$10.5	Discount rate - 9.62%

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

\$ in millions, except share price		December 31, 2017	
Description	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	Implied share price - \$.68
Private convertible preferred security	Discounted cash flow	\$14.5	Implied share price - \$2.06
Private equity security	Discounted cash flow/ Option pricing method	\$11.3	Discount rate - 21.0%
			Time until expiration - 4 years
			Volatility/Standard deviation - 50.0%
			Risk free rate - 1.77%
Private equity security	Share price of most recent transaction	\$3.6	Share price - \$2.52
Private convertible preferred security	Multiple of EBITDA	\$0.6	EBITDA multiple - 6.00

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

Note 4. Goodwill and Other Intangible Assets

White Mountains has recognized goodwill and other intangible assets at the acquisition date fair values in connection with its purchases of subsidiaries. The following table presents the change in goodwill and other intangible assets:

Millions	Three Months Ended March 31,					
	2018			2017		
	Goodwill	Other intangible assets	Total	Goodwill	Other intangible assets	Total
Beginning balance	\$ 25.9	\$ 36.2	\$ 62.1	\$ 25.9	\$ 19.3	\$ 45.2
Amortization, including foreign currency translation	—	(2.9)	(2.9)	—	(2.3)	(2.3)
Ending balance	\$ 25.9	\$ 33.3	\$ 59.2	\$ 25.9	\$ 17.0	\$ 42.9

The following table presents the goodwill and other intangible assets as of March 31, 2018 and December 31, 2017:

Millions	March 31, 2018	December 31, 2017
Goodwill		
MediaAlpha	\$ 18.3	\$ 18.3
Other	7.6	7.6
Total goodwill	25.9	25.9
Other intangible assets		
MediaAlpha	32.5	35.4
Other	.8	.8
Total other intangible assets	33.3	36.2
Total goodwill and other intangible assets	59.2	62.1
Goodwill and other intangible assets attributed to non-controlling interests	(21.1)	(21.1)
Goodwill and other intangible assets included in White Mountains's common shareholders' equity	\$ 38.1	\$ 41.0

Note 5. Debt

The following table presents White Mountains's debt outstanding as of March 31, 2018 and December 31, 2017:

Millions	March 31, 2018	Effective Rate ⁽¹⁾	December 31, 2017	Effective Rate ⁽¹⁾
WTM Bank Facility	\$ —	N/A	\$ —	N/A
Unamortized issue costs	—		—	
WTM Bank Facility, carrying value	—		—	
MediaAlpha Bank Facility	21.6	6.2%	23.9	5.6%
Unamortized issuance cost	(.1)		(.1)	
MediaAlpha Bank Facility, carrying value	21.5		23.8	
Total debt	\$ 21.5		\$ 23.8	

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

WTM Bank Facility

On August 14, 2013, the Company 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, 2018, 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.

MediaAlpha Bank Facility

On May 12, 2017, MediaAlpha entered into a secured credit facility (the "MediaAlpha Bank Facility") with Western Alliance Bank, which has a total commitment of \$20.0 million and has a maturity date of May 12, 2020. On October 5, 2017, MediaAlpha refinanced the MediaAlpha Bank Facility in order to fund the acquisition of certain assets associated with the Health, Life and Medicare insurance business of Healthplans.com. The total commitment of the MediaAlpha Bank Facility was increased to \$28.4 million and has a maturity date of October 6, 2020. The MediaAlpha Bank Facility consists of a \$18.4 million term loan facility, which has an outstanding balance of \$16.6 million as of March 31, 2018, and a revolving loan facility for \$10.0 million, which has an outstanding balance of \$5.0 million as of March 31, 2018.

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% on the term loan facility and 0.25% on the revolving credit facility as of March 31, 2018.

During the three months ended March 31, 2018, MediaAlpha repaid \$1.3 million on the term loan and \$1.0 million on the revolving loan under the MediaAlpha Bank Facility.

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 fixed charge coverage ratio and an asset coverage ratio.

Compliance

At March 31, 2018, White Mountains was in compliance with the covenants under all of its debt instruments.

Note 6. Income Taxes

The Company and its Bermuda domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. If 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 United Kingdom and the United States.

White Mountains's income tax expense related to pre-tax loss from continuing operations for the three months ended March 31, 2018 represented an effective tax rate of (1.1)%. The effective tax rate was different from the U.S. statutory rate of 21%, primarily due to a full valuation allowance on all net deferred tax assets at U.S. operations, withholding taxes and a tax benefit recorded at BAM. For BAM, member surplus contributions ("MSC") and the related taxes thereon are recorded directly to non-controlling interest equity, while the valuation allowance on such taxes is recorded through the income statement. For the three months ended March 31, 2018, BAM recorded a tax benefit of \$0.6 million associated with the valuation allowance on taxes related to MSC that is included in the effective tax rate.

White Mountains's income tax benefit related to pre-tax loss from continuing operations for the three months ended March 31, 2017 represented an effective tax rate of 8.3%. The effective tax rate was different from the U.S. statutory rate of 35%, primarily due to a full valuation allowance on all net deferred tax assets at U.S. operations and a tax benefit recorded at BAM. For BAM, MSC and the related taxes thereon are recorded directly to non-controlling interest equity, while the valuation allowance on such taxes is recorded through the income statement. For the three months ended March 31, 2017, BAM recorded a tax benefit of \$2.7 million associated with the valuation allowance on taxes related to MSC that is included in the effective tax rate.

In arriving at the effective tax rate for the three months ended March 31, 2018 and 2017, 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, 2018 and 2017.

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

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

Note 7. Derivatives

White Mountains's investment portfolio includes investments denominated in Japanese Yen, Euros, GBP and other foreign currencies. White Mountains previously entered into foreign currency forward contracts to manage its foreign currency exposure related to these investments. In the first quarter of 2018, in conjunction with the liquidation of the GBP investment grade corporate bond mandate, White Mountains closed the associated foreign currency forward contract. White Mountains no longer has any open foreign currency forward contracts. As of December 31, 2017, White Mountains held \$206.3 million total gross notional value of a foreign currency forward contract with a carrying value of \$(3.7) million.

The derivative (losses) gains recognized in net realized and unrealized investment gains (losses) for the three months ended March 31, 2018 and 2017 were \$(3.5) million and \$3.0 million.

Note 8. Municipal Bond Guarantee Insurance

In 2012, HG Global was capitalized with \$594.5 million from White Mountains and \$14.5 million from non-controlling interests to fund BAM, a newly formed mutual municipal bond insurer. As of March 31, 2018, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of \$503.0 million of BAM Surplus Notes. At inception, BAM and HG Re also entered into a first loss reinsurance treaty ("FLRT"). HG Re provides first loss reinsurance protection up to 15% of par outstanding on each municipal bond insured by BAM. In return, BAM cedes 60% of the risk premium charged for insuring the municipal bond, net of a ceding commission. During 2017, HG Global and BAM made certain changes to the ceding commission arrangements under the FLRT. These changes serve to accelerate growth in BAM's statutory capital but do not impact the net risk premium ceded from BAM to HG Re. 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.

The interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 is a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually, which is 4.60% for 2018 and was 3.54% 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%. No payment of interest or principal on the BAM Surplus Notes may be made without the approval of the New York State Department of Financial Services ("NYDFS"). BAM has stated its intention to seek regulatory approval to pay interest and principal on its surplus notes only to the extent that its remaining qualified statutory capital and other capital resources continue to support its outstanding obligations, business plan and its AA stable rating from S&P. BAM repaid \$4.0 million of the BAM Surplus Notes and \$1.0 million of the related accrued interest during the year ended December 31, 2017. There were no repayments for the three months ended March 31, 2018.

In order to further support BAM's long-term capital position and business prospects, in 2017 HG Global agreed to contribute the \$203.0 million of Series A BAM Surplus Notes ("Series A Notes") into the supplemental collateral trust (the "Supplemental Trust") at HG Re. The Supplemental Trust already held the \$300.0 million of Series B BAM Surplus Notes ("Series B Notes"). Assets held in the Supplemental Trust serve to collateralize HG Re's obligations to BAM under the FLRT. HG Global and BAM also changed the payment terms of the Series B Notes, so that payments will reduce principal and accrued interest on a pro rata basis, consistent with the payment terms on the Series A Notes. The terms of the Series B Notes had previously stipulated that payments would first reduce interest owed, then reduce principal owed once all accrued interest had been paid. The Supplemental Trust target balance is equal to approximately \$603.0 million. As the BAM Surplus Notes are repaid over time, the BAM Surplus Notes will be replaced in the Supplemental Trust by cash and fixed income securities. The collateral trust balances must be at target levels before capital can be distributed out of the Supplemental Trust. In connection with the contribution, the Series A Notes were merged with the Series B Notes.

As of March 31, 2018 and December 31, 2017, the collateral trusts held assets of \$721.9 million and \$715.1 million, which both included \$499.0 million of BAM Surplus Notes. As of March 31, 2018 and December 31, 2017, HG Global has accrued \$131.7 million and \$126.0 million of interest receivable on the BAM Surplus Notes.

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

	March 31, 2018	December 31, 2017
Contracts outstanding	6,541	6,371
Remaining weighted average contract period outstanding (in years)	10.8	10.9
Contractual debt service outstanding (in millions):		
Principal	\$ 43,139.2	\$ 42,090.6
Interest	21,420.6	21,057.1
Total debt service outstanding	\$ 64,559.8	\$ 63,147.7
Gross unearned insurance premiums	\$ 140.2	\$ 136.8

The following table presents a schedule of BAM's future premium revenues as of March 31, 2018:

Millions	March 31, 2018
April 1, 2018 - December 31, 2018	\$ 8.9
January 1, 2019 - March 31, 2019	2.9
April 1, 2019 - June 30, 2019	2.9
July 1, 2019 - September 30, 2019	2.9
October 1, 2019 - December 31, 2019	2.9
	11.6
2020	11.1
2021	10.6
2022	10.1
2023 and thereafter	87.9
Total gross unearned insurance premiums	\$ 140.2

The following table presents a schedule of net written premiums included in White Mountains's HG Global/BAM segment for the three months years ended March 31, 2018 and 2017:

Millions	Three Months Ended March 31,	
	2018	2017
Gross written premiums	\$ 6.4	\$ 18.7
Assumed (ceded) written premiums	—	—
Net written premiums	\$ 6.4	\$ 18.7

Note 9. Earnings Per Share

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

The following table presents the Company's computation of earnings per share from continuing operations for the three months ended March 31, 2018 and 2017. See **Note 16 — "Held for Sale and Discontinued Operations"**.

	Three Months Ended	
	March 31,	
	2018	2017
Basic and diluted earnings per share numerators (in millions):		
Net (loss) income attributable to White Mountains's common shareholders	\$ (48.0)	\$ 29.0
Less: total income from discontinued operations, net of tax	.1	31.3
Net loss from continuing operations attributable to White Mountains's common shareholders	\$ (48.1)	\$ (2.3)
Allocation of earnings to participating restricted common shares ⁽¹⁾	.4	—
Basic and diluted earnings per share numerators	\$ (47.7)	\$ (2.3)
Basic earnings per share denominators (in thousands):		
Total average common shares outstanding during the period	3,746.1	4,564.6
Average unvested restricted common shares ⁽²⁾	(35.9)	(52.5)
Basic earnings per share denominator	3,710.2	4,512.1
Diluted earnings per share denominator (in thousands):		
Total average common shares outstanding during the period	3,746.1	4,564.6
Average unvested restricted common shares ⁽²⁾	(35.9)	(52.5)
Diluted earnings per share denominator	3,710.2	4,512.1
Basic and diluted earnings per share (in dollars) - continuing operations:		
Distributed earnings - dividends declared and paid	\$ 1.00	\$ 1.00
Undistributed earnings (losses)	(13.85)	(1.52)
Basic and diluted earnings per share	\$ (12.85)	\$ (.52)

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

⁽²⁾ Restricted shares outstanding vest either in equal annual installments or upon a stated date. See **Note 10 — "Employee Share-Based Incentive Compensation Plans"**

The following table presents the undistributed net earnings (losses) from continuing operations for the three months ended March 31, 2018 and 2017. See **Note 16 — "Held for Sale and Discontinued Operations"**.

Millions	Three Months Ended	
	March 31,	
	2018	2017
Undistributed net losses - continuing operations:		
Net loss attributable to White Mountains's common shareholders, net of restricted common share amounts	\$ (47.7)	\$ (2.3)
Dividends declared net of restricted common share amounts ⁽¹⁾	(3.7)	(4.5)
Total undistributed net losses, net of restricted common share amounts	\$ (51.4)	\$ (6.8)

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

Note 10. Employee Share-Based Incentive Compensation Plans

White Mountains's Long-Term Incentive Plan (the "WTM Incentive Plan") provides for grants of various types of share-based and non share-based incentive awards to key employees of White Mountains. As of March 31, 2018, White Mountains's share-based compensation incentive awards consist of performance shares and restricted shares.

Performance Shares

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

The following table presents the performance share activity for the three months ended March 31, 2018 and 2017 for performance shares granted under the WTM Incentive Plan:

Millions, except share amounts	Three Months Ended March 31,			
	2018		2017	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	50,515	\$ 45.8	80,353	\$ 42.4
Shares paid ⁽¹⁾	(23,186)	(28.4)	(30,167)	(20.8)
New grants	14,105	—	16,460	—
Forfeitures and cancellations ⁽²⁾	(818)	.3	(9,841)	(5.7)
Expense recognized	—	3.3	—	8.1
End of period ⁽³⁾	40,616	\$ 21.0	56,805	\$ 24.0

⁽¹⁾ WTM performance share payments in 2018 for the 2015-2017 performance cycle, which were paid in March 2018, ranged from 145% to 147% of target. 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.

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

⁽³⁾ Outstanding performance share awards as of March 31, 2017 excludes 2,195 performance share awards granted to employees of Sirius Group.

For performance shares earned in the 2015-2017 and 2014-2016 performance cycles, all performance shares earned were settled in cash. If all the outstanding WTM performance shares had vested on March 31, 2018, the total additional compensation cost to be recognized would have been \$26.1 million, based on accrual factors (common share price and payout assumptions) at March 31, 2018.

The following table presents performance shares outstanding and accrued expense for performance shares awarded under the WTM Incentive Plan at March 31, 2018 for each performance cycle:

Millions, except share amounts	Three Months Ended March 31, 2018	
	Target Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2016 – 2018	13,715	\$ 12.7
2017 – 2019	14,070	7.7
2018 – 2020	13,450	.9
Sub-total	41,235	21.3
Assumed forfeitures	(619)	(.3)
March 31, 2018	40,616	\$ 21.0

Restricted Shares

The following table presents the unrecognized compensation cost associated with the outstanding restricted share awards for the three months ended March 31, 2018 and 2017:

Millions, except share amounts	Three Months Ended March 31,			
	2018		2017	
	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value
Non-vested,				
Beginning of period	53,755	\$ 14.3	70,620	\$ 19.7
Issued	14,105	11.4	16,735	15.8
Vested	(25,381)	—	(22,015)	—
Forfeited	(969)	(.2)	(5,200)	(2.8)
Expense recognized	—	(3.3)	—	(3.6)
End of period ⁽¹⁾	41,510	\$ 22.2	60,140	\$ 29.1

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

During the first quarter of 2018, White Mountains issued 13,450 restricted shares that vest on January 1, 2021, 290 restricted shares that vest on January 1, 2020 and 365 restricted shares that vest on January 1, 2019. During the first quarter of 2017, White Mountains issued 16,735 restricted shares that vest on January 1, 2020. The unamortized issue date fair value at March 31, 2018 is expected to be recognized ratably over the remaining vesting periods.

Non-Qualified Options

As of January 20, 2017, the 125,000 Non-Qualified options issued to the Company's former Chairman and CEO were 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. The intrinsic value represents the difference between the market price of the Company's common shares at the date of exercise and the fixed strike price of \$742 per common share. The Non-Qualified Options were fully amortized as of 2011.

MediaAlpha Class B Unit Awards

MediaAlpha has issued Class B unit awards to certain employees. The units entitle the award recipient to participate in distributions from MediaAlpha, subject to a cumulative distribution threshold, which is a performance condition, and a service period. The grant date fair value of the awards is determined when it is deemed probable that the distribution threshold will be met. The service period ranges from 36 months to 48 months. For the three months ended March 31, 2018, MediaAlpha recognized \$6.4 million of compensation expense for the vested portion of the awards for which achievement of the performance award is now probable, and \$0.6 million of unearned compensation expense for unvested awards, which will be recognized over the remaining service periods of the awards.

Note 11. Non-controlling Interests

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

The following table presents the balance of non-controlling interests included in White Mountains's total equity and the related percentage of each consolidated entity's total equity owned by non-controlling shareholders as of March 31, 2018 and December 31, 2017:

\$ in millions	March 31, 2018		December 31, 2017	
	Non-controlling Percentage	Non-controlling Equity	Non-controlling Percentage	Non-controlling Equity
Other, excluding mutuals				
HG Global	3.1%	\$ 15.7	3.1%	\$ 15.9
MediaAlpha	37.7	16.2	35.7	13.1
Buzzmove	22.9	2.4	22.9	2.5
Total other, excluding mutuals		34.3		31.5
Mutuals				
BAM	100.0	(177.5)	100.0	(163.2)
Total non-controlling interests		\$ (143.2)		\$ (131.7)

Note 12. Segment Information

White Mountains has determined that its reportable segments are HG Global/BAM, MediaAlpha and Other Operations. As a result of OneBeacon Transaction, the results of operations for OneBeacon, previously reported in its own segment has been classified as discontinued operations and is 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 16 — "Held for Sale and Discontinued Operations"**.

Beginning in the second quarter of 2017, MediaAlpha's results have been presented as a separate segment within White Mountains's consolidated financial statements. Amounts for MediaAlpha for the three months ended March 31, 2017 have been reclassified to conform to the current period's presentation.

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. The following table presents the financial information for White Mountains's segments:

Millions	HG Global/BAM	MediaAlpha	Other Operations	Total
Three Months Ended March 31, 2018				
Earned insurance premiums	\$ 3.0	\$ —	\$ —	\$ 3.0
Net investment income	3.7	—	16.0	19.7
Net realized and unrealized investment losses	(7.9)	—	(45.8)	(53.7)
Advertising and commission revenues ⁽¹⁾	—	70.1	.9	71.0
Other revenue	.2	1.6	.3	2.1
Total revenues	(1.0)	71.7	(28.6)	42.1
Insurance acquisition expenses	1.4	—	—	1.4
Other underwriting expenses	.1	—	—	.1
Cost of sales	—	57.4	.7	58.1
General and administrative expenses	11.8	14.1	22.0	47.9
Interest expense	—	.4	.2	.6
Total expenses	13.3	71.9	22.9	108.1
Pre-tax loss	\$ (14.3)	\$ (.2)	\$ (51.5)	\$ (66.0)

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

Millions	HG Global/BAM	MediaAlpha	Other Operations	Total
Three Months Ended March 31, 2017				
Earned insurance premiums	\$ 2.0	\$ —	\$ 1.0	\$ 3.0
Net investment income	2.6	—	10.2	12.8
Net realized and unrealized investment gains	1.3	—	35.0	36.3
Advertising and commission revenues ⁽¹⁾	—	32.5	1.3	33.8
Other revenue	.4	—	2.5	2.9
Total revenues	6.3	32.5	50.0	88.8
Losses and loss adjustment expenses	—	—	1.1	1.1
Insurance acquisition expenses	1.2	—	.1	1.3
Other underwriting expenses	.1	—	—	.1
Cost of sales	—	27.7	1.1	28.8
General and administrative expenses	10.6	5.6	44.5	60.7
Interest expense	—	.2	.2	.4
Total expenses	11.9	33.5	47.0	92.4
Pre-tax (loss) income	\$ (5.6)	\$ (1.0)	\$ 3.0	\$ (3.6)

⁽¹⁾ Approximately 27% of MediaAlpha's advertising revenue was associated with one customer for the three months ended March 31, 2017.

Note 13. Investments in Unconsolidated Entities

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

The following table presents the carrying values of investments in equity method eligible unconsolidated entities recorded within other long-term investments:

Millions	March 31, 2018	December 31, 2017
Equity method eligible private equity securities, at fair value	\$ 84.7	\$ 58.0
Investments, accounted for under the equity method	5.7	4.6
Total investments in equity method eligible unconsolidated entities	90.4	62.6
Other unconsolidated investments ⁽¹⁾	162.7	146.2
Total other long-term investments	\$ 253.1	\$ 208.8

⁽¹⁾ Consists of other long-term investments that are not equity method eligible.

The following table presents White Mountains's investments in equity method eligible unconsolidated entities as of March 31, 2018 and December 31, 2017:

Investee	Ownership Interest		Instrument Held
	March 31, 2018	December 31, 2017	
Compare.com	22%	22%	Common shares
DavidShield ⁽¹⁾	50%	—	Common shares
durchblicker	45%	45%	Common shares
Kudu	50%	—	Units
OneTitle	20%	20%	Common shares
PassportCard ⁽¹⁾	50%	50%	Common shares
Tuckerman Capital Fund III	21%	21%	Units

⁽¹⁾ At March 31, 2018, White Mountains's ownership interest in PassportCard comprised a 25% direct ownership interest and a 25% indirect interest through DavidShield. At December 31, 2017, White Mountains's ownership interest was a 50% direct ownership interest. See Note 2 — "Significant Transactions".

Note 14. Fair Value of Financial Instruments

White Mountains accounts for all its financial instruments at fair value with the exception of the WTM Bank Facility, which was undrawn at March 31, 2018 and December 31, 2017, and the MediaAlpha Bank Facility, which is recorded as debt at face value less unamortized original issue discount.

The following table presents the fair value and carrying value of this financial instrument as of March 31, 2018 and December 31, 2017:

Millions	March 31, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
MediaAlpha Bank Facility	\$ 21.8	\$ 21.6	\$ 23.9	\$ 23.8

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 15. Contingencies**Legal Contingencies**

White Mountains is subject to litigation and arbitration in the normal course of business. White Mountains considers the requirements of ASC 450 when evaluating its exposure to 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. White Mountains does not have any current litigation that may have a material adverse effect on White Mountains's financial condition, results of operations or cash flows.

The following description presents significant legal contingencies, ongoing non-claims related litigation or arbitration as of March 31, 2018:

Sirius Tax Contingencies

A subsidiary of Sirius Group, which was sold by White Mountains in 2016, has been denied interest deductions by the Swedish Tax Authority ("STA") for tax years 2013-2016. The Swedish subsidiary has filed an appeal in the Swedish Administrative Court for tax year 2013 and will preserve its right to contest the STA's decision for later years if needed. Sirius Group believes it is more likely than not that it will prevail in the court proceedings. However, if the ultimate decision in the Swedish courts is unfavorable, White Mountains would be required to indemnify Sirius Group for the tax effect of the interest deductions, which is approximately \$18.5 million.

Note 16. Held for Sale and Discontinued Operations

OneBeacon

On September 28, 2017, Intact Financial Corporation completed its acquisition of OneBeacon in an all-cash transaction for \$18.10 per share. White Mountains received total proceeds of \$1.3 billion and recorded a gain of \$554.6 million, net of transaction costs. Net income from discontinued operations related to OneBeacon was \$32.3 million for the three months ended March 31, 2017.

Tranzact

On July 21, 2016, White Mountains completed its sale of Tranzact to Clayton, Dubilier & Rice, LLC 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. 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.

During the three months ended March 31, 2017, White Mountains recorded a \$1.0 million reduction to the gain from sale of Tranzact in discontinued operations as a result of 2016 state tax payments.

Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI for \$2.6 billion. During 2016, White Mountains recorded a \$363.2 million gain from the sale of Sirius Group in discontinued operations in the statement of operations and \$113.3 million in other comprehensive income from discontinued operations.

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

Other

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

Net Income (Loss) from Discontinued Operations

The following table presents the results of operations, including related income taxes, associated with the business classified as discontinued operations. For the three months ended March 31, 2018, the amounts presented relate to Sirius Group. For the three months ended March 31, 2017, the amounts presented relate to OneBeacon and Tranzact. The results of discontinued operations from Sirius Group and Tranzact up to the closing date of the transaction inured to White Mountains. Given the fixed price nature of the OneBeacon Transaction, OneBeacon's results were economically transferred to the buyer at signing.

Millions	Three Months Ended		Three Months Ended		
	March 31, 2018		March 31, 2017		
	Sirius Group	Total	OneBeacon	Tranzact	Total
Revenues					
Earned insurance premiums	\$ —	\$ —	\$ 261.8	\$ —	\$ 261.8
Net investment income	—	—	12.2	—	12.2
Net realized and unrealized gains	—	—	15.0	—	15.0
Other revenue	—	—	3.4	—	3.4
Total revenues	—	—	292.4	—	292.4
Expenses					
Loss and loss adjustment expenses	—	—	150.6	—	150.6
Insurance and reinsurance acquisition expenses	—	—	45.3	—	45.3
Other underwriting expenses	—	—	51.7	—	51.7
General and administrative expenses	—	—	5.0	—	5.0
Interest expense	—	—	3.3	—	3.3
Total expenses	—	—	255.9	—	255.9
Pre-tax income	—	—	36.5	—	36.5
Income tax expense	—	—	(4.2)	—	(4.2)
Net income from discontinued operations	—	—	32.3	—	32.3
Net gain (loss) from sale of discontinued operations	.1	.1	—	(1.0)	(1.0)
Total income (loss) from discontinued operations	.1	.1	32.3	(1.0)	31.3
Change in foreign currency translation and other from discontinued operations	—	—	(.1)	—	(.1)
Comprehensive income (loss) from discontinued operations	\$.1	\$.1	\$ 32.2	\$ (1.0)	\$ 31.2

Net Change in Cash from Discontinued Operations

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

Millions	Three Months Ended	
	March 31,	
	2018	2017
Net cash provided from (used for) operations	\$.1	\$ (1.3)
Net cash (used for) provided from investing activities	(.1)	32.3
Net cash used for financing activities	—	(21.0)
Net change in cash during the period	—	10.0
Cash balances at beginning of period	—	70.5
Net change in cash held for sale, excluding discontinued operations	—	(.9)
Cash balances at end of period	\$ —	\$ 79.6
Supplemental cash flows information:		
Interest paid	\$ —	\$ —
Net income tax payment to national governments	\$ —	\$ —

Earnings Per Share from Discontinued Operations

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

The following table presents the Company's computation of earnings per share for discontinued operations for the three months ended March 31, 2018 and 2017:

	Three Months Ended	
	March 31,	
	2018	2017
Basic and diluted earnings per share numerators (in millions):		
Net income attributable to White Mountains's common shareholders	\$ (48.0)	\$ 29.0
Less total loss from continuing operations, net of tax	48.1	2.3
Net income from discontinued operations attributable to White Mountains's common shareholders	\$.1	\$ 31.3
Allocation of earnings to participating restricted common shares ⁽¹⁾	—	(.4)
Basic and diluted earnings per share numerators	\$.1	\$ 30.9
Basic earnings per share denominators (in thousands):		
Total average common shares outstanding during the period	3,746.1	4,564.6
Average unvested restricted common shares ⁽³⁾	(35.9)	(52.5)
Basic earnings per share denominator	3,710.2	4,512.1
Diluted earnings per share denominator (in thousands):		
Total average common shares outstanding during the period	3,746.1	4,564.6
Average unvested restricted common shares ⁽³⁾	(35.9)	(52.5)
Diluted earnings per share denominator	3,710.2	4,512.1
Basic earnings per share (in dollars) - discontinued operations:	\$.03	\$ 6.86
Diluted earnings per share (in dollars) - discontinued operations:	\$.03	\$ 6.86

⁽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, 2018 and 2017.

⁽³⁾ Restricted common shares outstanding vest either in equal annual installments or upon a stated date. See Note 10 — "Employee Share-Based Incentive Compensation Plans".

Note 17. Financial Statement Revisions

In October 2017, White Mountains discovered that the former CEO of Wobi, one of its overseas portfolio companies, had been reporting overstated commission revenues and related receivables to White Mountains. Upon discovery of the overstatements, White Mountains initiated an investigation, conducted by outside counsel, of the reporting of these overstatements by Wobi to White Mountains. As a result of this investigation, White Mountains has revised certain of its previously issued financial statements. The revisions resulted in reductions to commission revenues (included in advertising and commission revenues) and commissions receivable (included in other assets). In addition, the overstatements led White Mountains to write down the goodwill and other intangible assets related to Wobi to zero. Wobi also conducted a separate investigation with the assistance of Israeli counsel to support the preparation of Wobi's standalone financial statements. That separate investigation has been completed and its results did not materially impact White Mountains's financial statements.

White Mountains evaluated the impact of the misstatements resulting from the overstatements at Wobi on prior periods' financial statements in accordance with SEC Staff Accounting Bulletin ("SAB") Topic 1.M, *Materiality*, and concluded the misstatements were not material to any previously reported financial statements. However, while not material to any previously reported annual or quarterly period, the aggregate amount of prior period misstatements could be material to White Mountains's results for the full fiscal year ended December 31, 2017. White Mountains has therefore revised all periods impacted including its consolidated balance sheet as of March 31, 2017 and its consolidated statements of operations and comprehensive income, consolidated statements of changes in equity, cash flows and earnings per share for the three months March 31, 2017. The impact of these revisions to each of the previously reported consolidated statements are disclosed below.

Amounts previously reported reflect the reclassification of OneBeacon to discontinued operations for all applicable periods presented.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)

Millions, except for per share amounts	Three months ended March 31, 2017		
	As previously reported	Adjustments	As revised
Revenues:			
<i>Financial Guarantee (HG Global/BAM)</i>			
Financial Guarantee revenues	\$ 6.3	\$ —	\$ 6.3
<i>Marketing Technology (MediaAlpha)</i>			
Marketing Technology revenues	32.5	—	32.5
<i>Other</i>			
Advertising & commission revenues	6.0	(4.7)	1.3
Other revenues ⁽¹⁾	48.7	—	48.7
Total revenues	93.5	(4.7)	88.8
Expenses:			
<i>Financial Guarantee (HG Global/BAM)</i>			
Financial Guarantee expenses	11.9	—	11.9
<i>Marketing Technology (MediaAlpha)</i>			
Marketing Technology expenses	33.5	—	33.5
<i>Other</i>			
Other expenses ⁽²⁾⁽³⁾	46.8	.2	47.0
Total expenses	92.2	.2	92.4
Pre-tax income (loss)	1.3	(4.9)	(3.6)
Income tax benefit	.3	—	.3
Net income (loss) from continuing operations	1.6	(4.9)	(3.3)
Loss on sale of discontinued operations	(1.0)	—	(1.0)
Net income from discontinued operations	32.3	—	32.3
Net income (loss) ⁽⁴⁾	32.9	(4.9)	28.0
Net loss (income) attributable to non-controlling interests	1.3	(.3)	1.0
Net income (loss) attributable to White Mountains's common shareholders	34.2	(5.2)	29.0
Other comprehensive income (loss), net of tax	.9	(.7)	.2
Comprehensive income (loss)	35.1	(5.9)	29.2
Comprehensive loss attributable to non-controlling interests	—	—	—
Comprehensive income (loss) attributable to White Mountains's common shareholders	\$ 35.1	\$ (5.9)	\$ 29.2
Basic and diluted earnings per share - continuing operations	\$ 7.49	\$ (1.15)	\$ 6.34

⁽¹⁾Total other revenues include earned insurance premiums, net investment income, net realized and unrealized losses, and other revenues.

⁽²⁾Total other expenses include loss and loss adjustment expenses, insurance acquisition expenses, cost of sales, general and administrative expenses, and interest expense.

⁽³⁾The adjustments to other expenses is primarily related to the write-off of goodwill and intangible assets for Wobi.

⁽⁴⁾The adjustment to net income resulted in a corresponding adjustment in the statement of cash flows, with an offsetting adjustment to the change in other assets and liabilities within the operating cash flows section. There was no change to cash flows from operations, cash flows from investing activities or cash flows from financing activities.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Millions	Three months ended March 31, 2017		
	As previously reported	Adjustments	As revised
Common shares and paid-in surplus	\$ 807.1	\$.7	\$ 807.8
Retained earnings, beginning of year	2,797.2	(20.6)	2,776.6
Share repurchases	(5.1)	—	(5.1)
Net income (loss)	34.2	(5.2)	29.0
Dividends	(4.6)	—	(4.6)
Retained earnings, end of period	2,821.7	(25.8)	2,795.9
Accumulated other comprehensive loss, after tax, beginning of year	(4.6)	—	(4.6)
Net change in foreign currency translation	.9	(.7)	.2
Accumulated other comprehensive income, after tax, end of period	(3.7)	(.7)	(4.4)
White Mountains's common shareholders' equity	3,625.1	(25.8)	3,599.3
Non-controlling interests, beginning of year	133.9	(.6)	133.3
Net loss	(1.3)	.3	(1.0)
Other changes in non-controlling interests	(.2)	(.6)	(.8)
Non-controlling interests, end of period	132.4	(.9)	131.5
Total equity	\$ 3,757.5	\$ (26.7)	\$ 3,730.8

CONSOLIDATED BALANCE SHEETS (Unaudited)

Millions	March 31, 2017		
	As previously reported	Adjustments	As revised
Assets			
<i>Financial Guarantee (HG Global/BAM)</i>			
Financial Guarantee assets	\$ 699.1	\$ —	\$ 699.1
<i>Marketing Technology (MediaAlpha)</i>			
Marketing Technology assets	53.2	—	53.2
<i>Other</i>			
Goodwill	13.4	(5.8)	7.6
Other intangible assets	4.5	(3.4)	1.1
Other assets — commissions receivable	21.4	(17.2)	4.2
Other assets	2,146.3	—	2,146.3
Assets held for sale	3,578.9	—	3,578.9
Total assets	\$ 6,516.8	\$ (26.4)	\$ 6,490.4
Liabilities			
<i>Financial Guarantee (HG Global/BAM)</i>			
Financial Guarantee liabilities	\$ 126.4	\$ —	\$ 126.4
<i>Marketing Technology (MediaAlpha)</i>			
Marketing Technology liabilities	25.6	—	25.6
<i>Other</i>			
Liabilities held for sale	2,535.2	—	2,535.2
Other liabilities	72.1	.3	72.4
Total liabilities	2,759.3	.3	2,759.6
Equity			
White Mountains's common shares	4.6	—	4.6
Paid in surplus	802.5	.7	803.2
Retained earnings	2,821.7	(25.8)	2,795.9
Accumulated other comprehensive income, net of tax	(3.7)	(.7)	(4.4)
White Mountains's common shareholders' equity	3,625.1	(25.8)	3,599.3
Non-controlling interests	132.4	(.9)	131.5
Total equity	3,757.5	(26.7)	3,730.8
Total liabilities and equity	\$ 6,516.8	\$ (26.4)	\$ 6,490.4

Note 18. Subsequent Events

NSM

On April 2, 2018, White Mountains announced it had entered into an agreement to acquire 95% of NSM Insurance Group (“NSM”) for cash in an amount equal to \$368.3 million, subject to certain adjustments. NSM expects to borrow approximately \$100.0 million of third party indebtedness in conjunction with the acquisition which will reduce White Mountains’s net investment to approximately \$273.3 million. The transaction is subject to regulatory approvals and other customary closing conditions and is expected to close by the end of the second quarter of 2018.

Fidus Re

In April 2018, BAM expanded its claims paying resources by \$100.0 million through a collateralized reinsurance agreement with Fidus Re Ltd., a special-purpose insurer created solely to provide collateralized reinsurance protection to BAM.

Tender Offer

On April 10, 2018, White Mountains commenced a modified Dutch tender offer for up to 500,000 White Mountains common shares that will expire on May 7, 2018.

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 include three non-GAAP financial measures (i) adjusted book value per share, (ii) adjusted capital, and (iii) adjusted earnings before interest, taxes, depreciation and amortization, and non-cash equity-based compensation expense (“Adjusted EBITDA”), that have been reconciled from their most comparable GAAP financial measures on page 56. 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, 2018 AND 2017

Overview

White Mountains is engaged in the business of making opportunistic and value-oriented acquisitions of businesses and assets in the insurance, financial services and related sectors, operating these businesses and assets through our subsidiaries and, if and when attractive exit valuations become available, disposing of these businesses and assets.

White Mountains ended the first quarter of 2018 with book value per share of \$916 and adjusted book value per share of \$903. Book value per share and adjusted book value per share decreased 2% and 1% for the quarter, including dividends. The decreases were driven primarily by investment results.

Gross written premiums and MSC in the HG Global/BAM segment totaled \$11 million in the first quarter of 2018, compared to \$28 million in the first quarter of 2017, reflecting a market-wide drop in new-issue municipal volume, as the uncertainty over tax reform caused many issuers to pull forward planned 2018 issuance volume into 2017. BAM insured municipal bonds with par value of \$1.3 billion in the first quarter of 2018, compared to \$2.4 billion in the first quarter of 2017. Total pricing, which is premiums plus MSC, including the present value of future installment MSC not yet collected, weighted by the par value of municipal bonds insured, was 96 basis points in the first quarter of 2018, compared to 119 basis points in the first quarter of 2017. Pricing in the primary market increased to 72 basis points in the first quarter of 2018, up from 59 basis points in the first quarter of 2017. BAM’s total claims paying resources were \$709 million at March 31, 2018, compared to \$708 million at December 31, 2017 and \$662 million at March 31, 2017.

MediaAlpha reported break-even GAAP pre-tax income and adjusted EBITDA of \$10 million in the first quarter of 2018, compared to GAAP pre-tax loss of \$1 million and adjusted EBITDA of \$2 million in the first quarter of 2017. MediaAlpha reported revenues of \$72 million in the first quarter of 2018, compared to \$33 million in the first quarter of 2017. The increases in GAAP pre-tax income, adjusted EBITDA and revenues were primarily driven by growth in the P&C vertical and the Health, Medicare and Life vertical, (which includes the impact of the acquisition of assets from Healthplans.com in the fourth quarter of 2017). Also in the first quarter of 2018, MediaAlpha recognized \$6 million of non-cash equity-based compensation expense that is excluded from adjusted EBITDA.

The pre-tax total return on invested assets was -1.0% in the first quarter of 2018 compared to 1.5% in the first quarter of 2017. White Mountains’s fixed income portfolio returned -0.7% for the first quarter of 2018 and 0.9% for the first quarter of 2017, outperforming the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index returns of -1.1% and 0.7%. White Mountains’s portfolio of common equity securities returned -0.9% for the first quarter of 2018, and 6.1% for the first quarter of 2017, essentially in-line with the S&P 500 Index returns of -0.8% and 6.1%. Other long-term investments were down -2.8% for the first quarter of 2018, principally driven by losses from currency hedges, which have since been closed out in connection with the liquidation of White Mountains’s sterling-denominated bond portfolio. White Mountains’s other long-term investments portfolio returned 1.0% for the first quarter of 2017. The results were primarily attributable to favorable private equity fund returns, partially offset by unfavorable results from unconsolidated private capital investments, unfavorable mark-to-market adjustments to the OneBeacon surplus notes and losses from foreign currency forward contracts.

Subsequent Events

NSM

On April 2, 2018, White Mountains announced an agreement to acquire 95% of NSM for cash in an amount equal to \$368 million, subject to certain adjustments. NSM expects to borrow approximately \$100 million of third party indebtedness in conjunction with the acquisition which will reduce White Mountains's net investment to approximately \$273 million. NSM is a full-service MGU and program administrator for specialty property & casualty insurance, with over \$500 million of controlled premiums. NSM manages all aspects of the placement process on behalf of its carrier partners, including product development, marketing, underwriting, policy issuance, and claims. The company specializes in niche sectors such as collector cars, social services and behavioral health, specialty real estate, sports and fitness centers, and pet insurance.

Fidus Re

In April 2018, BAM expanded its claims-paying resources by \$100 million through a collateralized reinsurance agreement with Fidus Re Ltd., a special-purpose insurer created solely to provide collateralized excess-of-loss reinsurance protection to BAM.

Tender Offer

On April 10, 2018, White Mountains commenced a modified Dutch tender offer for up to 500,000 White Mountains common shares that will expire on May 7, 2018.

Adjusted Book Value Per Share

During the second quarter of 2017, White Mountains changed its calculation of adjusted book value per share (i) to include a discount for the time value of money arising from the expected timing of cash payments of principal and interest on the BAM Surplus Notes and (ii) to add back the unearned premium reserve, net of deferred acquisition costs, at HG Global. See **NON-GAAP FINANCIAL MEASURES** on page 56.

The following table presents White Mountains's book value per share and reconciles it to adjusted book value per share, a non-GAAP measure.

	March 31, 2018	December 31, 2017	March 31, 2017
Book value per share numerators (in millions):			
White Mountains's common shareholders' equity	\$ 3,439.0	\$ 3,492.5	\$ 3,599.3
Time-value of money discount on expected future payments on the BAM Surplus Notes ⁽¹⁾	(154.1)	(157.0)	N/A
HG Global's unearned premium reserve ⁽¹⁾	106.8	103.9	N/A
HG Global's net deferred acquisition costs ⁽¹⁾	(25.2)	(24.3)	N/A
Adjusted book value per share numerator	\$ 3,366.5	\$ 3,415.1	\$ 3,599.3
Book value per share denominators (in thousands of shares):			
Common shares outstanding	3,753.4	3,750.2	4,572.8
Unearned restricted shares	(26.2)	(16.8)	(34.7)
Adjusted book value per share denominator	3,727.2	3,733.4	4,538.1
GAAP book value per share	\$ 916.24	\$ 931.30	\$ 787.13
Adjusted book value per share	\$ 903.22	\$ 914.75	\$ 793.15
Year-to-date dividends paid per share	\$ 1.00	\$ 1.00	\$ 1.00

⁽¹⁾ Amount reflects White Mountains's ownership in HG Global of 96.9%.

Goodwill and Other Intangible Assets

The following table presents a summary of goodwill and other intangible assets that are included in White Mountains's book value as of March 31, 2018, December 31, 2017, and March 31, 2017:

Millions	March 31, 2018	December 31, 2017	March 31, 2017
Goodwill			
MediaAlpha	\$ 18.3	\$ 18.3	\$ 18.3
Other	7.6	7.6	7.6
Total goodwill	25.9	25.9	25.9
Other intangible assets			
MediaAlpha	32.5	35.4	15.9
Other	.8	.8	1.1
Total other intangible assets	33.3	36.2	17.0
Total goodwill and other intangible assets⁽¹⁾	59.2	62.1	42.9
Goodwill and other intangible assets held for sale	—	—	.9
Goodwill and other intangible assets attributed to non-controlling interests	(21.1)	(21.1)	(16.2)
Goodwill and other intangible assets included in White Mountains's common shareholders' equity	\$ 38.1	\$ 41.0	\$ 27.6

⁽¹⁾ See Note 4 — “Goodwill and Other Intangible Assets” for details of other intangible assets.

Summary of Consolidated Results

The following table presents White Mountains's consolidated financial results for the three months ended March 31, 2018 and 2017:

Millions	Three Months Ended	
	March 31,	
	2018	2017
Revenues		
Financial Guarantee revenues	\$ (1.0)	\$ 6.3
Marketing Technology revenues	71.7	32.5
Other revenues	(28.6)	50.0
Total revenues	42.1	88.8
Expenses		
Financial Guarantee expenses	13.3	11.9
Marketing Technology expenses	71.9	33.5
Other expenses	22.9	47.0
Total expenses	108.1	92.4
Pre-tax (loss) income		
Financial Guarantee pre-tax loss	(14.3)	(5.6)
Marketing Technology pre-tax loss	(.2)	(1.0)
Other pre-tax (loss) income	(51.5)	3.0
Total pre-tax loss	(66.0)	(3.6)
Income tax (expense) benefit	(.7)	.3
Net loss from continuing operations	(66.7)	(3.3)
Gain (loss) on sale of discontinued operations, net of tax	.1	(1.0)
Net income from discontinued operations, net of tax	—	32.3
Net (loss) income	(66.6)	28.0
Net loss attributable to non-controlling interests	18.6	1.0
Net (loss) income attributable to White Mountains's common shareholders	(48.0)	29.0
Other comprehensive income, net of tax	—	.1
Other comprehensive income from discontinued operations, net of tax	—	.1
Comprehensive (loss) income	(48.0)	29.2
Comprehensive income attributable to non-controlling interests	—	—
Comprehensive (loss) income attributable to White Mountains's common shareholders	\$ (48.0)	\$ 29.2

I. Summary of Operations By Segment

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

As a result of the OneBeacon, Sirius Group and Tranzact transactions, the results of operations for OneBeacon, 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 16 — "Held for Sale and Discontinued Operations"**.

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, 2018 and 2017:

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

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

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 gains	.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 collected ⁽¹⁾	\$ —	\$ 9.6	\$ —	\$ 9.6

⁽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, 2018 versus Three Months Ended March 31, 2017

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

Written premiums and MSC in the HG Global/BAM segment were \$11 million in 2018, compared to \$28 million in 2017, primarily due to a market wide decrease in new issuance volume, as the uncertainty over tax reform caused many issuers to pull forward planned 2018 issuance volume into 2017. Under tax laws effective in 2018, interest income received by investors on new bonds that are issued to refinance existing municipal bonds and are issued more than 90 days before the refinanced municipal bond is scheduled to be redeemed ("advance refundings") are now treated as taxable income to the investor.

Total pricing, which is premiums plus MSC, including the present value of future installment MSC not yet collected, weighted by the par value of municipal bonds insured, was 96 basis points in 2018, down from 119 basis points in 2017. Pricing in the primary market increased to 72 basis points in the first quarter of 2018, up from 59 basis points in the first quarter of 2017. In the first quarter of 2018, BAM insured \$1.3 billion of municipal bonds, \$1.1 billion of which were in the primary market, compared to \$2.4 billion of municipal bonds, \$2.0 billion of which were in the primary market, insured in the first quarter of 2017.

The following table presents the gross par value of primary and secondary market policies issued, the gross written premiums plus MSC and total pricing for the three months ended March 31, 2018 and 2017:

\$ in millions	Three Months Ended March 31,	
	2018	2017
Gross par value of primary market policies issued	\$ 1,149.5	\$ 2,041.0
Gross par value of secondary market policies issued	148.6	338.1
Total gross par value of market policies issued	\$ 1,298.1	\$ 2,379.1
Gross written premiums	\$ 6.4	\$ 18.7
MSC collected	4.9	9.6
Total gross written premiums and MSC	\$ 11.3	\$ 28.3
Total pricing ⁽¹⁾	96 bps	119 bps

⁽¹⁾ Total pricing also includes the present value of future installment MSC not yet collected of \$1.2 for the first quarter of March 31, 2018.

HG Global reported GAAP pre-tax income of \$5 million in the first quarter of 2018, compared to \$7 million the first quarter of 2017. The decrease in pre-tax income was primarily due to lower returns in HG Global's investment portfolio. Results for the first quarter of 2018 include \$6 million of interest income on the BAM Surplus Notes, compared to \$5 million of interest income in the first quarter of 2017.

BAM is a mutual insurance company that is owned by its members. BAM's results are consolidated into White Mountains's GAAP financial statements and attributed to non-controlling interests. White Mountains reported \$19 million of GAAP pre-tax loss from BAM in the first quarter of 2018, compared to \$12 million in the first quarter of 2017. The increase in pre-tax loss was primarily due to lower returns in BAM's investment portfolio. Results for the first quarter of 2018 include \$6 million of interest expense on the BAM Surplus Notes and \$11 million of operating expenses, compared to \$5 million of interest expense and \$10 million of operating expenses in the first quarter of 2017.

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 MSC, net unearned premiums, contingency reserves, present value of future installment premiums and MSC and the first loss reinsurance protection provided by HG Re, which is collateralized and held in trusts.

In April 2018, BAM expanded its claims paying resources by \$100.0 million through a collateralized reinsurance agreement with Fidus Re Ltd., a special-purpose insurer created solely to provide collateralized reinsurance protection to BAM.

As of March 31, 2018, BAM's claims paying resources increased to \$709 million from \$708 million as of December 31, 2017. The increase was primarily driven by a \$2 million increase in present value of future installment premiums and MSC and a \$1 million increase in the collateral trusts at statutory value, partially offset by a \$3 million decrease in qualified statutory capital.

The following table presents BAM's total claims paying resources as of March 31, 2018 and December 31, 2017:

Millions	March 31, 2018	December 31, 2017
Policyholders' surplus	\$ 420.9	\$ 427.3
Contingency reserve	37.9	34.8
Qualified statutory capital	458.8	462.1
Net unearned premiums	31.0	30.5
Present value of future installment premiums and MSC	10.9	9.0
Collateral trusts at statutory value	208.2	206.8
Claims paying resources	\$ 708.9	\$ 708.4

As of March 31, 2017, BAM's claims paying resources increased to \$662 million from \$644 million as of December 31, 2016. The increase was primarily driven by a \$12 million increase in the collateral trusts at statutory value and an increase of \$6 million in net unearned statutory premiums.

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 statutory premiums	29.2	23.2
Present value of future installment premiums and MSC	3.3	3.3
Collateral trusts at statutory value	175.0	163.0
Claims paying resources	\$ 662.2	\$ 643.7

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, 2018 and December 31, 2017:

Millions	March 31, 2018			
	HG Global	BAM	Eliminations and Segment Adjustment	Total
Assets				
Fixed maturity investments	\$ 167.5	\$ 454.6	\$ —	\$ 622.1
Short-term investments	39.2	48.8	—	88.0
Total investments	206.7	503.4	—	710.1
Cash	1.2	8.2	—	9.4
BAM Surplus Notes	499.0	—	(499.0)	—
Accrued interest receivable on BAM Surplus Notes	131.7	—	(131.7)	—
Deferred acquisition costs	26.0	15.9	(26.0)	15.9
Insurance premiums receivable	3.1	5.4	(3.3)	5.2
Accounts receivable on unsettled investment sales	—	—	—	—
Other assets	1.2	8.3	—	9.5
Total assets	\$ 868.9	\$ 541.2	\$ (660.0)	\$ 750.1
Liabilities				
BAM Surplus Notes ⁽¹⁾	\$ —	\$ 499.0	\$ (499.0)	\$ —
Accrued interest payable on BAM Surplus Notes ⁽²⁾	—	131.7	(131.7)	—
Preferred dividends payable to White Mountains's subsidiaries ⁽³⁾	240.3	—	—	240.3
Preferred dividends payable to non-controlling interests	8.2	—	—	8.2
Unearned insurance premiums	110.2	30.0	—	140.2
Accounts payable on unsettled investment purchases	2.2	16.6	—	18.8
Other liabilities	.3	41.4	(29.3)	12.4
Total liabilities	361.2	718.7	(660.0)	419.9
Equity				
White Mountains's common shareholders' equity	492.0	—	—	492.0
Non-controlling interests	15.7	(177.5)	—	(161.8)
Total equity	507.7	(177.5)	—	330.2
Total liabilities and equity	\$ 868.9	\$ 541.2	\$ (660.0)	\$ 750.1

⁽¹⁾ Under GAAP, the BAM Surplus Notes are classified as debt by the issuer. Under U.S. Statutory accounting, they are classified as policyholders' 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⁾ For segment reporting, the HG Global preferred dividend receivable at White Mountains is reclassified from the Other Operations segment to the HG Global/BAM segment. Dividends on HG Global preferred shares payable to White Mountains's subsidiaries are eliminated in White Mountains's consolidated financial statements.

Millions	December 31, 2017			
	HG Global	BAM	Eliminations and Segment Adjustment	Total Segment
Assets				
Fixed maturity investments	\$ 175.5	\$ 448.1	\$ —	\$ 623.6
Short-term investments	28.5	41.3	—	69.8
Total investments	204.0	489.4	—	693.4
Cash	1.9	23.7	—	25.6
BAM Surplus Notes	499.0	—	(499.0)	—
Accrued interest receivable on BAM Surplus Notes	126.0	—	(126.0)	—
Deferred acquisition costs	25.1	14.9	(25.2)	14.8
Insurance premiums receivable	2.7	4.7	(2.9)	4.5
Accounts receivable on unsettled investment sales	—	.1	—	.1
Other assets	.8	8.2	—	9.0
Total assets	\$ 859.5	\$ 541.0	\$ (653.1)	\$ 747.4
Liabilities				
BAM Surplus Notes ⁽¹⁾	\$ —	\$ 499.0	\$ (499.0)	\$ —
Accrued interest payable on BAM Surplus Notes ⁽²⁾	—	126.0	(126.0)	—
Preferred dividends payable to White Mountains's subsidiaries ⁽³⁾	227.9	—	—	227.9
Preferred dividends payable to non-controlling interests	7.7	—	—	7.7
Unearned insurance premiums	107.2	29.6	—	136.8
Accounts payable on unsettled investment purchases	—	.6	—	.6
Other liabilities	1.0	49.0	(28.1)	21.9
Total liabilities	343.8	704.2	(653.1)	394.9
Equity				
White Mountains's common shareholders' equity	499.8	—	—	499.8
Non-controlling interests	15.9	(163.2)	—	(147.3)
Total equity	515.7	(163.2)	—	352.5
Total liabilities and equity	\$ 859.5	\$ 541.0	\$ (653.1)	\$ 747.4

⁽¹⁾ Under GAAP, the BAM Surplus Notes are classified as debt by the issuer. Under U.S. Statutory accounting, they are classified as policyholders' 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⁾ For segment reporting, the HG Global preferred dividend receivable at White Mountains is reclassified from the Other Operations segment to the HG Global/BAM segment. Dividends on HG Global preferred shares payable to White Mountains's subsidiaries are eliminated in White Mountains's consolidated financial statements.

The following table presents the gross par value of policies priced and closed by BAM for the three months ended March 31, 2018 and 2017:

Millions	Three Months Ended March 31,	
	2018	2017
Gross par value of primary market policies issued	\$ 1,149.5	\$ 2,041.0
Gross par value of secondary market policies issued	148.6	338.1
Total gross par value of policies issued	1,298.1	2,379.1
Gross par value of policies priced yet to close	366.4	328.3
Less: Gross par value of policies closed that were previously priced	(114.4)	(353.3)
Total gross par value of policies priced	\$ 1,550.1	\$ 2,354.1

The following table presents the components of GAAP net loss and adjusted EBITDA included in White Mountains's MediaAlpha segment for the three months ended March 31, 2018 and 2017:

Millions	Three Months Ended March 31,	
	2018	2017
Advertising and commission revenues	\$ 70.1	\$ 32.5
Cost of sales	57.4	27.7
Gross profit	12.7	4.8
Other revenue	1.6	—
General and administrative expenses	11.2	3.2
Amortization of other intangible assets	2.9	2.4
Interest expense	.4	.2
GAAP pre-tax loss	(.2)	(1.0)
Income tax expense	—	—
GAAP net loss	(.2)	(1.0)
Add back:		
Non-cash equity-based compensation expense	6.4	—
Interest expense	.4	.2
Income tax expense	—	—
General and administrative expenses —depreciation	—	—
Amortization of other intangible assets	2.9	2.4
Adjusted EBITDA ⁽¹⁾	\$ 9.5	\$ 1.6

⁽¹⁾ See "NON-GAAP FINANCIAL MEASURES" on page 56.

MediaAlpha Results—Three Months Ended March 31, 2018 versus Three Months Ended March 31, 2017

MediaAlpha reported break-even GAAP pre-tax income and adjusted EBITDA of \$10 million in the first quarter of 2018, compared to GAAP pre-tax loss of \$1 million and adjusted EBITDA of \$2 million in the first quarter of 2017. MediaAlpha reported revenues of \$72 million in the first quarter of 2018, compared to \$33 million in first quarter of 2017. The increase in GAAP pre-tax income, adjusted EBITDA and revenues were primarily driven by \$19 million of revenue growth in MediaAlpha's P&C verticals, driven by increased volume from key strategic publishers and improving demand from advertisers, and \$12 million of revenue growth in the Health, Medicare and Life verticals, driven by strong contributions from assets acquired from Healthplans.com in the fourth quarter of 2017.

MediaAlpha's cost of sales is comprised primarily of revenue share based payments to partners. Cost of sales were \$57 million in the first quarter of 2018, compared to \$28 million in the first quarter of 2017. The 104% increase in cost of sales was driven by the 118% increase in revenue. MediaAlpha's general and administrative expenses were \$11 million in the first quarter of 2018, compared to \$3 million in the first quarter of 2017. The increase was primarily driven by the recognition of non-cash equity-based compensation expense of \$6 million.

Other Operations

The following table presents a summary of White Mountains's financial results from its Other Operations segment for the three months ended March 31, 2018 and 2017:

Millions	Three Months Ended	
	March 31,	
	2018	2017
Earned insurance premiums	\$ —	\$ 1.0
Net investment income	16.0	10.2
Net realized and unrealized investment (losses) gains	(45.8)	35.0
Advertising and commission revenues	.9	1.3
Other revenues	.3	2.5
Total revenues	(28.6)	50.0
Loss and loss adjustment expenses	—	1.1
Insurance acquisition expenses	—	.1
Cost of sales	.7	1.1
General and administrative expenses	22.0	44.5
Interest expense	.2	.2
Total expenses	22.9	47.0
Pre-tax income (loss)	\$ (51.5)	\$ 3.0

Other Operations Results—Three Months Ended March 31, 2018 versus Three Months Ended March 31, 2017

White Mountains's Other Operations segment reported pre-tax loss of \$52 million in the first quarter of 2018, compared to pre-tax income of \$3 million in the first quarter of 2017. The change was driven primarily by lower investment returns in the first quarter of 2018, partially offset by a reduction in general and administrative expenses. White Mountains's Other Operations segment reported \$46 million of net realized and unrealized investment losses in the first quarter of 2018, compared to \$35 million of net realized and unrealized investment gains in the first quarter of 2017. White Mountains's Other Operations segment reported \$16 million of net investment income in the first quarter of 2018 compared to net investment income of \$10 million in the first quarter of 2017. The increase was primarily due to dividend income on common equity securities. See **Summary of Investment Results** on page 48. White Mountains's Other Operations segment general and administrative expenses were \$22.0 million in the first quarter of 2018, compared to \$45 million in the first quarter of 2017. The first quarter of 2017 included \$14 million of additional compensation expense related to the retirement of the Company's former Chairman and CEO and higher incentive compensation costs primarily due to a 5% increase in the market price of White Mountains's common shares during the first quarter of 2017 compared to a 3% decrease in the market price in the first quarter of 2018.

II. Summary of Investment Results

White Mountains's total investment results include continuing operations and discontinued operations. OneBeacon's investment results are included in discontinued operations for the first quarter of 2017. For purposes of discussing rates of return, all percentages are presented gross of management fees and trading expenses in order to produce a better comparison to benchmark returns, while all dollar amounts are presented net of management fees and trading expenses.

The following table presents the pre-tax investment returns for White Mountains's consolidated portfolio, including the returns from discontinued operations, for the three months ended March 31, 2018 and 2017:

Gross Investment Returns and Benchmark Returns⁽¹⁾

	Three Months Ended	
	March 31,	
	2018	2017
Total fixed income investments	(0.7)%	0.9%
<i>Bloomberg Barclays U.S. Intermediate Aggregate Index</i>	(1.1)%	0.7%
Common equity securities	(0.9)%	6.1%
Other long-term investments	(2.8)%	1.0%
Total common equity securities and other long-term investments	(1.2)%	4.2%
<i>S&P 500 Index (total return)</i>	(0.8)%	6.1%
Total consolidated portfolio	(1.0)%	1.5%

⁽¹⁾ Effective in the first quarter of 2018, investment returns are calculated using a daily weighted average of investments held. For periods prior to 2018, investment returns are calculated using a quarterly weighted average of investments held.

Investment Returns—Three Months Ended March 31, 2018 versus Three Months Ended March 31, 2017

White Mountains's pre-tax total return on invested assets was -1.0% for the first quarter of 2018 compared to 1.5% for the first quarter of 2017. The returns for the first quarter of 2018 were driven primarily by rising interest rates and declines in equity markets. The returns for the first quarter of 2017 were driven primarily by the equity market rally that followed the U.S. presidential election.

Fixed Income Results

White Mountains maintains a high quality, short-duration fixed income portfolio. As of March 31, 2018, the fixed income portfolio duration, including short-term investments, was 2.8 years compared to 3.4 years as of December 31, 2017 and 2.9 years as of March 31, 2017. The decrease in the duration of the fixed income portfolio over this period was primarily a result of the liquidation of the medium duration GBP investment grade corporate bond mandate in the first quarter of 2018.

White Mountains's fixed income portfolio returned -0.7% for the first quarter of 2018, outperforming the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index return of -1.1% as interest rates rose during the period. White Mountains's 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%.

In the fourth quarter of 2017, White Mountains established a U.S. investment grade corporate bond portfolio with Principal Global Investors, LLC ("Principal"), a third party manager. As of March 31, 2018, the fair value of the Principal investment grade corporate bond investments was \$242 million and the duration of the Principal investment grade corporate bond portfolio was approximately 4.4 years.

In the fourth quarter of 2016, White Mountains established a medium duration GBP investment grade corporate bond mandate with Legal & General Investment Management, Ltd. ("LGIM"), a third-party manager. White Mountains also entered into a foreign currency forward contract, which was recorded in other long-term investments, to manage its GBP foreign currency exposure relating to this mandate. In the first quarter of 2018, White Mountains liquidated the LGIM portfolio and closed the associated foreign currency forward contract.

In the third quarter of 2016, White Mountains established a relatively concentrated portfolio of high-yield fixed maturity investments managed by Principal. The portfolio 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 S&P or similar ratings from other rating agencies. As of March 31, 2018, the fair value of the Principal high-yield fixed maturity investments was \$200 million and the duration of the Principal high-yield portfolio was approximately 4.6 years.

Common Equity Securities and Other Long-Term Investments Results

White Mountains maintains a portfolio of common equity securities and other long-term investments. White Mountains's management believes that prudent levels of investments in common equity securities and other long-term investments are likely to enhance long-term after-tax total returns.

White Mountains's portfolio of common equity securities and other long-term investments returned -1.2% for the first quarter of 2018 and 4.2% for the first quarter of 2017. White Mountains's portfolio of common equity securities and other long-term investments represented approximately 36%, 32% and 17% of total invested assets as of March 31, 2018, December 31, 2017 and March 31, 2017. The increase in the percentage of this portfolio is primarily attributable to management's decision to add equity exposure over the period and a decline in the investment asset base due to the OneBeacon Transaction and share repurchase activity.

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 managers. White Mountains's portfolio of common equity securities returned -0.9% for the first quarter of 2018, essentially in-line with the S&P 500 Index return of -0.8%. White Mountains's portfolio of common equity securities returned 6.1% for the first quarter of 2017, also in-line with the S&P 500 Index return of 6.1%.

White Mountains's portfolio of ETFs seeks to provide investment results that, before expenses, generally correspond to the performance of broad market indices. As of March 31, 2018 and December 31, 2017, White Mountains had approximately \$653 million and \$570 million invested in ETFs. In the first quarter of 2018 and 2017, 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 common equity manager relationships (the "actively managed common equity portfolios") have been with Silchester International Investors ("Silchester"), who invests in value-oriented non-U.S. equity securities through a unit trust, and Lateef Investment Management, 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 third-party manager 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. In September 2017, White Mountains terminated its relationship with Lazard in order to concentrate its non-U.S. equity exposure in small to mid-cap international equities through other third-party managers. During the third quarter of 2017 and prior to terminating Lazard, White Mountains established a new third-party manager relationship with Highclere International Investors ("Highclere"), who invests in small to mid-cap equity securities listed in markets outside of the United States and Canada through a unit trust.

White Mountains's actively managed common equity portfolios returned -0.4% for the first quarter of 2018 and 6.9% for the first quarter 2017, outperforming the S&P 500 Index return of -0.8% and 6.1% for the comparable periods.

White Mountains entered into foreign currency forward contracts, which were recorded in other long-term investments, to manage its foreign currency exposure relating to the common equity portfolio managed by Lazard and a portion of the common equity portfolios managed by Silchester and Highclere. These foreign currency forward contracts were closed as of December 31, 2017.

White Mountains maintains a portfolio of other long-term investments that primarily consists of one hedge fund, private equity funds and unconsolidated private capital investments. As of March 31, 2018, approximately 52% of these other long-term investments were in one long-short hedge fund and ten private equity funds, with a general emphasis on narrow, sector-focused funds.

White Mountains's other long-term investments portfolio returned -2.8% for the first quarter of 2018. The results were primarily attributable to losses from the foreign currency forward contract closed during the period and unfavorable results from unconsolidated private capital investments. White Mountains's other long-term investments portfolio returned 1.0% for the first quarter of 2017. The results were primarily attributable to favorable private equity fund returns, partially offset by unfavorable results from unconsolidated private capital investments, unfavorable mark-to-market adjustments to the OneBeacon surplus notes and losses from foreign currency forward contracts.

Foreign Currency Translation

As of March 31, 2018, White Mountains had gross foreign currency exposure on approximately \$233 million of net assets relating to common equity securities managed by Silchester and Highclere and various other consolidated and unconsolidated private capital investments.

White Mountains may enter into foreign currency forward contracts to mitigate its foreign currency exposure on certain invested assets. In the fourth quarter of 2017, White Mountains closed the foreign currency forward contracts associated with the investment assets managed by Silchester and Highclere. In the first quarter of 2018, in conjunction with the liquidation of the GBP investment grade corporate bond mandate, White Mountains closed the associated foreign currency forward contract.

The following table presents the fair value of White Mountains's foreign denominated assets as of March 31, 2018:

Currency ⁽¹⁾		
\$ in millions	Fair Value	% of Common Shareholders' Equity
JPY	\$ 66.4	1.9%
EUR	53.3	1.6
GBP	48.8	1.4
All other	64.7	1.9
Total	\$ 233.2	6.8%

⁽¹⁾ Includes net assets of Wobi and Buzzmove.

Income Taxes

The Company and its Bermuda domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. If 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 United Kingdom and the United States.

White Mountains's income tax expense related to pre-tax loss from continuing operations for the three months ended March 31, 2018 represented an effective tax rate of (1.1)%. The effective tax rate was different from the U.S. statutory rate of 21%, primarily due to a full valuation allowance on all net deferred tax assets at U.S. operations, withholding taxes and a tax benefit recorded at BAM. For BAM, MSC and the related taxes thereon are recorded directly to non-controlling interest equity, while the valuation allowance on such taxes is recorded through the income statement. For the three months ended March 31, 2018, BAM recorded a tax benefit of \$1 million associated with the valuation allowance on taxes related to MSC that is included in the effective tax rate. See **Note 6 — "Income Taxes"**.

White Mountains's income tax benefit related to pre-tax loss from continuing operations for the three months ended March 31, 2017 represented an effective tax rate of 8.3%. The effective tax rate was different from the U.S. statutory rate of 35%, primarily due to a full valuation allowance on all net deferred tax assets at U.S. operations and a tax benefit recorded at BAM. For BAM, MSC and the related taxes thereon are recorded directly to non-controlling interest equity, while the valuation allowance on such taxes is recorded through the income statement. For the three months ended March 31, 2017, BAM recorded a tax benefit of \$3 million associated with the valuation allowance on taxes related to MSC that is included in the effective tax rate. See **Note 6 — "Income Taxes"**.

Discontinued Operations

OneBeacon

On September 28, 2017, White Mountains received \$1.3 billion in cash proceeds from the OneBeacon Transaction and recorded a gain of \$555 million, net of transaction costs. As a result of the OneBeacon Transaction, OneBeacon's results have been reported as discontinued operations within White Mountains's GAAP financial statements. In the first quarter of 2017, White Mountains reported net income of \$32 million from OneBeacon in discontinued operations. See **Note 16 — "Held for Sale and Discontinued Operations"**.

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 operating subsidiaries, capital raising activities, net investment income, proceeds from sales, repayments and maturities of investments and, from time to time, proceeds from 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, distributions to non-controlling interest holders of 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 reinsurance and other operating subsidiaries are expected to be premium and fee collections, net investment income, proceeds from sales, repayments and maturities of investments, contributions from holding companies, capital raising activities and, from time to time, proceeds from sales of operating subsidiaries. The primary uses of cash are expected to be loss payments, policy acquisition and other underwriting costs, cost of sales, 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. Premium and fee levels, loss payments, cost of sales and investment returns may be impacted by changing rates of inflation and other economic conditions. Some time may lapse between the occurrence of an insured loss, the reporting of the loss to White Mountains and the settlement of the liability for that loss. The exact timing of the payment of losses and benefits cannot be predicted with certainty. White Mountains's reinsurance subsidiary maintains a portfolio of invested assets with varying maturities and a substantial amount of cash and short-term investments to provide adequate liquidity for the payment of losses.

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

Dividend Capacity

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

HG Global/BAM

At March 31, 2018, 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 2018. As of March 31, 2018, HG Global has accrued \$248 million of dividends payable to holders of its preferred shares, \$240 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 FLRT with BAM. As of March 31, 2018, HG Re had statutory capital and surplus of \$681 million, \$722 million of assets held in the collateral trusts pursuant to the FLRT with BAM and less than \$1 million of cash and investments outside the collateral trusts.

BAM repaid \$4.0 million of the BAM Surplus Notes and \$1.0 million of the related accrued interest during the year ended December 31, 2017. There were no repayments for the three months ended March 31, 2018.

MediaAlpha

During the first three months of 2018, MediaAlpha did not pay any dividends to its shareholders. As of March 31, 2018, MediaAlpha had \$16 million of net unrestricted cash.

Other Operations

During the first quarter of 2018, White Mountains paid a \$4 million common share dividend. As of March 31, 2018, the Company and its intermediate holding companies had \$1,470 million of net unrestricted cash, short-term investments and fixed maturity investments, \$946 million of common equity securities and \$64 million of other long-term investments included in its Other Operations segment.

Financing

The following table presents White Mountains's capital structure as of March 31, 2018 and December 31, 2017:

(\$ in millions)	March 31, 2018	December 31, 2017
WTM Bank Facility	\$ —	\$ —
MediaAlpha Bank Facility, carrying value	21.5	23.8
Total debt	21.5	23.8
Non-controlling interests—other, excluding BAM	34.3	31.5
Total White Mountains's common shareholders' equity	3,439.0	3,492.5
Total capital	3,494.8	3,547.8
Time-value discount on expected future payments on the BAM Surplus Notes ⁽¹⁾	(154.1)	(157.0)
HG Global's unearned premium reserve ⁽¹⁾	106.8	103.9
HG Global's net deferred acquisition costs ⁽¹⁾	(25.2)	(24.3)
Total adjusted capital	<u>\$ 3,422.3</u>	<u>\$ 3,470.4</u>
Total debt to total adjusted capital	0.6%	0.7%

⁽¹⁾ Amount reflects White Mountains's ownership in HG Global of 96.9%.

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

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. As of March 31, 2018, the WTM Bank Facility was undrawn. On April 10, 2018, White Mountains commenced a modified Dutch tender offer (the "Tender Offer") for up to 500,000 White Mountains common shares that will expire on May 7, 2018. White Mountains expects to terminate the WTM Bank Facility in conjunction with the completion of the Tender Offer.

The WTM Bank Facility contains various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards. 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 Bank Facility, which would allow lenders to declare any amounts owed under the WTM Bank Facility to be immediately due and payable. In addition, a default under the WTM Bank Facility 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.

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

On May 12, 2017, MediaAlpha entered into a secured credit facility (the "MediaAlpha Bank Facility") with Western Alliance Bank, which had a total commitment of \$20 million and a maturity date of May 12, 2020. On October 5, 2017, MediaAlpha refinanced the MediaAlpha Bank Facility in order to fund the acquisition of certain assets associated with the Health, Life and Medicare insurance business of Healthplans.com. The total commitment of the MediaAlpha Bank Facility was increased to \$28 million and the maturity date was extended to October 6, 2020. The MediaAlpha Bank Facility consists of an \$18 million term loan facility, which has an outstanding balance of \$17 million as of March 31, 2018, and a revolving loan facility for \$10 million, which has an outstanding balance of \$5 million as of March 31, 2018.

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.

Covenant Compliance

As of March 31, 2018, White Mountains was in compliance with all of the covenants under all of its debt instruments.

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, 2018, White Mountains may repurchase an additional 643,130 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 Tender Offer that commenced on April 10, 2018 does not impact the remaining number of shares authorized for repurchase.

The following table presents common shares repurchased by the Company through the first 4 months of 2018 and 2017, as well as the average price per share as a percent of adjusted book value per share.

Dates	Shares Repurchased	Cost (millions)	Average price per share	Adjusted book value per share ⁽¹⁾
1st quarter 2018 ⁽²⁾	9,965	\$ 8.4	\$ 840.63	93%
April 2018	—	—	—	N/A
Year-to-date April 30, 2018	9,965	\$ 8.4	\$ 840.63	93%
1st quarter 2017 ⁽²⁾	7,699	\$ 6.5	\$ 836.05	105%
April 2017	—	—	—	—%
Year-to-date April 30, 2017	7,699	\$ 6.5	\$ 836.05	105%

⁽¹⁾ Average price per share is expressed as a percentage of White Mountains's adjusted book value per share as of March 31, 2018 for the 2018 periods presented and as of March 31, 2017 for the 2017 periods presented.

⁽²⁾ Includes 9,965 and 7,699 common shares repurchased by the Company during the first four months of 2018 and 2017 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, 2018 and 2017 follows:

Cash flows from continuing operations for the three months ended March 31, 2018 and March 31, 2017

Net cash used for continuing operations was \$45 million in the first three months of 2018 and \$55 million in the first three months of 2017. Cash used for continuing operations decreased in the first three months of 2018 compared to the first three months of 2017, primarily due to the \$21 million employee retirement payment paid in the first quarter of 2017 relative to 2018, which was partially offset by increased long-term incentive payments in 2018. White Mountains made long-term incentive payments totaling \$28 million and \$21 million during the first three months of 2018 and 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, 2018

Financing and Other Capital Activities

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

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

During the first three months of 2018, BAM received \$5 million in surplus contributions from its members.

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

During the first three months of 2018, Wobi borrowed 10 million Israeli New Shekels ("ILS") (approximately \$3 million) from White Mountains under an internal credit facility.

Acquisitions and Dispositions

During the first three months of 2018, White Mountains paid \$42 million in connection with the DavidShield transaction.

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

Financing and Other Capital Activities

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

During the first three months of 2017, White Mountains repurchased and retired 7,699 of its common shares for \$7 million, all of which were repurchased under employee benefit plans for statutory withholding tax payments.

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

During the first three months of 2017, MediaAlpha paid \$0.7 million of dividends, of which \$0.4 million was paid to White Mountains. During the first three months of 2017, MediaAlpha repaid \$1 million under the MediaAlpha Bank Facility.

During the first three months of 2017, Wobi borrowed ILS 15 million (approximately \$4 million) from White Mountains under an internal credit facility.

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

As of March 31, 2018, approximately 92% of the investment portfolio recorded at fair value was priced based upon quoted market prices or other observable inputs. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, short-term investments, which include U.S. Treasury Bills and common equity securities. Investments valued using Level 2 inputs include fixed maturity investments, which have been disaggregated into classes, including debt securities issued by corporations, mortgage and asset-backed securities, municipal obligations, and foreign government, agency and provincial obligations. 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, which 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. Investments valued using Level 3 fair value estimates are based upon unobservable inputs and include investments in certain fixed maturity investments, 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 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. For more detail on the techniques and inputs specific to asset classes within White Mountains's fixed maturity investments. See **Note 3 — "Investment Securities."**

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.

NON-GAAP FINANCIAL MEASURES

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

Adjusted book value per share is a non-GAAP financial measure which is derived by adjusting (i) the GAAP book value per share numerator and (ii) the common shares outstanding denominator, as described below. Beginning in 2017, the GAAP book value per share numerator has been adjusted (i) to include a discount for the time value of money arising from the expected timing of cash payments of principal and interest on the BAM surplus notes and (ii) to add back the unearned premium reserve, net of deferred acquisition costs, at HG Global. Under GAAP, White Mountains is required to carry the BAM surplus notes, including accrued interest, at nominal value with no consideration for time value of money. Based on a debt service model that forecasts operating results for BAM through maturity of the surplus notes, the present value of the BAM surplus notes, including accrued interest, was estimated to be \$159 million and \$162 million less than the nominal GAAP carrying values as of March 31, 2018 and December 31, 2017, respectively. The value of HG Global's unearned premium reserve, net of deferred acquisition costs, was \$84 million and \$82 million as of March 31, 2018 and December 31, 2017, respectively. White Mountains believes these adjustments are useful to management and investors in analyzing the intrinsic value of HG Global, including the value of the surplus notes and the value of the in-force business at HG Re, HG Global's reinsurance subsidiary. The denominator used in the calculation of adjusted book value per share equals the number of common shares outstanding adjusted to exclude unearned restricted common shares, the compensation cost of which, at the date of calculation, has yet to be amortized. The reconciliation of GAAP book value per share to adjusted book value per share is included on page 39.

Adjusted EBITDA is defined as net income (loss) excluding interest expense on debt, income tax benefit (expense), depreciation and amortization, and non-cash equity-based compensation expense. White Mountains believes that this non-GAAP financial measure is useful to management and investors in analyzing MediaAlpha's economic performance without the effects of interest rates, levels of debt, effective tax rates, depreciation and amortization primarily resulting from purchase accounting, or non-cash equity-based compensation. In addition, White Mountains believes that investors use adjusted EBITDA as a supplemental measurement to evaluate the overall operating performance of companies within the same industry. The reconciliation of MediaAlpha's GAAP net income to adjusted EBITDA is included on page 46.

Total capital at White Mountains is comprised of White Mountains's common shareholders' equity, debt and non-controlling interests other than non-controlling interests attributable to mutuals and reciprocals. Total adjusted capital is a non-GAAP financial measure, which is derived by adjusting total capital (i) to include a discount for the time value of money arising from the expected timing of cash payments of principal and interest on the BAM Surplus Notes and (ii) to add back the unearned premium reserve, net of deferred acquisition costs, at HG Global. The reconciliation of total capital to total adjusted capital is included on page 52.

CRITICAL ACCOUNTING ESTIMATES

Refer to the Company's 2017 Annual Report on Form 10-K for a complete discussion regarding White Mountains's critical accounting estimates.

FORWARD-LOOKING STATEMENTS

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

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

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

- the risks that are described from time to time in White Mountains’s filings with the Securities and Exchange Commission, including but not limited to White Mountains’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- competitive forces, including the conduct of other insurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to White Mountains, its competitors or its customers;
- an economic downturn or other economic conditions adversely affecting its financial position; and
- other factors, most of which are beyond White Mountains’s control.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Refer to White Mountains’s 2017 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, 2018.

Part II. OTHER INFORMATION**Item 1. Legal Proceedings.**

None.

Item 1A. Risk Factors.

There have been no material changes to any of the risk factors previously disclosed in the Registrant’s 2017 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, 2018	7,763	\$ 851.28	—	643,130
February 1-February 28, 2018	2,202	\$ 803.10	—	643,130
March 1-March 31, 2018	—	\$ —	—	643,130
Total	9,965	\$ 840.63	—	643,130

⁽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
	10	— Unit Purchase Agreement, dated as of March 31, 2018, by and among NSM Acquisition Holdings, LLC, AIG Property Casualty U.S., Inc, each management seller, NSM Insurance HoldCo, LLC, White Mountains Catskill Holdings, Inc., the Company, and ABRY Partners VIII, L.P. *
	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, 2018 formatted in XBRL: (i) Consolidated Balance Sheets, March 31, 2018 and December 31, 2017; (ii) Consolidated Statements of Operations and Comprehensive Income, Three Months Ended March 31, 2018 and 2017; (iii) Consolidated Statements of Changes in Equity, Three Months Ended March 31, 2018 and 2017; (iv) Consolidated Statements of Cash Flows, Three Months Ended March 31, 2018 and 2017; 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 9 — “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, 2018

By: /s/ J. Brian Palmer

J. Brian Palmer

Managing Director and Chief Accounting Officer

UNIT PURCHASE AGREEMENT

BY AND AMONG

NSM ACQUISITION HOLDINGS, LLC,

AIG PROPERTY CASUALTY U.S., INC.,

THE MANAGEMENT SELLERS,

WHITE MOUNTAINS INSURANCE GROUP, LTD.,

WHITE MOUNTAINS CATSKILL HOLDINGS, INC.,

NSM INSURANCE HOLDCO, LLC,

AND

ABRY PARTNERS VIII, L.P., AS SELLER REPRESENTATIVE

DATED AS OF MARCH 31, 2018

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*The Schedules and Exhibits to the Unit Purchase Agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. White Mountains Insurance Group, Ltd. will furnish copies of such Schedules and Exhibits to the U.S. Securities and Exchange Commission upon its request; provided, however, that White Mountains Insurance Group, Ltd. may request confidential treatment for any Schedule or Exhibit so furnished.

UNIT PURCHASE AGREEMENT

This UNIT PURCHASE AGREEMENT (this “Agreement”), dated as of March 31, 2018, is made by and among NSM Acquisition Holdings, LLC, a Delaware limited liability company (“NSM Holdings”), AIG Property Casualty U.S., Inc., a Delaware corporation (“AIG”), each Management Seller (as defined herein) (each of NSM Holdings, AIG and each Management Seller may be referred to herein from time to time as a “Seller”, and collectively, the “Sellers”), NSM Insurance HoldCo, LLC, a Delaware limited liability company (the “Company”), White Mountains Catskill Holdings, Inc., a Delaware corporation (“Buyer”), White Mountains Insurance Group, Ltd., a Bermuda exempted limited liability company (“Parent”), and ABRY Partners VIII, L.P., a Delaware limited partnership, solely in its capacity as the Seller Representative (as defined in Section 11.9(a) hereto). The Company, the Sellers, Buyer and the Seller Representative shall be referred to herein from time to time collectively as the “Parties”. Capitalized terms used but not otherwise defined herein have the meanings set forth in Section 1.1.

WHEREAS, as of immediately prior to the Closing, the Sellers will collectively own beneficially and of record all of the issued and outstanding membership interests of the Company (collectively referred to herein as the “Units”);

WHEREAS, the Parties desire that, subject to the terms and conditions hereof, Buyer will purchase from each of the Sellers that are indicated as holding Purchased Units (as defined herein) on Schedule 2.1(a), and such Sellers will sell to Buyer, all of the Purchased Units (as defined herein) for the consideration described herein;

WHEREAS, it is contemplated that, each of the Sellers that are indicated as holding Retained Units (as defined herein) on Schedule 2.1(b) hereto (the “Rollover Sellers”) will, immediately following the consummation of the transactions contemplated by this Agreement, continue to hold such Retained Units of the Company rather than sell such Retained Units to the Buyer in the transactions contemplated by this Agreement;

WHEREAS, it is contemplated that the limited liability company agreement of the Company will be amended and restated in substantially the form attached hereto as Exhibit G (the “Second Amended and Restated Limited Liability Company Agreement of the Company”), to be effective immediately following the consummation of the transactions contemplated by this Agreement, to provide for, among other things, the admission of Buyer as a Member of the Company;

WHEREAS, concurrently with the execution and delivery of this Agreement and as a condition to the willingness of Buyer to enter into this Agreement, the Persons listed on Exhibit F (the “Key Employees”) have entered into amended and restated employment agreements with the Company (the “Employment Agreements”);

WHEREAS, on the date hereof, AIG, NSM Insurance Group, LLC (“NSMIG”) and certain other parties thereto have entered into an amendment to that certain Renewal Rights, Assignment, and Amendment Agreement, dated as of September 1, 2016 (the “RRA Agreement”) and such amendment, the “RRA Amendment”) by and among Care Providers Insurance Services LLC d/b/a NSM Insurance Group, NSMIG, AIG, American Collectors Insurance LLC (formerly, ACI

Collector's Insurance LLC), and National Union Fire Insurance Company of Pittsburgh, PA, in the form previously agreed between AIG, the Company and Parent; and

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1 CERTAIN DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms have the respective meanings set forth below.

“2017 Short-Term Deferred Contingent Receivable Amount” means the aggregate amount of Deferred Contingent Receivables that are accrued on the consolidated balance sheet of the Group Companies as of December 31, 2017, and that remain accrued and not received as of the date of this Agreement, and that are due and payable to the applicable Group Company on or prior to December 31, 2018.

“Accounting Firm” has the meaning set forth in Section 2.4(b)(ii).

“Acquired Entities” means the entities set forth on Schedule 1.1.

“Acquisition Amounts” means an amount equal to the aggregate consideration paid by the Company in connection with any acquisition of any Acquired Entity, but only to the extent such acquisition is approved in writing by Buyer and consummated prior to Closing.

“Acquisition Transaction” has the meaning set forth in Section 6.7.

“Action” means any claim (including any cross-claim or counterclaim), action, suit, cause of action, charge, demand, litigation, order, proceeding (including any civil, commercial, criminal, administrative, investigative, informal or appellate proceeding), arbitral action, complaint, hearing, dispute resolution process, governmental audit, regulatory visit or inspection, inquiry, enforcement, criminal prosecution or investigation.

“Adjustment Escrow Account” has the meaning set forth in Section 2.3(b)(i)(A).

“Adjustment Escrow Amount” means an amount in cash equal to \$3,500,000.

“Adjustment Escrow Funds” has the meaning set forth in Section 2.3(b)(i)(A).

“Adjustment Time” means 12:01 a.m. Eastern time on the Closing Date.

“Affiliate” means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” 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 securities, by Contract or otherwise, and the terms “controlled” and “controlling” have meanings correlative thereto.

“Affiliate Agreement” has the meaning set forth in Section 3.19.

“Agreement” has the meaning set forth in the introductory paragraph to this Agreement.

“AIG” has the meaning set forth in the introductory paragraph to this Agreement.

“AIG Ownership Period” means March 31, 2015, through the Prior Acquisition Date.

“AIG Releasing Parties” has the meaning set forth in Section 6.6(e)(ii).

“AIG Restricted Persons” means those senior officers of AIG and its Affiliates who regularly work with the Group Companies.

“Ancillary Documents” has the meaning set forth in Section 3.3.

“Budget Act” means Title XI of the Bipartisan Budget Act of 2015, H.R. 1314, Public Law Number 114-74.

“Business Day” means a day, other than a Saturday or Sunday, on which commercial banks in New York, New York and Boston, Massachusetts are open for the general transaction of business.

“Buyer” has the meaning set forth in the introductory paragraph to this Agreement.

“Buyer Fundamental Representations” has the meaning set forth in Section 9.1(b).

“Buyer Indemnitee” and “Buyer Indemnitees” have the meaning set forth in Section 9.2(a).

“Buyer Related Party” has the meaning set forth in Section 8.2(b).

“Cash and Cash Equivalents” means, with respect to any Person as of any time, the aggregate amount of such Person’s cash and cash equivalents as determined in accordance with GAAP (including marketable securities, bank deposits and short term investments and excluding Restricted Cash) as of such time, including the amounts of any received but uncleared checks and drafts and wires issued prior to such time, net of outstanding but uncleared checks or transfers as of such time; provided, that (i) the amounts of any such uncleared checks or transfers included in Cash and Cash Equivalents as of any time shall be without duplication of any amounts included in Current Assets or Current Liabilities as of such time and (ii) to the extent any such uncleared checks or transfers have not cleared by the date that is sixty (60) days after the Closing, such checks or transfers shall be excluded from the final determination of Closing Cash pursuant to Section 2.4(b).

“Claims Notice” has the meaning set forth in Section 9.1.

“Closing” has the meaning set forth in Section 2.2.

“Closing Cash” means the aggregate amount of the consolidated Cash and Cash Equivalents of the Group Companies as of the Adjustment Time.

“Closing Date” has the meaning set forth in Section 2.2.

“Closing Indebtedness” means the aggregate amount of Indebtedness of the Group Companies as of the Adjustment Time.

“Closing Statement” has the meaning set forth in Section 2.4(b)(i).

“Closing Working Capital” means the Net Working Capital of the Group Companies as of the Adjustment Time, determined in accordance with Section 2.4(e).

“COBRA” means Part 6 of Subtitle B of Title I of ERISA, Section 4980B of the Code and any similar state law.

“Code” means the Internal Revenue Code of 1986, as amended.

“Common Units” has the meaning set forth in the Company Existing LLC Agreement.

“Company” has the meaning set forth in the introductory paragraph to this Agreement.

“Company Existing LLC Agreement” means the amended and restated limited liability agreement of the Company dated as of September 1, 2016.

“Company Fundamental Representations” has the meaning set forth in Section 9.1.

“Company Subsidiary Equity Interests” means all of the issued and outstanding equity interests of each of the Group Companies other than the Company.

“Confidentiality Agreement” means that certain Confidentiality Agreement, dated as of December 18, 2017, by and between NSM Insurance Group, LLC, and White Mountains Capital, Inc.

“Consent” has the meaning set forth in Section 3.5.

“Contract” means any written contract, lease, sublease, license, indenture, agreement, commitment or other legally binding arrangement.

“Covered Employee” has the meaning set forth in Section 6.12(a).

“Credit Facilities” means that certain Credit Agreement, dated as of September 1, 2016, by and among NSM Insurance Group, LLC, Ares Capital Corporation and various other lenders thereto.

“Current Assets” has the meaning set forth in Exhibit A.

“Current Liabilities” has the meaning set forth in Exhibit A.

“Deferred Contingent Receivable” means, as of any time, any receivable in respect of contingent income of the Group Companies earned prior to such time under Contracts with American Collector’s Insurance, LLC, Condon and Skelly, Heacock Classic Car Division, PPI (True Transport Division), and Vantage Holdings Limited, for which payment has not yet been received as of such time, in each case determined in accordance with Exhibit A.

“Earn-Out Liability” means any Liability of any Group Company with respect to the earn-outs or similar deferred purchase price payments in respect of the acquisition of Vantage Holdings Ltd., Maybury James Ltd. or Specialty Aviation Underwriters, LLC.

“Earn-Out Liability Amount” means \$10,868,000, representing the aggregate amount of the Earn-Out Liabilities as of the date hereof.

“Earn-Out Liability Reduction Amount” means the amount by which the Earn-Out Liability Amount is reduced by cash payments made by any Group Company in respect of any Earn-Out Liability after the date of this Agreement and prior to the Adjustment Time.

“Employee Agent” has the meaning set forth in Section 3.21(a).

“Employee Benefit Plan” means each “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) and each other employee benefit plan, program, agreement or arrangement, whether written or oral (including each stock purchase, stock option, restricted stock, profits interest or other equity or equity-based incentive, severance, retention, employment, consulting, Tax gross-up, retirement, pension, vacation, holiday, cafeteria, medical, life insurance, disability, retiree healthcare, retiree life insurance, profit sharing, change-in-control, bonus, incentive, deferred compensation, fringe benefit and other similar benefit plan, program, agreement or arrangement) that any Group Company maintains, sponsors or contributes to or with respect to which any Group Company has any Liability, other than any Governmental Plan.

“Employment Agreements” has the meaning set forth in the recitals to this Agreement.

“Enterprise Value” means \$387,500,000.

“Environmental Laws” means all Laws concerning pollution or protection of the environment or human health and safety (as such relates to toxic or hazardous substances or wastes).

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

“ERISA Affiliate” means, with respect to any Person, any other entity, trade or business that, together with such Person, would be treated as a single employer at the relevant time under Section 414(b), (c), (m) or (o) of the Code or under Section 4001(b)(1) of ERISA.

“Escrow Agent” has the meaning set forth in Section 2.3(b)(i)(A).

“Escrow Agent Fees” means all fees, costs and expenses of the Escrow Agent under the Escrow Agreement.

“Escrow Agreement” has the meaning set forth in Section 2.3(b)(i)(A).

“Estimated Closing Statement” has the meaning set forth in Section 2.4(a).

“Estimated Purchase Price” has the meaning set forth in Section 2.4(a).

“FCA” means the UK Financial Conduct Authority (or any successor regulatory organization or successor authority).

“FCA Handbook” means the FCA’s handbook of rules and guidance as amended from time to time.

“Final Purchase Price” has the meaning set forth in Section 2.4(d).

“Financial Statements” has the meaning set forth in Section 3.4.

“Fraud” means actual common-law fraud.

“FSMA” means the UK Financial Services and Markets Act 2000 (as amended from time to time).

“GAAP” means United States generally accepted accounting principles, as consistently applied.

“General Survival Expiration Date” has the meaning set forth in Section 9.1(a).

“Governing Documents” means the legal document(s) by which any Person (other than a natural person) establishes its legal existence or which govern its internal affairs. For example, the “Governing Documents” of a corporation are its certificate of incorporation and by-laws, the “Governing Documents” of a limited partnership are its limited partnership agreement and certificate of limited partnership and the “Governing Documents” of a limited liability company are its operating agreement and certificate of formation.

“Governmental Entity” means any United States or non-United States (i) federal, national, state, provincial, local, municipal or other government, (ii) governmental or quasi-governmental entity of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal) or (iii) body exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature, including any public arbitral tribunal, and in relation to the United Kingdom shall include the FCA.

“Governmental Plan” means any governmental or statutory plan, program, agreement or arrangement (including statutory severance, minimum wage and workers’ compensation requirements), as to which any Group Company contributes or otherwise has any Liability.

“Group Company” and “Group Companies” means, collectively, the Company and each of its Subsidiaries.

“Group Company Permits” has the meaning set forth in Section 3.6.

“Guaranteed Obligations” has the meaning set forth in Section 10.1(b).

“Holdback Allocation” with respect to any Seller (other than AIG), means the percentage set forth opposite such Seller’s name under the column titled “Holdback Allocation” delivered to Buyer in accordance with Section 2.4(a) in the form attached hereto as Exhibit C, which percentage with respect to each Seller (other than AIG) shall be equal to the fraction expressed as a percentage, (x) the numerator of which is the number of Purchased Units sold by such Seller and (y) the denominator of which is the total number of Purchased Units (other than the Purchased Units sold by AIG), and which percentages in the aggregate, for the avoidance of doubt, shall be equal to one hundred percent (100%).

“Holdback Amount” has the meaning set forth in Section 11.9(e).

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

“Indebtedness” means, with respect to any Group Company as of any time, without duplication, (i) all obligations for borrowed money, including all principal, interest, fees, expenses, overdrafts, penalties, premiums, costs, and other payment obligations with respect thereto, (ii) all obligations evidenced by any note, bond, debenture or other debt security, (iii) all obligations with respect to leases of real or personal property or a combination thereof required to be classified or accounted for as capital leases under GAAP and the amount of such obligations at any date shall be the capitalized amount of such obligations at such date determined in accordance with GAAP together with all obligations to make termination payments under such capitalized lease obligations, (iv) all obligations for the deferred purchase price of property, services, goods or assets, including “earn-outs” and “seller notes” (but excluding (x) any trade payables or accrued expenses arising in the ordinary course of business consistent with past practice, and (y) any Earn-Out Liability), (v) all reimbursement and other obligations with respect to letters of credit, bank guarantees, bankers’ acceptances, surety bonds, performance bonds or other similar instruments, in each case, solely to the extent drawn, (vi) all obligations, including any breakage costs or fees, with respect to any interest rate, currency swap, cap, forward, or other similar arrangements designed to provide protection against fluctuations in any price or rate, (vii) all obligations under conditional sale or other title retention agreements relating to property or assets purchased by any Group Company, (viii) all obligations under which interest charges are customarily paid, (ix) all unfunded deferred compensation obligations, underfunded or unfunded Liabilities under any defined benefit pension or retiree medical plan and obligations with respect to severance and separation benefits relating to any terminations prior to the Closing or as a result of the transactions contemplated by this Agreement (including, in each case, the employer-paid portion of any employment of payroll Taxes related thereto), (x) all obligations with respect to any bonus or incentive compensation accrued as a current Liability as of the Closing in connection with business activities of any Group Company prior to Closing, (xi) all refundable premiums due to insureds, (xii) all escheat and historical claims Liabilities, (xiii) all obligations for payments relating to the Prior Acquisition and (xiv) all guarantees by any Group Company (to the extent of the amount of such guarantees) of any indebtedness of a third party of the type described in the foregoing clauses (i) through (xiii) and all such obligations of a third party secured by a Lien on any property of any Group Company to the extent of the obligation secured, in each case, as of such time. Notwithstanding the foregoing, “Indebtedness”

shall not include any (a) obligations under operating leases, (b) amounts included as Seller Expenses, or (c) amounts otherwise taken into account in the calculation of Closing Working Capital.

“Indemnified Party” has the meaning set forth in Section 9.3(a).

“Indemnity Escrow Account” has the meaning set forth in Section 2.3(b)(i)(B).

“Indemnity Escrow Amount” means \$2,000,000.

“Indemnity Escrow Funds” has the meaning set forth in Section 2.3(b)(i)(B).

“Individual Seller Fundamental Representations” has the meaning set forth in Section 9.1.

“Information Technology” means computers, software, databases, firmware, middleware, servers, workstations, networks, systems, routers, hubs, switches, data communications lines, and all other information technology equipment and associated documentation.

“Insurance Contract” means any insurance policy, binder, slip or contract issued, bound or placed by any Group Company on behalf of a carrier in connection with such Group Company’s business.

“Insurance Producer” means an insurance agent, marketer, manager, underwriter, wholesaler, broker, distributor, claims administrator or third party administrator or other producer that presently or previously offered, wrote, underwrote, sold, managed, handled or administered claims for, produced or marketed any Insurance Contract for any Group Company.

“Intellectual Property Rights” means, to the extent protectable by applicable Law, all (i) patents, including all applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (ii) trademarks, service marks, trade names, trade dress, logos, slogans, designs and corporate names, together with the goodwill, registrations and applications for registrations associated with any of the foregoing; (iii) works of authorship (whether copyrightable or not), copyrights, copyright registrations and applications, including software; (iv) Internet domain names; and (v) trade secrets and know-how.

“IP Rights” has the meaning set forth in Section 3.13.

“Key Employees” has the meaning set forth in the recitals to this Agreement.

“Law” means any statute, law, rule, regulation, code, decree, directive, order, writ, judgment, injunction or award of any Governmental Entity, including the FCA Handbook.

“Leased Real Property” has the meaning set forth in Section 3.18(b).

“Liabilities” means obligations and liabilities of any nature, whether known or unknown, express or implied, primary or secondary, direct or indirect, liquidated, absolute, accrued, contingent or otherwise and whether due or to become due.

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

“Long-Term Deferred Contingent Receivable Amount” means an amount equal to eighty eight percent (88%) of the aggregate amount of Deferred Contingent Receivables that are accrued on the consolidated balance sheet of the Group Companies as of March 31, 2018 and that are due and payable to the applicable Group Company from and after December 31, 2018.

“Loss” has the meaning set forth in Section 9.2(a).

“Loss Ratio” means the quotient of losses incurred with respect to an identified book of insurance business over a specified period of time divided by premiums earned on that same book over that same time period, (a) as provided to the Group Companies by the applicable third-party insurance carriers or (b) to the extent such information is not provided to the Group Companies by such carriers, as calculated by the Company, consistent with past practice, by reference to written premium information provided by such carriers (or if not so provided, as recorded in the Group Companies’ books and records) and any loss and expense information provided by such carriers or any other applicable third parties (including third party administrators).

“Management Bonus Amount” means (i) the aggregate amount of bonuses approved by the Board of Directors of the Company and actually paid to certain Management Sellers in lieu of profits interest commitments as described on Schedule 6.1(xiv) (the “Incentive Unit Bonus Amount”) and (ii) the transaction bonuses in an aggregate amount equal to \$3,000,000 actually paid to certain Management Sellers or employees of any Group Company as described on Schedule 6.1(xiv).

“Management Seller” means each of the following: Geoffrey McKernan; William McKernan; William Kanehann; Felix DiFiore; Catherine Hunt; Joseph Saraiva; Michael P. Egan; and Jennifer L. Porter.

“Material Adverse Effect” means any event, change, occurrence or circumstance that, individually or in the aggregate with all other events, changes, occurrences and circumstances, (a) has had or would reasonably be expected to have a material adverse effect upon the assets, financial condition, business, operations or results of operations of the Group Companies, taken as a whole or (b) would reasonably be expected to prevent the Company or any Seller from consummating, or materially impact or materially delay the ability of the Company or any Seller to consummate, the transactions contemplated herein; provided, however, that any adverse change, event, effect or occurrence arising from or related to (i) conditions affecting the economy generally or the industries or markets in which the Group Companies operate, (ii) any national or international political or social conditions, including the engagement by the United States or another government in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence in any place of any military or terrorist attack or event, (iii) financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iv) any hurricane, tornado, flood, earthquake, tsunami, natural disaster, acts of God or other comparable events, (v) changes or prospective changes in GAAP, (vi) changes in any Laws, rules, regulations, orders, or other binding directives issued by any Governmental Entity (or the interpretation or enforcement thereof), (vii) the public announcement of the transactions contemplated by this Agreement, including the impact thereof on the relationships, contractual or otherwise, of the Group Companies with officers, employees, customers, suppliers or partners, (viii) any failure by the Company to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period

ending before, on or after the date of this Agreement, or changes in the credit rating of the Group Companies (although any facts and circumstances that may have given rise or contributed to any such failure or change that are not otherwise excluded from this definition of Material Adverse Effect may be taken into account in determining whether there has been a Material Adverse Effect), (ix) the taking of any action expressly required by this Agreement and/or the Ancillary Documents, including the completion of the transactions contemplated hereby or thereby, or (x) the identity of, or any facts or circumstances relating to, Buyer or its Affiliates, shall not be taken into account in determining whether a “Material Adverse Effect” has occurred; provided, that, with respect to a matter described in any of the foregoing clauses (i), (ii), (iii), (iv), (v) and (vi), such matter shall only be excluded to the extent such matter does not have a disproportionate effect on the Group Companies, taken as a whole, relative to other comparable entities operating in the industries in which the Group Companies operate.

“Material Carriers” has the meaning set forth in Section 3.20.

“Material Contracts” has the meaning set forth in Section 3.7(a).

“Material Customers” has the meaning set forth in Section 3.20.

“Material Vendors” has the meaning set forth in Section 3.20.

“Multiemployer Plan” has the meaning set forth in Section 3(37) of ERISA.

“Net Working Capital” means, as of any time, the aggregate amount of the consolidated Current Assets of the Group Companies as of such time, minus the aggregate amount of the consolidated Current Liabilities of the Group Companies as of such time, in each case determined in accordance with Exhibit A. Notwithstanding anything to the contrary contained herein, “Net Working Capital” shall not include any amounts with respect to income Tax assets or Liabilities, deferred Tax assets or Liabilities, Cash and Cash Equivalents, Seller Expenses, Deferred Contingent Receivables, Indebtedness or the Acquisition Amounts. For the avoidance of doubt, the calculation of Net Working Capital shall, for all purposes of this Agreement including any post-Closing adjustment of the Purchase Price pursuant to Section 2.4, exclude amounts or items related to the Acquired Entities.

“New Plans” has the meaning set forth in Section 6.5.

“Non-U.S. Benefit Plan” means each Employee Benefit Plan maintained by any of the Group Companies for any employee or employees located outside of the United States.

“NSM Holdings” has the meaning set forth in the introductory paragraph to this Agreement.

“NSMIG” has the meaning set forth in the recitals to this Agreement.

“Objection” has the meaning set forth in Section 2.4(b)(ii).

“Objection Notice” has the meaning set forth in Section 2.4(b)(ii).

“Outside Date” has the meaning set forth in Section 8.1(d).

“Owned IP Rights” has the meaning set forth in Section 3.13.

“Owned Real Property” has the meaning set forth in Section 3.18(a).

“Owned Real Property Occupancy Agreement” has the meaning set forth in Section 3.18(a).

“Paid Deferred Contingent Receivable Amount” means the aggregate amount of any Deferred Contingent Receivables actually received by any Group Company after (i) the date of this Agreement, with respect to any Deferred Contingent Receivable included in the 2017 Short-Term Deferred Contingent Receivable Amount, or (ii) March 31, 2018, with respect to any Deferred Contingent Receivable included in the Long-Term Deferred Contingent Receivable Amount and, in each case, on or prior to the Closing; provided that, under no circumstances shall the Paid Deferred Contingent Receivable Amount exceed the sum of (x) the 2017 Short-Term Deferred Contingent Receivable Amount plus (y) the Long-Term Deferred Contingent Receivable Amount.

“Parent” has the meaning set forth in the introductory paragraph to this Agreement.

“Parent Guarantee” has the meaning set forth in Section 10.2.

“Participant” means any current or former director, officer, employee or independent contractor of any Group Company.

“Parties” has the meaning set forth in the introductory paragraph to this Agreement.

“Pay-off Letters” has the meaning set forth in Section 7.2(h).

“Percentage Allocation” with respect to any Seller, means the percentage set forth opposite such Seller’s name under the column titled “Percentage Allocation” delivered to Buyer in accordance with Section 2.4(a) in the form attached hereto as Exhibit C, which percentage with respect to each Seller shall be equal to the fraction expressed as a percentage, (x) the numerator of which is equal to the portion of the Purchase Price received by such Seller (plus, in the case of any Management Seller, any Incentive Unit Bonus Amount received by such Management Seller) and (y) the denominator of which is equal to the aggregate Purchase Price received by all Sellers plus the aggregate Incentive Unit Bonus Amount, and which percentages in the aggregate, for the avoidance of doubt, shall be equal to one hundred percent (100%).

“Permit” means any permit, registration, notification, franchise, license, certificate, waiver, exemption, variance, right, order, or other approval or authorization from any Governmental Entity.

“Permitted Liens” means (i) mechanic’s, materialmen’s, carriers’, repairers’ and similar statutory Liens arising or incurred in the ordinary course of business for amounts that are not yet due and payable or are otherwise being contested in good faith, (ii) Liens for Taxes not yet due and payable as of the Closing Date or that are being contested in good faith by appropriate proceedings and for which reserves have been established on the Financial Statements to the extent required by GAAP, (iii) encumbrances and restrictions on real property (including easements, covenants, conditions, rights of way and similar restrictions) that do not materially interfere with the use or

materially impair the value of the property to which they relate in the conduct of the business as currently conducted by the Group Companies, (iv) Liens securing the obligations of the Group Companies under the funded Indebtedness under the Credit Facilities that (A) will be discharged on the Closing Date or (B) remain outstanding at Buyer's election after the Closing Date, (v) zoning, building codes and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Entity having jurisdiction over such real property and which are not violated in any material respect by the current use or occupancy of such real property by the Group Companies or the operation of the businesses of the Group Companies, (vi) Liens that have been placed by any developer, landlord or other third party on property over which a Group Company has leasehold or easement rights and subordination or similar agreements relating thereto and (vii) non-exclusive licenses to Intellectual Property Rights entered into in the ordinary course of business.

“Person” means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust, joint venture, association or other similar entity, whether or not a legal entity.

“Personal Data” has the meaning set forth in Section 3.13(c).

“Pre-Closing Tax Period” means any taxable period (or portion thereof) ending on or before the Closing Date.

“Pre-Closing Taxes” means any Taxes of any Group Company attributable to any Pre-Closing Tax Period, including for this purpose any Taxes imposed on such Group Company under Subchapter C of Chapter 63 of the Code (Sections 6221 et seq.), as enacted by the Budget Act attributable to the Sellers' interests in the Company represented by the Purchased Units for a Tax year beginning on or after January 1, 2018, but in any case excluding (i) Taxes taken into account in determining Closing Working Capital, Closing Indebtedness or Seller Expenses and (ii) any Taxes to the extent resulting from a breach by Buyer of Section 6.13.

“Prior Acquisition” means the acquisition by NSM Holdings of interests in the Company pursuant to that certain Membership Interest Unit Purchase Agreement dated as of August 5, 2016, by and among NSM Holdings, NSM Insurance Group, LLC, NSM Investments, Inc., the Management Sellers (as defined therein) and AIG Property Casualty U.S., Inc.

“Prior Acquisition Date” means September 1, 2016.

“Pro Rata Percentage,” with respect to any Seller, means the percentage set forth opposite such Seller's name under the column titled “Pro Rata Percentage” delivered to Buyer in accordance with Section 2.4(a) in the form attached hereto as Exhibit C, which percentage with respect to each Seller shall be equal to the fraction expressed as a percentage, (x) the numerator of which is equal to the number of Purchased Units sold by such Seller and (y) the denominator of which is equal to the total number of Purchased Units, and which percentages in the aggregate, for the avoidance of doubt, shall be equal to one hundred percent (100%).

“Profit Sharing Agreement” means that certain Profit Sharing Agreement, dated as of September 1, 2016, by and between AIG and NSM Insurance Group, LLC.

“Profits Interests” has the meaning set forth in Section 3.2(d).

“Program Agreements” means any program administration agency, managing general agency, managing general underwriter, other administration or management agreement, claims administration, claims handling, third party administration or similar agreement or the like under which a Company represents or provides services to an insurance company in offering, marketing, managing, handling or administering claims in connection with, underwriting and/or issuing insurance coverage covering specific types or classes of insureds.

“Purchase Price” means ninety five and five one hundredths percent (95.05%) of (i) Enterprise Value, plus (ii) the amount of Closing Cash, plus (iii) the amount (if any) by which Closing Working Capital exceeds Target Working Capital, minus (iv) the amount (if any) by which Target Working Capital exceeds Closing Working Capital, minus (v) the amount of Closing Indebtedness, minus (vi) the amount of Seller Expenses, plus (vii) the 2017 Short-Term Deferred Contingent Receivable Amount, plus (viii) the Long-Term Deferred Contingent Receivable Amount, minus (ix) the Paid Deferred Contingent Receivable Amount, minus (x) the Earn-Out Liability Amount, plus (xi) the Earn-Out Liability Reduction Amount, and plus (xii) the Acquisition Amounts; provided, that any amount described in clause (iii) or (iv) shall only be included in the determination of the Purchase Price if such amount exceeds \$250,000 and then the entire amount shall be included without regard to such \$250,000 threshold.

“Purchased Units” means, collectively, the Units set forth in Schedule 2.1(a) across from each Seller’s name.

“R&W Insurance” means the insurance coverage provided pursuant to the buyer-side representation and warranty insurance policies as set forth in (i) that certain policy, effective as of the date hereof, by and between Euclid Transactional, LLC and White Mountains Catskill Holdings, Inc. and (ii) that certain policy, effective as of the date hereof, by and between Great American E&S Insurance Company and White Mountains Catskill Holdings, Inc., attached hereto as Exhibit H and Exhibit I, respectively.

“Real Property Lease” has the meaning set forth in Section 3.18(b).

“Regulatory Approvals” means any approvals, consents, filings or notifications required in connection with the transactions contemplated by this Agreement by the Laws, rules and regulations of the State of Texas and the United Kingdom, as applicable, including, with respect to Buyer, (i) the filing of applications under §4001.253 of the Texas Insurance Law with the Texas Department of Insurance and approvals or non-objections thereof and (ii) the U.K. Approvals.

“Regulatory Fees” has the meaning set forth in Section 6.3(a).

“Released Parties” has the meaning set forth in Section 6.6(e).

“Releasing Parties” has the meaning set forth in Section 6.6(e).

“Replacement Profit Sharing Agreement” has the meaning set forth in Section 6.11.

“Residency Form” has the meaning set forth in Section 6.14.

“Responsible Party” has the meaning set forth in Section 9.3(a).

“Restricted Cash” means any restricted cash of the Group Companies as determined in accordance with GAAP, including unremitted insurance premiums that are collected by any Group Company from insureds and held by such Group Company in a fiduciary capacity pending remittance to the respective insurance underwriters.

“Retained Units” means all issued and outstanding Units as of the Closing Date other than Purchased Units.

“Rollover Sellers” has the meaning set forth in the introductory paragraph to this Agreement.

“RRA Agreement” has the meaning set forth in the recitals to this Agreement.

“RRA Amendment” has the meaning set forth in the recitals to this Agreement.

“Schedules” has the meaning set forth in Section 11.6.

“Second Amended and Restated Limited Liability Company Agreement of the Company” has the meaning set forth in the introductory paragraph of this Agreement.

“Second Request” has the meaning set forth in Section 6.3(d).

“Seller” and “Sellers” each have the meaning set forth in the introductory paragraph to this Agreement.

“Seller Expenses” means, without duplication, the unpaid amount of all out-of-pocket fees, costs and expenses (including those related to travel, legal, accounting and investment banking) incurred by or on behalf of any Seller or any Group Company on or prior to the Closing (whether or not invoiced) as a result of the transactions contemplated by this Agreement, in each case solely to the extent required to be paid or reimbursed by any of the Group Companies, including (i) the fees and expenses of Foley & Lardner LLP, McDonald Hopkins LLC, Willkie Farr & Gallagher LLP and Latham & Watkins LLP, (ii) other investment banking, legal, accounting, tax, professional, advisory or consulting fees and expenses, (iii) any retention, success, transaction, change of control or similar bonuses and/or severance payments payable (including, for the avoidance of doubt, the Management Bonus Amount) to directors, officers, employees or consultants of the Group Companies as a result of the Closing (including the employer’s share of any payroll Taxes attributable to such amounts, whenever incurred), (iv) all “earn-outs” or similar contingent payments paid or payable as a result of the consummation of the transactions contemplated by this Agreement, and (v) all obligations by the Company to current or former members in respect of any distributions declared prior to the Closing; provided, however, Seller Expenses shall be calculated without duplication of any amounts to the extent taken into account in the calculation of Closing Indebtedness or Closing Working Capital. Notwithstanding anything to the contrary contained herein, in no event

shall “Seller Expenses” include Escrow Agent Fees, Regulatory Fees and Tail Policy Expenses and any amounts with respect to Transfer Taxes.

“Seller Fundamental Representations” has the meaning set forth in Section 9.1.

“Seller Indemnitee” and “Seller Indemnitees” have the meaning set forth in Section 9.2(c).

“Seller Representative” has the meaning set forth in Section 11.9(a).

“Seller Tax Contest” has the meaning set forth in Section 6.13(d).

“Straddle Period” means any taxable period beginning on or before the Closing Date and ending after the Closing Date. In the case of any Straddle Period, Taxes shall be apportioned to the Pre-Closing Tax Period (i) in the case of real, personal and intangible property Taxes, on a daily pro rata basis and (ii) in the case of any other Taxes, computed as if such period ended on the Closing Date, except that in the case of any such Taxes attributable to an equity interest in any partnership or other “flowthrough” entity or controlled foreign corporation, as if the taxable period of such partnership or other “flowthrough” entity or controlled foreign corporation ended as of the close of business on the Closing Date.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be a, or control any, managing director or general partner of such business entity (other than a corporation); provided, that any references herein to the Subsidiaries of the Company (or similar term) shall be deemed to exclude any Acquired Entity only for the purposes of Article 3 and shall otherwise include any Acquired Entity from and after the date on which such Acquired Entity is acquired by the Company. The term “Subsidiary” shall include all Subsidiaries of such Subsidiary.

“Tail Policy Expenses” has the meaning set forth in Section 6.6(b).

“Target Working Capital” means \$1,949,000.

“Tax” means any U.S. federal, state, local or non-United States income, gross receipts, franchise, estimated, alternative minimum, sales, use, transfer, value added, excise, stamp, customs, duties, real property, personal property, capital stock, social security (or similar), unemployment or other tax and any interest, penalties or additions to tax in respect of the foregoing.

“Tax Return” means any Tax return (including an information return), declaration or report, including any election, schedule or attachment thereto, and including any amendment thereof, filed or required to be filed with any Governmental Entity.

“Termination Fee” has the meaning set forth in Section 8.2(b).

“Third-Party Agent” means each Person, other than an Employee Agent, that is acting as an Insurance Producer for or on behalf of any Group Company.

“Third-Party Claim” has the meaning set forth in Section 9.3(a).

“Top Producer” has the meaning set forth in Section 3.21(c).

“Transfer Taxes” has the meaning set forth in Section 6.13(b).

“U.K. Approvals” means in relation to each Person who will, or will be deemed to, become a controller (as defined in FSMA) of any U.K. Regulated Subsidiary (each a “Proposed Controller”), (i) each Proposed Controller has received a written notice from the FCA under section 189(4)(a) of FSMA unconditionally approving the acquisition of such control over such U.K. Regulated Subsidiary by the Proposed Controller or (ii) the FCA is deemed under section 189(6) of FSMA to have granted approval of the acquisition of such control over such U.K. Regulated Subsidiary by the Proposed Controller.

“U.K. Regulated Subsidiaries” means VISL, Stewart Miller McCulloch & Co Limited and Peter D James Limited and any other Group Company or entity of which the Company is a controller (as defined in FSMA) authorized and regulated by the FCA (each, a “U.K. Regulated Subsidiary”).

“Units” has the meaning set forth in the recitals to this Agreement.

“Vendor” means any Person that sells goods or services to any Group Company (excluding the Company’s insurance companies and employees or Third-Party Agents, accounting, legal, and financial advisors).

“VISL” means Vantage Insurance Services Limited (a UK company with registered number 03441136 and FCA Firm Reference Number 311541).

“Waived 280G Benefits” has the meaning set forth in Section 6.5(c).

“WARN Act” means the Worker Adjustment Retraining and Notification Act of 1988, as amended, or any similar state, local or non-U.S. plant closing or mass layoff Law.

ARTICLE 2 PURCHASE AND SALE

Section 2.1 Purchase and Sale of the Purchased Units. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Buyer will purchase from the Sellers, and the Sellers will sell to Buyer, the Purchased Units in exchange for the Purchase Price. The Purchase

Price will be estimated prior to the Closing Date and subject to post-Closing adjustments as provided in Section 2.4.

Section 2.2 Closing of the Transactions Contemplated by this Agreement. The closing of the transactions contemplated by this Agreement (the “Closing”) shall take place at 10:00 a.m., New York, New York time, on the fifth (5th) Business Day after satisfaction (or waiver) of the conditions set forth in Article 7 (other than those conditions to be satisfied by the delivery of documents or taking of any other action at the Closing by any Party) (the “Closing Date”) at the offices of Latham & Watkins LLP, 200 Clarendon Street, 27th Floor, Boston, MA 02116, unless another time, date or place is agreed to in writing by Buyer and the Seller Representative; provided, that the Parties shall use reasonable best efforts to take, or cause to be taken, all actions reasonably necessary, proper or advisable to allow Closing to take place as soon as reasonably practicable following such satisfaction of such conditions; provided, further, that the Closing shall not take place prior to the twentieth (20th) day following the date of this Agreement unless requested by Buyer in writing on no less than two (2) Business Days’ prior notice to the Seller Representative.

Section 2.3 Deliveries at the Closing.

(a) Deliveries by Sellers.

(i) At the Closing, each Seller shall deliver or cause to be delivered to Buyer an assignment of the Purchased Units held by such Seller in form and substance reasonably satisfactory to Buyer.

(b) Deliveries by Buyer. At the Closing, Buyer shall make the following payments:

(i) Buyer shall pay the Estimated Purchase Price (as defined below) to the Sellers by:

(A) depositing the Adjustment Escrow Amount into an escrow account (the “Adjustment Escrow Account”) to be established and maintained by U.S. Bank National Association, a national banking association (the “Escrow Agent”), pursuant to an escrow agreement, substantially in the form of Exhibit B attached hereto (the “Escrow Agreement”), to be entered into on the Closing Date by and among the Seller Representative, Buyer and the Escrow Agent. The funds held in the Adjustment Escrow Account (the “Adjustment Escrow Funds”) shall serve as security for, and the sole source of payment of, the Sellers’ obligations pursuant to Section 2.4(b)(ii), if any;

(B) depositing the Indemnity Escrow Amount into an escrow account (the “Indemnity Escrow Account”) to be established and maintained by the Escrow Agent pursuant to the Escrow Agreement. The funds held in the Indemnity Escrow Account (the “Indemnity Escrow Funds”) shall serve as security for, and a source of payment of, the Sellers’ obligations pursuant to Article 9, if any;

(C) paying to the Sellers an amount equal to the Estimated Purchase Price minus the sum of the Adjustment Escrow Amount, the Indemnity Escrow Amount and, if the joint notice described in Section 11.9(e) is provided in accordance with the terms of Section 11.9(e), the Holdback Amount; and

(D) if the joint notice described in Section 11.9(e) is provided in accordance with the terms of Section 11.9(e), paying to the Seller Representative an amount equal to the Holdback Amount.

(ii) Buyer shall pay or cause a Group Company to pay in full all Indebtedness outstanding under the Credit Facilities in accordance with the Pay-off Letters unless it has provided to the Sellers written confirmation that Buyer does not intend to repay the Indebtedness outstanding under the Credit Facilities prior to or at Closing; provided, that Buyer shall keep the Company reasonably informed of its plans to repay such Indebtedness and such written confirmation shall be provided no later than the date that is one (1) day after the satisfaction (or waiver) of the conditions set forth in Article 7 (other than Section 7.2(h)) or those conditions to be satisfied by the delivery of documents or taking of any other action at the Closing by any Party).

(iii) Buyer shall pay or cause a Group Company to pay all Seller Expenses (including the Management Bonus Amount) in accordance with payment instructions delivered in writing by the Seller Representative to Buyer no later than three (3) Business Days prior to Closing.

All payments made by Buyer pursuant to this Section 2.3(b) shall be made by wire transfer of immediately available funds, with such payment amounts in respect of amounts paid to the Sellers to be (except for the Management Bonus Amount) allocated among the Sellers in accordance with their respective Pro Rata Percentages (except for the Holdback Amount, which shall be allocated in accordance with the Holdback Allocation, and the Indemnity Escrow Amount, which shall be allocated in accordance with the Percentage Allocations) and each Seller's portion of such payment amounts paid by Buyer to the accounts specified by such Sellers or (if not so specified by a Seller) by the Seller Representative no later than three (3) Business Days prior to the Closing Date.

(c) Other Deliveries. At the Closing, the closing certificates and other documents required to be delivered pursuant to Article 7 with respect to the Closing will be exchanged.

Section 2.4 Purchase Price.

(a) Estimated Purchase Price. No more than five (5) Business Days and no less than three (3) Business Days prior to the Closing, the Seller Representative (on behalf of the Sellers) shall deliver to Buyer (i) a statement (the "Estimated Closing Statement") setting forth its good faith estimates of Closing Working Capital, Closing Cash, Closing Indebtedness, Seller Expenses (including the Management Bonus Amount), the 2017 Short-Term Deferred Contingent Receivable Amount, the Long-Term Deferred Contingent Receivable Amount, the Paid Deferred Contingent Receivable Amount, the Earn-Out Liability Reduction Amount and the Acquisition Amounts, together with a calculation of the Purchase Price (the "Estimated Purchase Price") based on such estimates and the Earn-Out Liability Amount (which shall not, for the avoidance of doubt, be subject

to adjustment pursuant to this Section 2.4), (ii) a determination of the Pro Rata Percentage and Percentage Allocation of each Seller and the Holdback Allocation for each Seller (other than AIG). The Estimated Closing Statement and the determinations and calculations contained therein shall be prepared in accordance with this Agreement, including Section 2.4(e).

(b) Determination of Final Purchase Price.

(i) As soon as reasonably practicable, but no later than ninety (90) days after the Closing Date, Buyer shall prepare and deliver to the Seller Representative a statement (the "Closing Statement") setting forth Buyer's good faith proposed determination of the actual amounts of Closing Working Capital, Closing Cash, Closing Indebtedness, Seller Expenses, the 2017 Short-Term Deferred Contingent Receivable Amount, the Long-Term Deferred Contingent Receivable Amount, the Paid Deferred Contingent Receivable Amount, the Earn-Out Liability Reduction Amount and the Acquisition Amounts, together with a calculation of the Purchase Price based thereon and the Earn-Out Liability Amount (which shall not, for the avoidance of doubt, be subject to adjustment pursuant to this Section 2.4). The Closing Statement and the determinations and calculations contained therein shall be prepared in accordance with this Agreement, including Section 2.4(e).

(ii) Within thirty (30) days following receipt by the Seller Representative of the Closing Statement, the Seller Representative (on behalf of the Sellers) may deliver written notice (an "Objection Notice") to Buyer of any dispute it has with respect to the preparation or content of the Closing Statement, which Objection Notice shall set forth in reasonable detail the amount, determination or calculation in dispute and the basis therefor. Any amount, determination or calculation contained in the Closing Statement and not specifically disputed in a timely delivered Objection Notice shall be final, conclusive and binding on the Parties. If the Seller Representative does not timely deliver an Objection Notice with respect to the Closing Statement within such thirty (30) day period, the Closing Statement will be final, conclusive and binding on the Parties. If an Objection Notice is timely delivered within such thirty (30) day period, Buyer and the Seller Representative (on behalf of the Sellers) shall negotiate in good faith to resolve each dispute raised therein (each, an "Objection"). If Buyer and the Seller Representative, notwithstanding such good faith efforts, fail to resolve any Objections within fifteen (15) days after the Seller Representative delivers an Objection Notice, then Buyer and the Seller Representative (on behalf of the Sellers) shall jointly engage the dispute resolution group of a mutually agreeable accounting firm of national reputation (the "Accounting Firm") to resolve such disputes (acting as an expert and not an arbitrator) in accordance with this Agreement (including Section 2.4(e)) as soon as practicable thereafter (but in any event within thirty (30) days after engagement of the Accounting Firm). Buyer and the Seller Representative shall direct the Accounting Firm to deliver a written report containing its final determination of the subject matter of the disputed Objections (which determination shall be within the range of dispute in respect of each Objection between the amounts set forth on the Closing Statement and the Objection Notice) within such thirty (30) day period. The Accounting Firm's determination shall be based solely on the definitions and other applicable provisions of this Agreement and/or presentations consisting of (x) a single written presentation submitted by each of Buyer and the Seller Representative (which the Accounting Firm shall be instructed to distribute to Buyer and the Seller Representative upon receipt of both such presentations)

and (y) a single written response submitted by each of Buyer and the Seller Representative (on behalf of the Sellers) to each such presentation and any interrogatories of the Accounting Firm (which the Accounting Firm shall be instructed to distribute to Buyer and the Seller Representative upon receipt of such responses). For the avoidance of doubt, neither Buyer nor the Seller Representative shall have any ex parte communications with the Accounting Firm relating to this Section 2.4(b) or this Agreement, and the Accounting Firm shall not conduct an independent investigation in respect of its determination. All Objections that are resolved between the Parties or are determined by the Accounting Firm will be final, conclusive and binding on the Parties absent manifest error or Fraud. The costs and expenses of the Accounting Firm shall be borne by Buyer and the Sellers in a proportion as is appropriate to reflect their relative success in the resolution of all the Objections finally determined by the Accounting Firm; for example, if the Seller Representative challenges the calculation of the Final Purchase Price by an amount of \$100,000, but the Accounting Firm determines that the Seller Representative has a valid claim for only \$60,000, then Buyer shall bear sixty percent (60%) of the fees and expenses of the Accounting Firm and the Sellers shall bear the other forty percent (40%) of such fees and expenses. Subject to the foregoing sentence, each Party shall be responsible for its own fees and expenses incurred in connection with this Section 2.4.

(c) Access. Buyer shall, and shall cause each Group Company to, make its financial records, accounting personnel and advisors available to the Seller Representative or its designee, its accountants and other representatives and the Accounting Firm at reasonable times and upon reasonable advance notice during the review by the Seller Representative and the Accounting Firm of, and the resolution of any Objections with respect to, the Closing Statement.

(d) Adjustments.

(i) Payment by Buyer. If the Purchase Price as finally determined pursuant to Section 2.4(b) (the "Final Purchase Price") exceeds the Estimated Purchase Price, Buyer shall, or shall cause a Group Company to, pay to the Sellers in accordance with their respective Pro Rata Percentages an amount equal to such excess (not to exceed the amount of Adjustment Escrow Funds in the Adjustment Escrow Account), by wire transfer of immediately available funds to the accounts specified by such Sellers or (if not so specified by a Seller) by the Seller Representative prior to the Closing Date, within three (3) Business Days after the date on which the Final Purchase Price is finally determined.

(ii) Payment from the Adjustment Escrow Funds. If the Final Purchase Price is less than the Estimated Purchase Price, then within three (3) Business Days after the date on which the Final Purchase Price is finally determined, then the Seller Representative (on behalf of the Sellers) and Buyer shall deliver a joint written instruction to the Escrow Agent directing the Escrow Agent to release and pay to Buyer, by wire transfer of immediately available funds to the bank account designated in such joint written instruction no later than the fifth (5th) Business Day after the date on which the Final Purchase Price is finally determined, a portion of the Adjustment Escrow Funds equal to the amount of such shortfall (not to exceed the amount of Adjustment Escrow Funds in the Adjustment Escrow Account).

(iii) Release of Adjustment Escrow Funds. Within three (3) Business Days after the date on which the Final Purchase Price is finally determined, the Seller Representative (on behalf of the Sellers) and Buyer shall deliver to the Escrow Agent a joint written instruction directing the Escrow Agent to release and pay to the Sellers in accordance with their respective Pro Rata Percentages, by wire transfer of immediately available funds to the bank account of each Seller designated in such joint written instruction no later than the fifth (5th) Business Day after the date on which the Final Purchase Price is finally determined, an amount equal to the Adjustment Escrow Funds remaining in the Adjustment Escrow Account after giving effect to any payment required pursuant to Section 2.4(d)(ii).

(e) Accounting Procedures. The Estimated Closing Statement, the Closing Statement and the determinations and calculations contained therein shall be prepared and calculated on a consolidated basis for the Group Companies in the same manner and consistent with the accounting principles, practices, procedures, policies and methods (with consistent classifications, judgments, inclusions, exclusions and valuation and estimation methodologies) as set forth in Exhibit A. For the avoidance of doubt, the Earn-Out Liability Amount shall be final as of the date of this Agreement and, shall not be subject to adjustment or dispute pursuant to this Section 2.4. The Parties agree to treat any payment made pursuant to this Section 2.4 as an adjustment to the Purchase Price for all Tax purposes, unless otherwise required by applicable Law.

Section 2.5 Withholding. Buyer and the Company shall be entitled to deduct and withhold (or cause to be deducted and withheld) from any amount payable pursuant to this Agreement such amounts as are required to be deducted and withheld under applicable Tax Law; provided, that promptly upon becoming aware of any potential required withholding (other than in respect of wages or other compensation) and prior to effecting any such withholding, Buyer shall notify the affected Seller of such withholding in writing in reasonable detail and shall cooperate with such Seller to reduce or eliminate any withholding that otherwise would be required. Amounts withheld pursuant to this Section 2.5 and paid over to the appropriate Tax authority shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES CONCERNING THE GROUP COMPANIES

The Company hereby represents and warrants to Buyer, as of the date of this Agreement and as of the Closing Date, as follows:

Section 3.1 Organization and Qualification; Subsidiaries

(a) Each Group Company is a corporation, limited liability company, limited partnership or other applicable business entity duly organized, validly existing and in good standing (if applicable) under the Laws of its jurisdiction of formation. Each Group Company has the requisite corporate, limited liability company, limited partnership or other applicable business entity power and authority to own, lease and operate its properties and to carry on its businesses as presently conducted. None of the Group Companies is in violation of any provision of its respective Governing Documents.

(b) Each Group Company is duly qualified or licensed to transact business and is in good standing (if applicable) in each jurisdiction in which the property and assets owned, leased or operated by it, or the nature of the business conducted by it, makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not reasonably be expected to have a material and adverse effect on the business or operations of any Group Company.

(c) Except as set forth on Schedule 3.1(c), the Company has made available to Buyer true and complete copies of the applicable Governing Documents of each Group Company as currently in effect.

Section 3.2 Capitalization of the Group Companies.

(a) Schedule 3.2(a) accurately and completely sets forth the capital structure of each Group Company, including the number of shares of capital stock or other equity interests which are authorized and which are issued and outstanding. All of the Units and any other issued and outstanding shares of capital stock or other equity interests of each Group Company are (i) except to the extent such concepts are not applicable under the applicable Law of such Group Company's jurisdiction of incorporation, formation or organization (as applicable) or other applicable Law, duly authorized and validly issued and are fully paid and non-assessable, (ii) are held of record by the Persons and in the amounts set forth on Schedule 3.2(a), and (iii) were not issued or acquired by the holders thereof in violation of any Law, contract or the preemptive rights of any Person.

(b) Except as set forth on Schedule 3.2(b), no Group Company owns, directly or indirectly, any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for, at any time, any capital stock or other equity interests in, or has control (as defined in FSMA) of, any Person.

(c) Schedule 3.2(c) sets forth the name, owner, jurisdiction of incorporation, formation or organization (as applicable) and percentages of outstanding equity securities owned by each Group Company, with respect to each Person (other than a Group Company) that has issued capital stock or other equity interests owned by such Group Company.

(d) There are no, and there have never been any, Common Units, or other interest in the Company that was intended to constitute a "profits interest" within the meaning of Revenue Procedure 93-27, 1993-2 C.B. 343, issued or outstanding ("Profits Interests"), and except for the obligation to pay the Incentive Unit Bonus Amount, no Liability is reasonably expected to be incurred by any Group Company arising from or related to any commitments or promises to grant Common Units or Profits Interests.

(e) Except as set forth on Schedule 3.2(e), (i) there are no outstanding options, warrants, rights, calls, commitments, conversion rights, rights of exchange, subscriptions, claims of any character, Contracts, obligations, convertible or exchangeable securities or other plans or commitments, contingent or otherwise, relating to the capital stock or other equity interests of the Group Companies; (ii) there are no outstanding Contracts of the Group Companies, the Sellers or any other Person to purchase, redeem or otherwise acquire any outstanding shares of capital stock or other equity interests of any of the Group Companies; (iii) there are no dividends which have

accrued or been declared but are unpaid on the shares of capital stock or other equity interests of the Group Companies; (iv) there are no outstanding or authorized equity appreciation, phantom stock, stock plans, profit participation plans, profit units, equity plans or similar rights with respect to the Group Companies; and (v) there are no voting Contracts or other equityholder Contracts relating to the management or equity of the Group Companies.

(f) The Company is the direct or indirect record and beneficial owner of the Company Subsidiary Equity Interests and the Sellers are the sole record and beneficial owners of the Units, free and clear of all Liens, except for any Liens created by this Agreement and restrictions on transfer under federal, state and other securities Laws.

Section 3.3 Authority. The Company has the requisite limited liability company power and authority to execute and deliver this Agreement and each other agreement, document, instrument and/or certificate contemplated by this Agreement to be executed in connection with the transactions contemplated hereby, other than the Employment Agreements, the RRA Amendment, the Replacement Profit Sharing Agreement contemplated in Section 6.11 and the Second Amended and Restated Limited Liability Company Agreement of the Company (as so limited, the “Ancillary Documents”) and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement (and the Ancillary Documents to which the Company will be a party) and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary limited liability company action on the part of the Company. This Agreement has been (and the execution and delivery of each of the Ancillary Documents to which the Company is a party will be) duly and validly executed and delivered by the Company and constitute (or will at the Closing constitute) a valid, legal and binding agreement of the Company (assuming that this Agreement and the Ancillary Documents to which the Company is or will be a party have been duly and validly authorized, executed and delivered by Buyer), enforceable against the Company in accordance with their terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting the enforcement of creditors’ rights generally and (ii) that the availability of equitable remedies, including, specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

Section 3.4 Financial Information.

(a) Attached hereto as Schedule 3.4(a) are true and complete copies of the following financial statements (such financial statements, the “Financial Statements”):

(i) the audited consolidated balance sheet of NSMIG and its Subsidiaries as of December 31, 2016, and the related audited consolidated statements of income and cash flows for the fiscal year then ended;

(ii) the unaudited consolidated balance sheet of NSMIG and its Subsidiaries as of December 31, 2015, and the related unaudited consolidated statements of income and cash flows for the twelve (12)-month period then ended;

(iii) the unaudited consolidated balance sheet of NSMIG and its Subsidiaries as of December 31, 2017, and the related unaudited consolidated statements of income and cash flows for the twelve (12)-month period then ended; and

(iv) the unaudited consolidated balance sheet of NSMIG and its Subsidiaries as of January 31, 2018, and the related unaudited consolidated statements of income and cash flows for the one (1)-month period then ended.

(b) Except as set forth on Schedule 3.4(b), the Financial Statements (i) have been derived from the books, records and accounts of the Group Companies prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, except as may be indicated in the notes thereto and subject, in the case of unaudited Financial Statements, to the absence of footnotes and normal year-end adjustments and (ii) fairly present, in all material respects, the consolidated financial position of NSMIG and its Subsidiaries as of the dates thereof and their consolidated results of operations and cash flows for the periods then ended in accordance with GAAP (subject, in the case of unaudited Financial Statements, to the absence of footnotes and normal year-end adjustments).

(c) There were no material changes in the Company's or NSMIG's accounting policies or the method of application of the Company's or NSMIG's accounting policies in preparing the Financial Statements. The books, records and accounts of the Group Companies are complete and accurate in all material respects and reflect actual, bona fide transactions and have been maintained in accordance with sound business practices. To the knowledge of the Company, there are no material deficiencies in internal accounting controls that would preclude measurable assurances regarding the reliability of financial reporting and the preparation of the Financial Statements in accordance with GAAP.

(d) To the knowledge of the Company, the historical loss ratio information made available to Buyer with respect to the Group Companies fairly present, in all material respects, the Loss Ratios of business written by the Group Companies for the periods shown and are accurate and complete in all material respects.

(e) All Deferred Contingent Receivables included in the 2017 Short-Term Deferred Contingent Receivable Amount and the Long-Term Deferred Contingent Receivable Amount as finally determined pursuant to Section 2.4, are and will be valid, existing and represent moneys due for goods sold and delivered or services rendered in the ordinary course of business consistent with past practice and have been booked on the consolidated balance sheet of the Group Companies in the ordinary course.

Section 3.5 Consents and Requisite Governmental Approvals; No Violations. Except as set forth on Schedule 3.5, no notices to, filings with, or authorizations, consents or approvals of any Person or Governmental Entity ("Consents") are necessary for the execution, delivery or performance by any Group Company of this Agreement or the Ancillary Documents to which such Group Company is a party or the consummation by the Company of the transactions contemplated hereby and thereby, except for (i) compliance with and filings under the HSR Act, (ii) the U.K. Approvals, (iii) the filing of applications under §4001.253 of the Texas Insurance Law with the Texas Department of Insurance and approvals or non-objections thereof, (iv) those the failure of

which to obtain or make would not reasonably be expected to have a Material Adverse Effect (it being agreed for purposes of this Section 3.5, effects resulting from the announcement of the transactions contemplated in this Agreement as set forth in clause (vii) of the definition of “Material Adverse Effect” will not be excluded in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur) and (v) those that may be required solely by reason of Buyer’s (as opposed to any other third party’s) participation in the transactions contemplated hereby. Neither the execution, delivery or performance by the Company of this Agreement or the Ancillary Documents to which the Company is (or will at the Closing be) a party nor the consummation by the Company of the transactions contemplated hereby or thereby will (a) conflict with or result in any breach of any provision of any Group Company’s Governing Documents, (b) except as set forth on Schedule 3.5, conflict with, result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any Contract, Group Company Permit, franchise, license or instrument, (c) violate any Law applicable to any Group Company or any of their respective properties or assets or (d) except as contemplated by this Agreement or with respect to Permitted Liens, result in the creation of any Lien upon any of the assets of any Group Company, which in the case of any of clauses (b) through (d) above, would reasonably be expected to have a material and adverse effect on the business or operations of any Group Company.

Section 3.6 Permits. The Group Companies have obtained and hold or filed all material Permits that are required to conduct their businesses as currently conducted (collectively, the “Group Company Permits”) except where the failure to have obtained and hold any Group Company Permits would not reasonably be expected to have a material and adverse effect on the business or operations of any Group Company. Except as would not reasonably be expected to have a material and adverse effect on the business or operations of any Group Company:

(a) each Group Company Permit is valid and in full force and effect either pursuant to its terms or by operation of Law;

(b) each Group Company is in compliance with the terms and conditions of all Group Company Permits held by such Group Company in all material respects;

(c) except as set forth on Schedule 3.6(c), since December 31, 2014, no Governmental Entity has commenced, given written notice or otherwise indicated to the Group Companies that it intends to commence a proceeding to revoke or suspend any Group Company Permit, or given written notice or otherwise indicated that it intends not to renew any Group Company Permit; and

(d) except as set forth on Schedule 3.6(d), since December 31, 2014, no Group Company Permit would reasonably be expected to be subject to suspension, modification, revocation, termination or non-renewal as a result of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereunder.

Section 3.7 Material Contracts.

(a) Except for the agreements, Contracts or commitments set forth on Schedule 3.7(a) (collectively, the “Material Contracts”) and except for this Agreement and except for any Real Property Lease, as of the date of this Agreement, no Group Company is a party to or bound by any agreement, Contract or commitment:

(i) with any officer, individual employee or individual independent contractor on a full-time, part-time, consulting or other basis providing annual compensation in excess of \$350,000 (other than any “at-will” Contract that may be terminated by any Group Company upon thirty (30) days or less advance notice and without penalty or payment of severance or other termination payments exceeding the amount required under applicable Law);

(ii) that materially limits the ability of the Group Companies to compete in any line of business, solicit customers or hire employees or to do business with any Person or in any location or geographic area, or granting exclusivity, “most favored nations” status or any similar right, in each case in favor of any Person other than the Company;

(iii) with a Material Customer or Material Vendor;

(iv) with a Top Producer;

(v) that is a Program Agreement under which gross premiums written exceed \$20,000,000 per year;

(vi) that is a lease or sublease under which any Group Company is party to or permits any third party to hold or operate any tangible property (other than real property), owned or controlled by the Company, except for any lease or sublease under which the aggregate annual rental payments do not exceed \$500,000;

(vii) that has future sums due from the Group Companies, taken as a whole in excess of an aggregate amount therefor of \$1,000,000 annually and which is not terminable without material penalty upon not more than sixty (60) days’ notice to the counterparty;

(viii) that involves payments to or from any Group Company in an aggregate amount that would reasonably be expected to exceed \$2,000,000 from and after the date of this Agreement;

(ix) that is a collective bargaining agreement, labor Contract or other written agreement or arrangement with any labor union or any employee organization;

(x) that is a Contract that relates to the disposition or acquisition of a material business by any Group Company, or any merger or business combination with respect to any Group Company to the extent any actual or contingent material obligations of any Group Company thereunder remain in effect;

(xi) that relates to the development, ownership, or licensing of any Intellectual Property Rights material to the business of the Group Companies (other than standard employee, consultant, confidentiality and customer contracts entered into in the ordinary course of business and contracts relating to the licensing of software that is generally commercially available for a license fee of no more than \$250,000 per year);

(xii) that involves any joint venture, partnership, shareholders' or similar arrangement; or

(xiii) that relates to Indebtedness, except any such agreement (A) with an aggregate outstanding principal amount not exceeding \$1,000,000 or (B) between or among any of the Group Companies.

(b) Except as set forth on Schedule 3.7(b), each Material Contract is in full force and effect in all material respects and a legal, valid and binding obligation on the applicable Group Company and enforceable in accordance with its terms against such Group Company and, to the Company's knowledge, in each case, in respect of each other party thereto (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting generally the enforcement of creditors' rights and subject to general principles of equity). Except as set forth on Schedule 3.7(b), there exists no material breach or event of default on the part of any Group Company with respect to any Material Contract, or any breach by any Group Company with respect to the payment obligations under any Contract described in Section 3.7(a)(v), and in each case to the knowledge of the Company, on the part of any other party thereto.

(c) Prior to the date of this Agreement, true and complete copies of each Material Contract (including all material supplements and amendments thereto) have been made available by the Company to Buyer.

Section 3.8 Absence of Changes. Except as set forth on Schedule 3.8, since December 31, 2016 (a) there has not been any event, effect, condition, development, state of facts, change, occurrence or circumstance that, individually or taken together, has had or would reasonably be expected to have a Material Adverse Effect, (b) each Group Company has conducted its business in the ordinary course consistent with past practices and (c) neither the Company nor any of the Group Companies has taken any action that would be prohibited by Section 6.1 if such action was proposed to be taken after the execution and delivery of this Agreement by the Parties hereto.

Section 3.9 Litigation. Except as set forth on Schedule 3.9, there is no Action pending or, to the Company's knowledge, threatened against any Group Company which, if adversely determined, would reasonably be expected to be material to the business or financial condition of the Group Companies taken as a whole. Except as set forth on Schedule 3.9, no Group Company is subject to any outstanding order, writ, injunction or decree that has had or would reasonably be expected to have a material and adverse effect on the business or operations of any Group Company.

Section 3.10 Compliance with Applicable Law.

(a) Except as set forth on Schedule 3.10, the business of the Group Companies is (and has been at all times since December 31, 2014) operated in material compliance with all

applicable Laws. Except as set forth on Schedule 3.10, since the December 31, 2014, no Group Company has received any written or, to the knowledge of the Company, oral communication from a Governmental Entity with respect to any material noncompliance with any applicable Law. Except as set forth on Schedule 3.10, there is no Action pending or, to the Company's knowledge, threatened with respect to any alleged violation by any Group Company of any Law and, to the knowledge of the Company, none of the Group Companies are under investigation with respect to any material violation of any applicable Law that has had or would reasonably be expected to have a material and adverse effect on the business or operations of any Group Company.

(b) None of the officers or directors of the Group Companies, and to the knowledge of the Company, none of the employees or independent contractors of the Group Companies, in each case, has at any time made or received any bribe, kickback or other illegal payment or engaged in any other illegal conduct with respect to the businesses thereof. The Group Companies have not engaged in any anticompetitive or unfair business practice.

(c) There are no outstanding remedial actions required to be undertaken by any Group Company pursuant to a written order, request or requirement of any applicable Governmental Entity.

(d) Except as set forth on Schedule 3.10(d), since December 12, 2016, every register or other record of breaches or infringement of regulatory requirements maintained by each U.K. Regulated Subsidiary is accurate and up-to-date and no necessary remedial action(s) remain outstanding and there are no entries in any U.K. Regulated Subsidiary's complaints records (kept in accordance with the requirements of the FCA Handbook) of any material matter.

(e) Except as set forth on Schedule 3.10(e), each representation and warranty in Section 3.10(a), (c) and (d) shall apply *mutatis mutandis* to Classic Insurance Services Limited in relation to the period during which it was Appointed Representative of VISL and during which it was entered on the FCA's Interim Permission Consumer Credit Register.

(f) Except as set forth on Schedule 3.10(f), the directors, officers, approved persons (as defined in the FCA Handbook) and, to the Company's knowledge, employees of the Group Companies (i) have at all times since December 31, 2014, acted in compliance with applicable Laws, other than where such non-compliance has not had or would not reasonably be expected to have a material and adverse effect on the business or operations of any Group Company and (ii) have not, since December 31, 2014, been subject to and are not subject to any Action and no Action is pending or threatened against them, in each case that has had or would reasonably be expected to have a material and adverse effect on the business or operations of any Group Company.

Section 3.11 Employee Plans.

(a) Schedule 3.11(a) sets forth a true and complete list of all material Employee Benefit Plans.

(b) Except as set forth on Schedule 3.11(b), no Employee Benefit Plan is, and no Group Company or any of its ERISA Affiliates has Liability with respect to (i) a Multiemployer Plan; (ii) a plan that is subject to Title IV of ERISA or the minimum funding requirements of Section

412 of the Code; (iii) a “multiple employer plan” within the meaning of Section 4063 or 4064 of ERISA; or (iv) a “defined benefit plan” within the meaning of Section 3(35) of ERISA and subject to ERISA. Except as set forth on Schedule 3.11(b), no Employee Benefit Plan provides material health or other welfare benefits to former employees of any Group Company other than health continuation coverage pursuant to COBRA at the expense of such former employee. No Group Company is or has at any time been the employer, or “connected with” or an “associate of” (as those terms are used in the UK Pensions Act 2004) the employer, of a UK defined benefit pension plan.

(c) Each Employee Benefit Plan has been maintained and administered in compliance in all material respects with its terms and the applicable requirements of ERISA, the Code and any other applicable laws. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service or is the subject of a favorable opinion letter from the Internal Revenue Service on the form of such Employee Benefit Plan and there are no facts or circumstances that would be reasonably likely to materially adversely affect the qualified status of any such Employee Benefit Plan.

(d) No Liability under Title IV of ERISA has been incurred by any Group Company (including as a result of such Group Company being an ERISA Affiliate prior to the Closing Date with respect to any other Person) that has not been satisfied in full (other than with respect to amounts not yet due). No material Liability under Title IV of ERISA is reasonably expected to be incurred by any Group Company (including as a result of such Group Company being an ERISA Affiliate prior to the Closing Date with respect to any other Person).

(e) There is no pending or, to the Company’s knowledge, threatened material Actions relating to any Employee Benefit Plan. There are no pending or, to the Company’s knowledge, threatened or anticipated claims (other than claims for benefits in accordance with the terms of the Employee Benefit Plans) by, on behalf of or against any of the Employee Benefit Plans or any trusts related thereto that would reasonably be expected to be material to the business, taken as a whole. No Group Company or any of its Affiliates, any Employee Benefit Plan or, to the knowledge of the Company, any trustee, administrator, other third-party fiduciary and/or party-in-interest thereto, has engaged in any prohibited transaction (as defined in Section 406 of ERISA or Section 4975 of the Code) or any breach of fiduciary duty (as determined under ERISA) with respect to any Employee Benefit Plan that would be reasonably likely to subject any Group Company to any material Tax or penalty (civil or otherwise) imposed by ERISA, the Code or other applicable Law.

(f) With respect to each Employee Benefit Plan, the Company has made available to Buyer true and complete copies, to the extent applicable, of (i) the plan document, including any amendments thereto (or written summary of any unwritten plan), (ii) the most recent summary plan description and any summary of material modifications, (iii) each trust document, insurance Contract or other funding vehicle, (iv) the most recent annual report (Form 5500 series), (v) the most recent actuarial report and financial statements and (vi) the most recent Internal Revenue Service determination letter. With respect to each Employee Benefit Plan, the Company has made available to Buyer all material non-routine correspondence to or from any Governmental Entity in the last three (3) years (if applicable).

(g) Neither the execution and delivery of this Agreement nor the transactions contemplated by this Agreement (either alone or in combination with another event) shall result in (i) any increase or payment in the compensation or benefits (including severance pay, retention bonus or change-in-control payment) of any Participant, (ii) the acceleration of payment, funding or vesting of any rights of any Participant under any Employee Benefit Plan, (iii) forgiveness of indebtedness, (iv) trigger of any funding obligation under any Employee Benefit Plan or Governmental Plan or (v) impose any restrictions or limitations on the right of any of Group Company, Buyer or their respective Affiliates to amend or terminate any Employee Benefit Plan. No amount that could be received (whether in cash or property or the vesting of property) by any “disqualified individual” of any of the Group Companies under any Employee Benefit Plan or otherwise as a result of the consummation of the transactions contemplated by this Agreement would reasonably be expected to be subject to an excise tax under Section 4999 of the Code. No Employee Benefit Plan provides for a Tax gross-up, make-whole or similar payment with respect to the taxes imposed under Sections 409A or 4999 of the Code.

(h) Each Non-U.S. Benefit Plan has been maintained and administered in compliance in all material respects with its terms and the requirements of all applicable Laws.

(i) All contributions (including all employer contributions and employee salary reduction contributions), premium payments and other payments required to be made in respect of any Employee Benefit Plan, under the terms of any such Employee Benefit Plan, related funding arrangement or in accordance with applicable Law, have, in all material respects, been paid within the time so prescribed or have been properly accrued in accordance with GAAP.

(j) Each Employee Benefit Plan that is a “nonqualified deferred compensation plan” (as such term is defined in Section 409A(d)(1) of the Code) is in material compliance with Section 409A of the Code and the regulations thereunder, and none of such Employee Benefit Plans or the completion of the transactions contemplated hereunder will cause any Participant to be subject to a material Tax imposed by Section 409A(a)(1)(B) of the Code.

Section 3.12 Environmental Matters. Except as set forth on Schedule 3.12:

(a) the Group Companies are, and since December 31, 2014 have been, in material compliance with all applicable Environmental Laws;

(b) without limiting the generality of the foregoing, the Group Companies hold and are, and since December 31, 2014 have been, in material compliance with all Permits, licenses and other authorizations that are required pursuant to applicable Environmental Laws; and

(c) no Group Company (i) is subject to any pending material Action under Environmental Laws or (ii) has received any currently unresolved written notice of any material violation of, or material liability (including any investigatory, corrective or remedial obligation) under, any Environmental Laws.

Section 3.13 Intellectual Property; IT Systems.

(a) Except as set forth on Schedule 3.13(a), the Group Companies own and have good and marketable title to, license or, to the Company’s knowledge, otherwise have an enforceable

right to use, free and clear of all Liens except for Permitted Liens, the material Intellectual Property Rights used in the conduct of the business of the Group Companies as currently conducted or as proposed to be conducted (collectively, the “IP Rights”). The IP Rights collectively constitute all of the material Intellectual Property Rights necessary for the conduct of the business of the Group Companies as currently conducted or as proposed to be conducted. For clarity, nothing in this Section 3.13(a) is a representation with respect to the infringement, misappropriation or violation of Intellectual Property rights owned by third parties, which matters are addressed exclusively in Section 3.11(b). All IP Rights owned by any of the Group Companies (the “Owned IP Rights”) are subsisting and, to the Company’s knowledge, valid and enforceable. Schedule 3.13(a) sets forth a true and complete list of (a) issued patents and other registrations of Owned IP Rights and (b) patent applications and other applications for the registration of Owned IP Rights.

(b) Except as set forth on Schedule 3.13(b), as of the date hereof and since December 31, 2014, there are no Actions pending against any Group Company that have been brought by any third party contesting the use or ownership of any material IP Right owned or used by such Group Company, or alleging that any Group Company is infringing, misappropriating or otherwise violating any Intellectual Property Rights of a third party, and none of the Group Companies has received any written notice of such pending or threatened Action. Except as set forth on Schedule 3.13(b), there are no Actions pending that have been brought by any Group Company against any third party alleging infringement of any Owned IP Rights. Except as set forth on Schedule 3.13(b) or as would not reasonably be expected to be material, to the Company’s knowledge, (A) the conduct of the business of the Group Companies as currently conducted does not infringe, misappropriate, or otherwise violate any Intellectual Property Rights of any third party and (B) no third party is infringing, misappropriating or otherwise violating any Owned IP Rights.

(c) The conduct of the business of the Group Companies is, and has been since December 31, 2014, in compliance in all material respects with any and all applicable Laws and privacy policies binding the Group Companies with respect to protection, transmission, privacy, security, collection, use, access and disclosure of data relating to one or more individuals that is personally identifying (“Personal Data”), including rules, policies and procedures established by the Group Companies and requirements imposed on any Group Company pursuant to any contract to which such Group Company is a party. Since December 31, 2014, there have been no Actions pending or, to the knowledge of the Company, no material Actions threatened, against any Group Company alleging a violation of any applicable Law, policy, procedure or contract to which any Group Company is a party with respect to Personal Data in relation to the business of the Group Companies. Since December 31, 2014, (i) no Group Company, to the extent related to the operation of the business of such Group Company, has been legally required to provide any notices to Governmental Entities, data owners or individuals in connection with a loss or disclosure of, or unauthorized access to, Personal Data and (ii) no Group Company, to the extent related to the operation of the business of the such Group Company, has provided any such notice, or paid or offered any related compensation, whether or not legally required. The Group Companies have taken the steps reasonably necessary (including implementing and monitoring compliance with adequate measures with respect to technical and physical security) to ensure that Personal Data is protected against loss and against unauthorized access, use, modification, disclosure or other misuse. To the Company’s knowledge, there has been no unauthorized access to or other misuse of such information.

(d) The Group Companies have taken all commercially reasonable steps to protect against malicious code, the purpose of which is to disrupt, damage or destroy the use or operation of any of the technology systems of the Group Companies, and the Group Companies have in place commercially reasonable disaster recovery plans and procedures for such technology systems. Except as would not, individually or in the aggregate, reasonably be expected to be material: (i) the Information Technology used in the conduct of the business of the Group Companies operates and performs in all respects as required to permit the Group Companies to conduct the business as currently conducted and (ii) to the knowledge of the Company, as of the date of this Agreement and since December 31, 2014, no Person has gained unauthorized access to the Information Technology of any of the Group Companies.

Section 3.14 Labor Matters.

(a) No Group Company is a party to any labor, collective bargaining or works council agreement with respect to any employee, and no such agreement is currently being negotiated with respect to any employee. There is no, and since December 31, 2014, there has been no, labor strike, work stoppage, lockout or other material labor dispute pending or, to the Company's knowledge, threatened against any Group Company. There is not pending or, to the Company's knowledge, threatened, and there has not been since December 31, 2014, any organized effort or demand for recognition or certification or attempt to organize employees by any labor organization. There is no material unfair labor practice charge, grievance or complaint pending, or to the Company's knowledge, threatened, against any Group Company. Except for noncompliance that individually or in the aggregate would not be material to the Group Companies, taken as a whole, (i) no Group Company has any Liability with respect to any misclassification of any individual as an independent contractor rather than as an employee, or as an "exempt" employee rather than a "non-exempt" employee (within the meaning of the Fair Labor Standards Act of 1938, as amended), or with respect to such individual's status as a leased employee and (ii) the business of the Group Companies is operated in compliance with all applicable employment-related Laws.

(b) No Group Company has (i) engaged in any location closing or employee layoff activities during the ninety-day period prior to the date hereof that would trigger notice, termination pay or similar requirements under the WARN Act or (ii) incurred any Liability under the WARN Act that remains unpaid or unsatisfied. To the extent that, after the Closing, Buyer operates the Group Companies in the same manner operated by Seller and its Affiliates during the ninety-day period prior to the Closing, Buyer will not incur any Liability under the WARN Act as a result of any layoffs or other employment terminations made by Seller or any of its Affiliates during such ninety-day period prior to the Closing.

(c) Sellers have provided Buyer a true and complete list as of the date hereof of all current employees of each Group Company, including each employee's (i) name, (ii) job title or function, (iii) direct employer, (iv) job location, (v) salary or wage rate, (vi) bonus opportunity, commission status or other incentive compensation paid or payable for 2018, and (vii) bonus, commission or incentive compensation paid in 2017, and (viii) leave of absence status.

(d) As of the date hereof, no current employee of any Group Company who has an annual salary in excess of \$200,000 has given written notice of resignation to any Group Company

or any of its Affiliates. To the Company's knowledge, no Participant is in any material violation of any nondisclosure, nonsolicitation or noncompetition covenant.

Section 3.15 Insurance. Schedule 3.15 contains a true and complete list of all policies of fire, liability, workers' compensation, property, casualty and other forms of insurance owned or held by the Group Companies as of the date of this Agreement and the Company has provided true and complete copies of each such policy to Buyer. All such policies are in full force and effect, all premiums with respect thereto covering all periods up to and including the Closing Date have been paid or will have been paid as of the Closing, and no notice of cancellation or termination has been received by any Group Company with respect to any such policy. No Group Company is in material breach or default, and no Group Company has taken any action or failed to take any action which, with notice or the lapse of time, would constitute such a material breach or default, or permit termination or modification, of any of such policies. Except as set forth on Schedule 3.15, (a) since December 31, 2014, no Group Company has made any claim under any such policy with respect to which an insurer has, in a written notice to a Group Company, questioned, denied or disputed or otherwise reserved its rights with respect to coverage, (b) no insurer has, to the Company's knowledge, threatened to cancel any such policy and (c) neither the execution, delivery or performance by the Company of this Agreement or the Ancillary Documents to which the Company is (or will at the Closing be) a party nor the consummation by the Company of the transactions contemplated hereby or thereby will conflict with, or give rise to any right of termination, cancellation or amendment or result in any material change under, such policy. There is no pending material claim by any Group Company against any insurer under any of such policies.

Section 3.16 Tax Matters. Except as set forth on Schedule 3.16:

(a) At all times since the Prior Acquisition Date the Company has been classified as a partnership for U.S. federal income Tax purposes, and at all times since the Prior Acquisition Date (or, if later, the time of its formation or acquisition by the Company or a subsidiary thereof), each of the Company's U.S. subsidiaries, except for NSM Administration, Inc., and Attorney & Professional Insurance Services, Inc., has been disregarded as an entity separate from its owner for U.S. federal income Tax purposes.

(b) The Group Companies have filed all material Tax Returns required to have been filed by them and have paid all material Taxes required to be paid by them, including Taxes which any Group Company is obligated to withhold, in each case, except for any Taxes being contested in good faith and for which adequate reserves have been established on the Financial Statements in accordance with GAAP.

(c) The unpaid Taxes of the Group Companies (i) did not, as of January 31, 2018, exceed the reserve for Tax liability set forth on the balance sheet as of such date included on Schedule 3.4(a) and (ii) will not exceed such reserve as adjusted for operations through the Closing.

(d) No written claim for material unpaid Taxes has been asserted against any Group Company and no written notice of audit with respect to a material Tax has been received by any Group Company. No Group Company is currently the subject of a Tax audit or examination with respect to a material amount of Taxes.

(e) No Group Company has consented to extend the time, or is the beneficiary of any extension of time, in which any material Tax may be assessed or collected by any taxing authority, other than any such extensions that are no longer in effect or that were obtained in the ordinary course of business of the Group Companies consistent with past practice.

(f) No material Liens for Taxes exist with respect to any of the assets, properties or rights of any Group Company except for Permitted Liens.

(g) No Group Company is or has been a party to any “listed transaction” as defined in Section 6707A(c)(2) of the Code and Treasury Regulation Section 1.6011-4(b)(2).

(h) No Group Company is a party to any Tax allocation or sharing agreement, other than an agreement entered into in the ordinary course of business, the primary of purpose of which does not relate to Taxes.

(i) No Group Company (i) is or has been a member of an affiliated group filing a consolidated U.S. federal income Tax Return (other than a group the common parent of which is a Group Company or, during the AIG Ownership Period, was American International Group, Inc.), or (ii) since the Prior Acquisition Date has assumed any material liability for the Taxes of any Person (other than a Group Company) as a transferee or successor.

(j) The Company has not made an election to apply the partnership audit rules enacted by the Budget Act for any taxable year beginning prior to January 1, 2018.

Section 3.17 Brokers. No broker, finder, financial advisor, investment banker or other Person is entitled to any broker’s, finder’s, financial advisor’s, investment banker’s fee or commission or similar payment in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any Group Company.

Section 3.18 Real and Personal Property.

(a) Owned Real Property. Schedule 3.18(a) sets forth a true and complete list of all real property and interests in real property owned in fee by any Group Company (such real property, the “Owned Real Property”) and identifies any material easements or Contracts relating thereto. A Group Company has good and marketable title to each Owned Real Property, free and clear of all Liens (other than Permitted Liens). No Owned Real Property is presently being marketed for sale or is under contract to be sold. Schedule 3.18(a) also sets forth a true and complete list of any written or oral leases, subleases, concessions or other Contracts granting to any Person the right to acquire, lease, use or occupy any portion of any Owned Real Property (any such lease, sublease, concession or other Contract, an “Owned Real Property Occupancy Agreement”). Seller has made available to Buyer a true and complete copy of each Owned Property Occupancy Agreement. Each Owned Real Property Occupancy Agreement is valid and binding on the Group Company party thereto, enforceable in accordance with its terms (assuming the due authorization and execution of such Owned Real Property Occupancy Agreement by the other party thereto and subject to applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting generally the enforcement of creditors’ rights and subject to general principles of equity). Except as set forth on Schedule 3.18(a), each of the Group Companies, and, to the Company’s knowledge, each of the

other parties thereto, has performed all material obligations required to be performed by it under each Owned Real Property Occupancy Agreement, and no Group Company, or, to the Company's knowledge, any other party to any Owned Real Property Occupancy Agreement has violated any provision of, or taken or failed to take any act which, with or without notice, lapse of time, or both, would constitute a material default under the provisions of, such Owned Real Property Occupancy Agreement. Except as set forth on Schedule 3.18(a), (i) there are no outstanding options or rights of first refusal to purchase all or a portion of any Owned Real Property and (ii) there are no existing, pending or, to the Company's knowledge, threatened condemnation, eminent domain or similar proceedings affecting any Owned Real Property. The improvements and fixtures on the Owned Real Property are, in all material respects, in suitable operating condition for their current use, ordinary wear and tear excepted.

(b) Leased Real Property. Schedule 3.18(b) sets forth a true and complete list of all leases (each a "Real Property Lease") of real property (such real property, the "Leased Real Property") pursuant to which any Group Company is a tenant or a sublessor as of the date of this Agreement. Seller has made available to Buyer a true and complete copy of each Real Property Lease. A Group Company has valid leasehold title to each Leased Real Property, free and clear of all Liens (other than Permitted Liens), and each Real Property Lease is valid and binding on the Group Company party thereto, enforceable in accordance with its terms (assuming the due authorization and execution of such Real Property Lease by the other party thereto and subject to applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting generally the enforcement of creditors' rights and subject to general principles of equity). Except as set forth on Schedule 3.18(b), each of the Group Companies, and, to the Company's knowledge, each of the other parties thereto, has performed all material obligations required to be performed by it under each Real Property Lease, and no Group Company, or, to the Company's knowledge, any other party to any Real Property Lease has violated any provision of, or taken or failed to take any act which, with or without notice, lapse of time, or both, would constitute a material default under the provisions of, such Real Property Lease. Except as set forth on Schedule 3.18(b), (i) there are no written or oral subleases, concessions or other Contracts granting to any Person other than a Group Company the right to use or occupy any portion of any Leased Real Property, (ii) there are no outstanding options or rights of first refusal to purchase all or a portion of any Leased Real Property and (iii) there are no existing, pending or, to the Company's knowledge, threatened condemnation, eminent domain or similar proceedings affecting any Leased Real Property. To the extent actually used and occupied by the applicable Group Company, the improvements and fixtures on the Leased Real Property are, in all material respects, in suitable operating condition for their current use, ordinary wear and tear excepted.

(c) Personal Property. Except as set forth on Schedule 3.18(c), as of the date of this Agreement, the Group Companies collectively have good title to or valid leasehold or license interests in all machinery, equipment and other personal property used by them in the conduct of their businesses as currently conducted, and none of such properties are subject to any Liens except for Liens identified on Schedule 3.18(c) and Permitted Liens. All material personal property of the Group Companies are in good operating condition and repair, normal wear and tear excepted and are adequate in all material respects to conduct the operations of the Group Companies as currently conducted. For the avoidance of doubt, this Section 3.18(c) does not make any representation or warranty regarding Intellectual Property Rights.

Section 3.19 Transactions with Affiliates. Except as set forth on Schedule 3.19, no officer, director, equityholder or any of their respective Affiliates; including, to the Company's knowledge, any individual in such officer's or director's immediate family, is a party to any agreements or Contracts with any Group Company (any such Contract, arrangement, commitment or transaction, an "Affiliate Agreement") or has any interest in any property asset or right used by any Group Company, or any material interest in any Person that is engaged in business as a lessor, lessee, client, customer (including any insurance company under any Program Agreement), service provider or supplier of any Group Company.

Section 3.20 Customers, Carriers and Vendors.

(a) Schedule 3.20(a) contains a list of (i) the twenty (20) largest clients or customers, including any insurance companies under any Program Agreement (the "Material Customers") of the Group Companies (measured by revenue), (ii) the twenty (20) largest insurance carriers for which the Group Companies write policies (measured by revenue) (the "Material Carriers"), and (iii) the twenty (20) largest Vendors (the "Material Vendors") of the Group Companies (measured by aggregate spend), in each case for the twelve (12) months ended December 31, 2017.

(b) Except as set forth on Schedule 3.20(b), since December 31, 2016, (i) no Group Company has received any written notice that any such Material Customer, Material Carrier, or Material Vendor plans to terminate its relationship with or materially limit or decrease the amount of business done with any Group Company, (ii) no Material Customer, Material Carrier, or Material Vendor has canceled or otherwise terminated its relationship with the Group Companies, (iii) no Material Customer has materially decreased or limited, or requested a material decrease or limit, in the volume of purchases from or prices paid (in the aggregate or on a per item basis) to any Group Company, (iv) no Material Vendor has materially increased, or requested a material increase, in the prices charged (in the aggregate or on a per item basis) to any Group Company, and (v) no Material Vendor has materially decreased or limited, or requested a material decrease or limit, in the volume of sales to any Group Company; provided, that, the fact that any particular agreement, Contract or commitment with any Material Customer, Material Carrier, or Material Vendor is scheduled to expire shall not, in and of itself, constitute notice of any of the foregoing matters.

Section 3.21 Employee Agents; Third-Party Agents; Sales Practices.

(a) Each employee, officer or agent of any Group Company acting as an Insurance Producer on behalf of a Group Company (each, an "Employee Agent"), and each Third-Party Agent, is, and at all times during which such Employee Agent or Third-Party Agent has acted as an Insurance Producer on behalf of such Group Company has been, duly registered with and/or licensed by the appropriate Governmental Entity in jurisdictions requiring such registration and/or license where such Employee Agent conducts or has conducted business as an Insurance Producer on behalf of such Group Company. No Employee Agent or Third-Party Agent is in material violation of any Law applicable to the brokering, writing, sale, marketing, management or production of the business of the Group Companies. Since December 31, 2014, none of the Employee Agents and none of the Third-Party Agents have finally been denied any application for any license, registration or other Governmental Entity authorization necessary to act as an Insurance Producer on behalf of the Group Companies. There has not been a proceeding and there is no proceeding pending or, to

the Company's knowledge, threatened in writing to suspend, revoke or limit any such license or registration. No Insurance Producer, nor any Affiliate of any Insurance Producer, has any right to receive any payment based on the profitability, loss ratio, expense ratio, underwriting experience or financial performance of any of the Insurance Contracts. There are no Actions pending or, to the Company's knowledge, threatened against any of the Group Companies with respect to the sale or marketing of any Insurance Contracts. Each Third-Party Agent was appointed by a Group Company in compliance with applicable Law and all processes and procedures used in making inquiries with respect of such Person, were undertaken in material compliance with applicable Law, except as would not be reasonably likely to have, individually or in the aggregate, a material and adverse effect on the business or operations of any Group Company.

(b) Each Group Company has implemented procedures and programs which are reasonably designed to provide assurance that its respective Employee Agents are in material compliance with all applicable Laws. There has not been a material event of non-compliance with such compliance program and procedures referred to in the preceding sentence by any Employee Agent that is an officer of a Group Company or, to the knowledge of the Company, any Employee Agent that is an employee of a Group Company.

(c) Schedule 3.21(c) sets forth a true and complete list of the top 20 Third-Party Agents of the Group Companies based on aggregate dollar amount of production for the twelve (12) month period ending December 31, 2017 (collectively, the "Top Producers"). No Top Producer has (A) materially reduced the amount of business it transacts with the Group Companies or (B) given notice to any Group Company in writing that it intends to materially reduce the amount of business it transacts with the Group Companies.

Section 3.22 Program Agreement Breaches. No insurance company has given or, to the Company's knowledge, threatened to give any notice that any breach or default on the part of a Group Company with respect to performance or payment under any Program Agreement exists (or, with the giving of notice or the passage of time or both, would exist), other than immaterial matters that have been resolved.

Section 3.23 Contingent and Incentive-Based Commissions. No Group Company is a party to any market services agreement, placement services agreement, incentive-based commission or similar agreement. Except as set forth on Schedule 3.23, all material payments due to the Group Companies with respect to the business of any of the Group Companies are described in written Contracts and forms or examples of each variant of such Contract have been made available to Buyer. To the knowledge of the Company, no director, officer, employee or agent of any Group Company receives any material payments for his or her personal account from any customer or client of any Group Company in connection with the business of any Group Company. Except as would not have a material and adverse effect on the business or operations of any Group Company, each Group Company has, to the extent required by Law, made all disclosures to, and obtained all consents from, purchasers of insurance concerning such Group Company's compensation relative to such purchaser's insurance, the source and method of payment of such compensation and any other compensation-related matter.

Section 3.24 No Undisclosed Liabilities. Except as set forth on Schedule 3.24, there are no Liabilities or obligations of any Group Company of any kind that would be required to be reflected on a balance sheet (or in the notes thereto) prepared in accordance with GAAP, other than (i) Liabilities and obligations provided for or reflected in the Financial Statements, and (ii) Liabilities and obligations incurred in the ordinary course of business (other than in connection with or arising from any breach of any agreement) consistent with past practice since December 31, 2016, that would not, or would not be reasonably expected to, individually or in the aggregate, be material to such Group Company.

Section 3.25 EXCLUSIVITY OF REPRESENTATIONS AND WARRANTIES. NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO BUYER OR ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION (INCLUDING ANY FINANCIAL PROJECTIONS OR OTHER SUPPLEMENTAL DATA), EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 3, ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY THE COMPANY PURSUANT TO THIS AGREEMENT, OR THE ANCILLARY DOCUMENTS, THE COMPANY EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE UNITS OR BUSINESSES OR ASSETS OF ANY OF THE GROUP COMPANIES, AND THE COMPANY SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO SUCH ASSETS, ANY PART THEREOF, THE WORKMANSHIP THEREOF, AND THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, IT BEING UNDERSTOOD THAT SUCH ASSETS ARE BEING ACQUIRED “AS IS, WHERE IS” ON THE CLOSING DATE, AND IN THEIR PRESENT CONDITION, AND BUYER SHALL RELY ON ITS OWN EXAMINATION AND INVESTIGATION THEREOF AS WELL AS THE REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SELLERS, RESPECTIVELY, SET FORTH IN THIS ARTICLE 3 AND ARTICLE 4, RESPECTIVELY, ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY THEM PURSUANT HERETO OR THE ANCILLARY DOCUMENTS.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES CONCERNING THE SELLERS

Each Seller, severally and not jointly, hereby represents and warrants to Buyer, as of the date of this Agreement and as of the Closing Date, as follows:

Section 4.1 Organization. Such Seller, if other than a natural person, is a limited liability company or other entity that is duly organized or incorporated, validly existing and in good standing under the Laws of the jurisdiction of its formation and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted, except where the failure to have such power or authority would not prevent or materially delay such Seller from consummating the transactions contemplated under this Agreement or otherwise prevent such Seller from complying with the terms and provisions of this Agreement. Such Seller is not in violation of any provision of its Governing Documents (if applicable).

Section 4.2 Authority. Such Seller, if a natural person, has the capacity, if other than a natural person has the requisite limited liability company or other entity power and authority, to execute and deliver this Agreement and each of the Ancillary Documents to which such Seller is a party and to consummate the transactions contemplated hereby and thereby. If other than a natural person, the execution and delivery of this Agreement (and the Ancillary Documents to which such Seller is a party) and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary limited liability company or other entity action on the part of such Seller and no other corporate proceedings on the part of such Seller is necessary to authorize this Agreement and the Ancillary Documents or to consummate the transactions contemplated hereby. This Agreement has been (and the execution and delivery of each of the Ancillary Documents to which such Seller is a party will be) duly and validly executed and delivered by such Seller and constitute (or will at the Closing constitute) a valid, legal and binding agreement of such Seller (assuming that this Agreement and the Ancillary Documents to which such Seller is (or will be) a party has been duly and validly authorized, executed and delivered by the other Sellers and by Buyer), enforceable against such Seller in accordance with their terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

Section 4.3 Consents and Approvals; No Violations. Except as set forth on Schedule 4.3, assuming the representations and warranties in Section 3.5 are true and correct, no Consents are necessary for the execution, delivery or performance by such Seller of this Agreement or the Ancillary Documents to which such Seller is a party or the consummation by such Seller of the transactions contemplated hereby and thereby, except for (i) compliance with and filings under the HSR Act, (ii) the U.K. Approvals, (iii) the filing of applications under §4001.253 of the Texas Insurance Law with the Texas Department of Insurance and approvals or non-objections thereof, (iv) those the failure of which to obtain or make would not reasonably be expected to have a Material Adverse Effect (it being agreed for purposes of this Section 4.3, effects resulting from the announcement of the transactions contemplated in this Agreement as set forth in clause (vii) of the definition of "Material Adverse Effect" will not be excluded in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur) and (v) those that may be required solely by reason of Buyer's (as opposed to any other third party's) participation in the transactions contemplated hereby. Neither the execution, delivery or performance by such Seller of this Agreement or the Ancillary Documents to which such Seller is a party nor the consummation by such Seller of the transactions contemplated hereby or thereby will (a) if such Seller is not a natural person, conflict with or result in any breach of any provision of such Seller's Governing Documents, (b) except as set forth on Schedule 4.3, result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any Contract, Permit, franchise, license or instrument which such Seller is a party or (c) violate any Law applicable to such Seller or any of its Subsidiaries or any of their properties or assets, which in the case of any of clauses (b) through (c) above, would reasonably be expected to prevent or materially impact or materially delay the ability of such Seller to consummate the transactions contemplated herein.

Section 4.4 Title to the Units. Such Seller owns of record and beneficially all of the Units set forth opposite such Seller's name on Schedule 4.4, and Seller has good and marketable title to such Units, free and clear of all Liens. Upon the delivery of the Units by the Sellers in the manner contemplated under Article 2, Buyer will acquire the direct or indirect beneficial and legal title to the Units free and clear of all Liens except for restrictions on transfer under federal, state and other securities Laws or Liens created by this Agreement or incurred by Buyer or its Affiliates.

Section 4.5 Litigation. There is no Action pending or, to the Company's knowledge, threatened against such Seller that relates to such Seller's Units, or that would otherwise prevent or materially delay such Seller from consummating the transactions contemplated under this Agreement or otherwise prevent such Seller from complying with the terms and provisions of this Agreement. Such Seller is not subject to any outstanding order, writ, injunction or decree that relates to such Seller's Units, or would, individually or in the aggregate, reasonably be expected to prevent or materially delay such Seller from consummating the transactions contemplated under this Agreement or otherwise prevent such Seller from complying with the terms and provisions of this Agreement.

Section 4.6 Brokers. No broker, finder, financial advisor, investment banker or other Person is entitled to any broker's, finder's, financial advisor's, investment banker's fee or commission or similar payment in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of such Seller.

Section 4.7 EXCLUSIVITY OF REPRESENTATIONS AND WARRANTIES. NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO BUYER OR ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION (INCLUDING ANY FINANCIAL PROJECTIONS OR OTHER SUPPLEMENTAL DATA), EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY SUCH SELLER PURSUANT TO THIS AGREEMENT, OR THE ANCILLARY DOCUMENTS TO WHICH SUCH SELLER IS A PARTY, EACH SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE UNITS OR BUSINESSES OR ASSETS OF ANY OF THE GROUP COMPANIES, AND SUCH SELLER SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO SUCH ASSETS, ANY PART THEREOF, THE WORKMANSHIP THEREOF, AND THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, IT BEING UNDERSTOOD THAT SUCH ASSETS ARE BEING ACQUIRED "AS IS, WHERE IS" ON THE CLOSING DATE, AND IN THEIR PRESENT CONDITION, AND BUYER SHALL RELY ON ITS OWN EXAMINATION AND INVESTIGATION THEREOF AS WELL AS THE REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SELLERS, RESPECTIVELY, SET FORTH IN THIS AGREEMENT, RESPECTIVELY, ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY THEM PURSUANT HERETO OR THE ANCILLARY DOCUMENTS.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES CONCERNING BUYER

Buyer hereby represents and warrants to the Sellers and the Company, as of the date of this Agreement and as of the Closing Date, as follows:

Section 5.1 Organization. Buyer is a corporation, duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted, except where the failure to have such power or authority would prevent or materially delay Buyer from consummating the transactions contemplated under this Agreement or otherwise prevent Buyer from complying with the terms and provisions of this Agreement. Buyer has delivered to the Company copies of its respective Governing Documents in effect as of the date of this Agreement. Buyer is not in violation of any provision of its Governing Documents. Buyer is duly qualified or licensed to transact business and is in good standing in each jurisdiction in which the property and assets owned, leased or operated by it, or the nature of the business conducted by it, makes such qualification or licensing necessary, except for such failures that would not prevent or materially delay Buyer from consummating the transactions contemplated under this Agreement or otherwise prevent Buyer from complying with the terms and provisions of this Agreement.

Section 5.2 Authority. Buyer has the requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Documents to which Buyer is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement (and the Ancillary Documents to which Buyer is a party) and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Buyer and no other corporate proceedings on the part of Buyer is necessary to authorize this Agreement and the Ancillary Documents to which Buyer is a party or to consummate the transactions contemplated hereby. No vote of Buyer's direct or indirect equityholders is required to approve this Agreement or for Buyer to consummate the transactions contemplated hereby or thereby. This Agreement has been (and each of the Ancillary Documents to which Buyer is a party will be) duly and validly executed and delivered by Buyer and constitute (or will at the Closing constitute) a valid, legal and binding agreement of Buyer (assuming that this Agreement and the Ancillary Documents to which Buyer is (or will be) a party has been duly authorized, executed and delivered by Seller and the Company), enforceable against Buyer in accordance with their terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

Section 5.3 Consents and Approvals; No Violations. Assuming the truth and accuracy of the Company's representations and warranties contained in Section 3.5 and the Sellers' representations and warranties contained in Section 4.3, no material Consents are necessary to be made or obtained by Buyer for the execution, delivery or performance of this Agreement or the Ancillary Documents to which Buyer is a party or the consummation by Buyer of the transactions contemplated hereby, except for (i) compliance with and filings under the HSR Act, (ii) the U.K. Approvals and (iii) the filing of applications under §4001.253 of the Texas Insurance Law with the Texas Department of Insurance and approvals or non-objections thereof. Neither the execution,

delivery or performance by Buyer of this Agreement or the Ancillary Documents to which Buyer is (or at the Closing will be) a party nor the consummation by Buyer of the transactions contemplated hereby or thereby will (a) conflict with or result in any breach of any provision of Buyer's Governing Documents, (b) except as set forth on Schedule 5.3, result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any Contract, Permit, franchise license or instrument which Buyer is a party or (c) violate any Law applicable to Buyer or any of Buyer's Subsidiaries or any of their respective properties or assets.

Section 5.4 Brokers. No broker, finder, financial advisor, investment banker or other Person is entitled to any broker's, finder's, financial advisor's or investment banker's fee or commission or similar payment in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Buyer or any of its respective Affiliates for which Seller or any Group Company may become liable.

Section 5.5 Availability of Funds; Solvency. Buyer has access to cash sufficient to enable it to consummate the transactions contemplated by this Agreement. Assuming (x) the representations and warranties contained in Article 3 and Article 4 of this Agreement and in the certificates or other instruments delivered pursuant hereto are true and correct as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties are made on and as of a specified date, in which case assuming the same continue on the Closing Date to be true and correct as of the specified date) and (y) the Company and the Sellers have, prior to the Closing, complied in all material respects with their respective covenants contained in this Agreement, immediately after giving effect to the transactions contemplated by this Agreement, none of Buyer or the Group Companies will (a) be insolvent (either because its financial condition is such that the sum of its debts is greater than the fair value of its assets or because the fair salable value of its assets is less than the amount required to pay its probable liability on its existing debts as they mature), (b) have unreasonably small capital with which to engage in its business or (c) have incurred debts beyond its ability to pay as they become due.

Section 5.6 No Competitor. Neither Buyer nor any of its Affiliates are, as of the date of this Agreement, and none of them will be, as of the Closing Date, a "Competitor" as such term is defined in the Company Existing LLC Agreement.

Section 5.7 Investigations; No Representations. In entering into this Agreement, Buyer has relied upon its own investigation and analysis and the representations and warranties of the Group Companies and Sellers, respectively, expressly contained in this Agreement, the certificates or other instruments delivered pursuant hereto, or the Ancillary Documents, and Buyer acknowledges and agrees that it has not relied on any promise, representation or warranty either express or implied, that is not set forth in this Agreement, the certificates or other instruments delivered pursuant hereto, or the Ancillary Documents (x) as to the condition, value or quality of the Units or businesses or assets of any of the Group Companies, (y) as to the accuracy or completeness of any of the information provided or made available to Buyer or any of its respective agents, representatives, lenders or Affiliates prior to the execution of this Agreement or (z) with respect to any projections, forecasts, estimates, plans or budgets of future revenues, expenses or expenditures, future results of operations (or any component thereof), future cash flows (or any

component thereof) or future financial condition (or any component thereof) of any Group Company heretofore or hereafter delivered to or made available to Buyer or any of its respective agents, representatives or Affiliate. It is understood that any cost estimates, projections or other predictions, any data, any financial information or any memoranda or offering materials or presentations, including any offering memorandum or similar materials made available to Buyer and its representatives and advisors (1) are not and shall not be deemed to be or to include, representations or warranties of Sellers, the Group Companies, any of their respective directors, officers, employees, Affiliates, stockholders, agents or representatives, or any other Person, and (2) are not and shall not be deemed to be relied upon by Buyer in executing, delivering and performing this Agreement and the transactions contemplated hereby.

ARTICLE 6 COVENANTS

Section 6.1 Conduct of Business of the Company. Except as expressly permitted by this Agreement or in order to effect the transactions contemplated hereby, from and after the date hereof until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, the Company shall, and shall cause each other Group Company to, except as set forth on Schedule 6.1 or as consented to in advance in writing by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed; provided, that Buyer may withhold or condition its consent in its sole discretion in connection with the acquisition of any Acquired Entity or any other acquisition that would require Buyer's consent pursuant to clause (iv) below), (a) conduct its business in the ordinary and regular course consistent with past practice and, to the extent consistent therewith, use commercially reasonable efforts to preserve intact their current business organizations and their material relationships with customers, suppliers and others having business dealings with them and (b) not do any of the following:

- (i) declare or pay any dividend on, or make any other distribution (whether in cash, stock or property) in respect of, its capital stock or equity securities except dividends and distributions by any of the Company's Subsidiaries to the Company or another Group Company;
- (ii) split, combine or reclassify any Group Company's outstanding capital stock or other equity securities or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of Group Company's outstanding capital stock;
- (iii) purchase, redeem or otherwise acquire any shares of outstanding capital stock or other equity securities of any Group Company, or any rights, warrants or options to acquire any such shares or securities;
- (iv) subject to clause (v) below, acquire or agree to acquire, in a single transaction or a series of related transactions, in any manner (whether by merger or consolidation, the purchase of an equity interest in or a material portion of the assets of or otherwise) any business or any corporation, partnership, joint venture, association or other business organization or division thereof of any other Person other than the acquisition of

assets for a consideration of less than \$2,000,000; provided, that the aggregate consideration for such acquisitions does not exceed \$2,500,000;

(v) enter into any new line of business or leave an existing line of business;

(vi) adopt any amendments to their respective Governing Documents;

(vii) sell, lease, license or otherwise dispose of or subject to any Lien (other than Permitted Liens), in a single transaction or a series of related transactions, any Group Company's material assets or properties, except sales of inventory, sales of excess and obsolete assets and non-exclusive licenses, in each case in the ordinary course of business consistent with past practice;

(viii) except in the ordinary course of business consistent with past practice, cancel or abandon, or fail to renew, maintain, diligently pursue applications for or defend, any material Owned IP Rights;

(ix) issue, deliver, sell, grant, pledge or otherwise encumber (other than to any other Group Company) (A) any capital stock, voting Indebtedness or other voting securities of any Group Company or (B) any options, warrants, rights of conversion or other rights, agreements, arrangements or commitments obligating any Group Company to issue, deliver, sell, grant, pledge or otherwise encumber any capital stock, voting Indebtedness or other voting securities of any Group Company;

(x) make any capital expenditures in excess of \$500,000 in the aggregate, except as provided in the Company's budget for 2018;

(xi) (A) except for borrowings in the ordinary course of business consistent with past practice, incur, create, assume or otherwise become liable for any Indebtedness for borrowed money in excess of \$1,000,000 or (B) make any loans, advances or capital contributions to, or investments in, any other Person, other than to any Group Company and loans and advances to employees in the ordinary course of business consistent with past practice;

(xii) cancel, discharge or, other than in accordance with its terms, pay or satisfy any debts, liabilities or other obligations or waive any claims or rights that are material to any Group Company;

(xiii) enter into, terminate or materially amend any Material Contract or Real Property Lease (including any Contract or Real Property Lease with respect to any Acquired Entity that would have been a Material Contract or Real Property Lease had such Acquired Entity been a Group Company on the date of this Agreement);

(xiv) enter into any transaction or enter into, perform under or terminate any Contract with any Group Company's officers, directors or Affiliates, other than performance of any Contract existing on the date of this Agreement;

(xv) make any change in accounting methods, principles or practices used by any Group Company materially affecting its assets, liabilities or results of operations or determination of Loss Ratios, except insofar as may be required by applicable Law or by a change in applicable accounting principles, or make any material change to underwriting methodologies;

(xvi) commit a breach of, terminate, let lapse or materially modify any Permit, except, other than in the case of a breach, in the ordinary course of business consistent with past practice;

(xvii) settle any pending or threatened Action;

(xviii) (A) make, change or revoke any material Tax election, (B) change an annual Tax accounting period, (C) adopt or change any material Tax accounting method, (D) file any amended income or other material Tax Return, (E) apply for or enter into any Tax ruling or closing agreement, (F) settle any Tax claim or assessment with respect to a material amount of Taxes or (G) surrender any right to claim a refund, offset or other reduction of a material amount of Taxes;

(xix) other than as required by any Law, Employee Benefit Plan or any Governmental Plan, (A) increase the compensation, severance or termination pay of any Participant, except for increases in compensation (other than change-in-control or retention payments or benefits) made in the ordinary course of business consistent with past practice to any non-executive employee of the Company and its Subsidiaries (provided that in no event shall the aggregate value of such increases in compensation to non-executive employees exceed \$500,000), (B) grant any (1) bonus, severance, or termination pay to any Participant (other than severance or termination pay in the ordinary course of business consistent with past practice as described on Schedule 6.5 and permitted under clause (E)(2) hereof) or (2) profits interest or other equity or equity based award to any Participant, (C) materially increase the coverage or benefits available under any Employee Benefit Plan, (D) establish, adopt, enter into, amend, renew or terminate any collective bargaining agreement, any Employee Benefit Plan, or any employee benefit plan, program, agreement or arrangement that would be an Employee Benefit Plan if in existence on the date hereof, (E) enter into any employment, deferred compensation, severance, consulting, noncompetition, change-in-control, retention or similar Contract (or amend any such Contract), other than entry into (1) customary employment Contracts and offer letters for new hires in the ordinary course of business consistent with past practice, provided that (x) the sum of the total target annual cash compensation and other non-annual bonus cash compensation payable thereunder does not exceed \$500,000 and (y) such Contract or offer letter is terminable on less than ninety (90) days' notice without penalty (unless otherwise required by Law) and without severance pay exceeding the amount required under applicable Law, and (2) severance Contracts in the ordinary course of business consistent with past practice as described on Schedule 6.5, provided that the total value of severance payments and benefits thereunder to any one individual does not exceed \$500,000 in the aggregate, and (3) noncompetition Contracts in the ordinary course of business consistent with past practice which do not result in any cost to any Group Company, (F) accelerate the vesting or payment of, or fund or in any other way secure the payment, compensation or benefits

under, any Employee Benefit Plan, (G) plan, announce, implement or effect any reduction in force or layoff with respect to five percent (5%) or more of the employees of the Group Companies as of the date hereof or (H) hire any employee except in the ordinary course of business consistent with past practice where the sum of the total target annual cash compensation and other non-annual bonus cash compensation of each individual new hire would not exceed \$250,000;

(xx) apply for the cancellation or variation of any permission or authorizations granted by the FCA or undertake any activities or new business that requires the granting of any new permission or authorization from the FCA; or

(xxi) take, enter into any agreement to take, or cause to be taken, any of the actions set forth in this Section 6.1.

Notwithstanding anything to the contrary contained in this Section 6.1, the Parties hereto expressly acknowledge and agree that the Group Companies may repay any Indebtedness, pay any Seller Expenses or make any distribution of Cash and Cash Equivalents at any time prior to the open of business on the Closing Date.

Section 6.2 Access to Information. From and after the date hereof until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, upon reasonable notice, and subject to restrictions contained in the confidentiality agreements to which the Group Companies are subject, the Company shall provide to Buyer and its authorized representatives during normal business hours on reasonable notice reasonable access to all books and records of the Group Companies (in a manner so as to not interfere with the normal business operations of any Group Company). All of such information shall be treated as “Confidential Information” pursuant to the terms of the Confidentiality Agreement, the provisions of which are by this reference hereby incorporated herein. Notwithstanding anything to the contrary set forth in this Agreement, during the period from the date hereof until the Closing, neither the Company nor any of its Affiliates (including the Group Companies) shall be required to disclose to Buyer or any of its representatives any: (a) information: (i) if doing so would violate any Contract, fiduciary duty or Law to which a Seller or any of its Affiliates (including the Group Companies) is a party or is subject; (ii) if it reasonably determined upon the advice of counsel that doing so could result in the loss of the ability to successfully assert attorney-client and work product privileges; (iii) if the Company or any of its Affiliates, on the one hand, and Buyer or any of its Affiliates, on the other hand, are adverse parties in a litigation and such information is reasonably pertinent thereto; or (iv) if the Company reasonably determines that such information should not be disclosed due to its competitively sensitive nature; or (b) information relating to Taxes or Tax Returns relating solely to the Group Companies. Buyer agrees that it shall be bound by the Confidentiality Agreement to the same extent as White Mountains Capital, Inc.

Section 6.3 Efforts to Consummate.

(a) Subject to the terms and conditions herein provided, each of the Sellers, Buyer and the Company shall use reasonable best efforts to take, or cause to be taken, all actions reasonably necessary, proper or advisable to be taken by it to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement (including the satisfaction,

but not waiver, of the closing conditions set forth in Article 7). Each of Buyer, the Company and, to the extent applicable, the Sellers shall use reasonable best efforts to make filings or notifications with, and obtain all Consents necessary to consummate the transactions contemplated by this Agreement, including the Regulatory Approvals (the “Governmental Approvals”). All costs incurred in connection with obtaining the Governmental Approvals, including the HSR Act filing fee (the “Regulatory Fees”) shall be borne by Buyer.

(b) Buyer, the Company and, to the extent required, each Seller (i) shall make an appropriate filing pursuant to the HSR Act with respect to the transactions contemplated by this Agreement promptly (and in any event, within five (5) Business Days) after the date of this Agreement (unless filed prior to the date of this Agreement) and (ii) in connection therewith shall supply as promptly as practicable to the appropriate Governmental Entities any additional information and documentary material that may be requested pursuant to the HSR Act. Each Party shall promptly inform the other Parties of any communication between such Party and any Governmental Entity regarding any of the transactions contemplated by this Agreement. Without limiting the foregoing, the Company, the Sellers, Buyer and their respective Affiliates shall not extend any waiting period, review period or comparable period under the HSR Act or enter into any agreement with any Governmental Entity not to consummate the transactions contemplated hereby, except with the prior written consent of the other Parties. Notwithstanding the foregoing or anything in this Agreement to the contrary, Buyer shall not be required to, in connection with obtaining any consents or approvals hereunder, or in connection with otherwise complying with any provisions of this Agreement, (A)(x) consent to or take any action with respect to the Group Companies or Buyer or its Affiliates, (y) make any divestiture or other undertaking or enter into any consent decree, hold separate order or operational restriction with respect to the Group Companies or Buyer or its Affiliates, or (z) terminate, amend or assign any contractual right or obligation, that, solely with respect to the Group Companies, would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Group Companies, taken as a whole or (B) commence or contest, or cause any of its Affiliates to commence or contest, any Action relating to the transactions contemplated under this Agreement. For the avoidance of doubt, none of the exclusions set forth in the definition of “Material Adverse Effect” shall be deemed to apply to any reference to “material adverse effect” in this Section 6.3(b)). Notwithstanding anything to the contrary in this Agreement, none of the Group Companies shall be required to, make or agree to any payments or other consideration to any third party, or agree to modify the terms of any Contract, waive any right or grant any concession, in each case, to obtain any Consent or release.

(c) Each of the Sellers, Buyer and the Company shall (i) permit the other party to review and consider in good faith the other party’s reasonable comments in any communication to be given by it to any Governmental Entity with respect to any filing required to be made with, or action or nonaction, waiver, expiration or terminations of waiting period, clearance, consent or order required to be obtained from, such Governmental Entity in connection with execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement, and (ii) consult with the other party in advance of and not participate in any meeting or discussion relating to the transactions contemplated by this Agreement, either in person or by telephone, with any Governmental Entity in connection with the proposed transactions unless, to the extent not prohibited by such Governmental Entity, it gives the other party the opportunity to attend and participate.

(d) In the event that a Governmental Entity issues a request for additional information or documentary material pursuant to the HSR Act (the “Second Request”) in connection with the transactions contemplated by this Agreement, then each Seller (if applicable to it), Buyer and the Company shall make (or each such Person (other than AIG) shall cause to be made), as soon as reasonably practicable and after consultation with the other, an appropriate response in compliance with the Second Request in order to obtain expiration or termination of the applicable waiting period before the Outside Date.

(e) Each of the Sellers, Buyer and the Company shall not, and shall cause its controlled Affiliates and their respective ultimate parent entities and Subsidiaries not to, acquire or agree to acquire, by merging with or into or consolidating with, or by purchasing a portion of the assets of or equity in, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets or equity interests, if the entering into of a definitive agreement relating to, or the consummation of, such acquisition, merger or consolidation would reasonably be expected to prevent the consummation of the transactions contemplated by this Agreement.

(f) Each of the Sellers and the Company shall not make any filings, applications or notices to any Governmental Entity in connection with the acquisition of, or any other transaction relating to, any Acquired Entity without Buyer’s prior written consent.

Section 6.4 Public Announcements. Buyer, the Company, the Seller Representative (on behalf of the Sellers other than AIG), and AIG shall consult with each other before issuing, and give each other the opportunity to review and comment upon, any press release or other public statement with respect to the transactions contemplated by this Agreement, and shall not issue any such press release or make any such public statement without the advance approval of the other party (such approval not to be unreasonably withheld or delayed); provided, that each Party may make any such announcement which it in good faith believes, based on advice of counsel, is necessary or advisable in connection with any requirement of Law or regulation, it being understood and agreed that each Party shall provide the other Parties with copies of any such announcement in advance of such issuance; provided, further, that each Party may make internal announcements to their respective employees that are not inconsistent in any material respects with the Parties’ prior public disclosures regarding the transactions contemplated by this Agreement. The Parties agree that the initial press release to be issued with respect to the transactions contemplated by this Agreement following execution of this Agreement shall be in the form agreed to by Buyer, the Seller Representative and AIG. Notwithstanding the foregoing, this Section 6.4 shall not apply to any press release or other public statement made by Buyer, the Company, the Seller Representative, or any Seller (a) which is consistent with the terms of this Agreement and does not contain any information relating to the Company, any Seller or the transactions contemplated by this Agreement that has not been previously announced or made public in accordance with the terms of this Section 6.4 or (b) is made in the ordinary course of business and does not relate to this Agreement or the transactions contemplated by this Agreement. Nothing herein shall prevent a Seller or any of its Affiliates which is a private equity or other investment fund from making customary disclosures (which are made subject to customary confidentiality obligations), including the key economic terms of the transactions contemplated by this Agreement and the return realized as a result thereof, to its current or prospective investors in connection with its normal fundraising and reporting activities.

Section 6.5 Employee Matters.

(a) For at least one (1) year following the Closing Date, Buyer shall provide each employee of each Group Company who continues to be employed by a Group Company with (i) salary or hourly wage rate, cash incentive compensation opportunity and other cash compensation that is not less than as provided to such employee immediately prior to the Closing Date, (ii) benefits (excluding equity arrangements, defined benefit arrangements, and retiree health and welfare arrangements, if any) that are substantially comparable in the aggregate as those provided by the Group Companies as of the Closing Date and (iii) severance benefits that are consistent with the Group Companies' past custom and practice as described on Schedule 6.5, except as Buyer and any employee of any Group Company may otherwise agree in writing.

(b) Buyer further agrees that, from and after the Closing Date, Buyer shall, and shall cause each Group Company to, grant all of its employees credit for any service with such Group Company earned prior to the Closing Date (i) for eligibility and vesting purposes and (ii) for purposes of vacation accrual and severance benefit determinations (other than for retiree health or welfare or defined benefit pension accruals) under any benefit or compensation plan, program, policy, agreement or arrangement that may be established or maintained by Buyer or a Group Company or any of their Affiliates on or after the Closing Date (the "New Plans"), to the same extent that such service was recognized by such Group Company prior to the Closing (or predecessor employer to the extent that such Group Company provides past service credit), except to the extent such service credit would result in any duplication of benefits. In addition, Buyer shall use its commercially reasonable efforts to (A) cause to be waived all pre-existing condition exclusions and actively-at-work requirements and similar limitations, eligibility waiting periods and evidence of insurability requirements under any New Plans to the extent waived or satisfied by an employee or his or her dependents under any Employee Benefit Plan as of the Closing Date and (B) cause any deductible, co-insurance and covered out-of-pocket expenses paid on or before the Closing Date by any employee (or covered dependent thereof) of any Group Company to be taken into account for purposes of satisfying the corresponding deductible, co-insurance and maximum out-of-pocket provisions after the Closing Date under any applicable New Plan in the year of initial participation. Buyer agrees that Buyer and the Group Companies (following the Closing) shall be solely responsible for satisfying the continuation coverage requirements of Section 4980B of the Code for all individuals who are "M&A qualified beneficiaries" as such term is defined in Treasury Regulation Section 54.4980B-9.

(c) Prior to the Closing, the Company shall, or shall cause one or more of its Subsidiaries to, (i) obtain a waiver from each Person who is a "disqualified individual" (as defined in Section 280G of the Code) of that portion of any payments or economic benefits received or payable to such Person that could constitute "parachute payments" (as defined in Section 280G(b) of the Code) (the "Waived 280G Benefits"), and (ii) solicit the approval of its shareholders of any Waived 280G Benefits, in a manner that complies with Sections 280G(b)(5)(A)(ii) and 280G(b)(5)(B) of the Code and the Treasury Regulations thereunder. The Company shall forward to Buyer at least five (5) days prior to the submission to shareholders entitled to vote on such matters copies of all documents prepared by the Company in connection with this Section 6.5(c) for Buyer's review and comment, and the Company shall consider in good faith such comments of Buyer. Prior to Closing, the Company shall deliver to Buyer evidence of the results of such vote. Such shareholder approval shall establish the disqualified individual's right to receive or retain the Waived 280G

Payments, such that if such shareholder approval is not obtained, no portion of the Waived 280G Payments shall be paid, payable, received or retained.

(d) Nothing contained herein, express or implied, is intended to confer upon any employee of any Group Company any right to continued employment for any period or continued receipt of any specific employee benefit, or shall constitute an amendment to or any other modification of any New Plan, Employee Benefit Plan or other employee benefit plan of Buyer and its Affiliates, or creation of any employee benefit plan. Nothing in this Section 6.5, express or implied, is intended to confer upon any Person (including any current or former employee of any Group Company, Buyer or any of their respective Affiliates) any third party beneficiary or other rights or remedies.

Section 6.6 Indemnification and Exculpation of Directors, Officers and Employees; Directors' and Officers' Insurance; Release.

(a) Buyer agrees that all rights to indemnification or exculpation now existing in favor of the current and former directors, officers, employees and agents of each Seller and each Group Company, as provided in any Group Company's Governing Documents or otherwise in effect as of the date hereof with respect to any matters occurring prior to the Closing Date, shall survive the transactions contemplated by this Agreement and shall continue in full force and effect until the sixth (6th) anniversary of the Closing Date and that the Group Companies will perform and discharge the Group Companies' obligations to provide such indemnity and exculpation. To the maximum extent permitted by applicable Law, such indemnification shall be mandatory rather than permissive, and the Group Companies shall advance expenses in connection with such indemnification as provided in such Group Company's Governing Documents or other applicable agreements. The indemnification and liability limitation or exculpation provisions of the Group Companies' Governing Documents shall not be amended, repealed or otherwise modified after the Closing Date in any manner that would adversely affect the rights thereunder of individuals who, as of the Closing Date or at any time prior to the Closing Date, were directors, officers, employees or agents of any Group Company, unless such modification is required by applicable Law.

(b) Contemporaneously with the Closing, the Company shall, at Buyer's cost and expense, purchase a "tail" policy arranged by the Company prior to the Closing, providing directors' and officers' liability insurance coverage for the benefit of those Persons who are covered by any Group Company's directors' and officers' liability insurance policies as of the date hereof or at the Closing with respect to matters occurring prior to the Closing that is at least equal to the coverage provided under the Group Companies' current directors' and officers' liability insurance policies, and Buyer shall cause the Company to maintain such policy in effect, without any lapse in coverage, for a period of six (6) years following the Closing Date; provided, that the premium for such "tail" policy shall not be more than \$150,000; provided, that the Company may substitute therefor policies of at least the same coverage containing terms and conditions which are no less advantageous to the beneficiaries thereof so long as such substitution does not result in gaps or lapses in coverage with respect to matters occurring prior to the Closing Date.

(c) The current and former directors, officers, employees and agents of each Group Company entitled to the indemnification, liability limitation, exculpation and insurance set forth in this Section 6.6 are intended to be third party beneficiaries of this Section 6.6. This Section

6.6 shall survive the consummation of the transactions contemplated by this Agreement and shall be binding on all successors and assigns of Buyer and the Group Companies.

(d) If Buyer, the Group Companies or any of their successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of Buyer or the Group Companies shall assume the obligations set forth in this Section 6.6.

(e) Release:

(i) Effective upon the Closing, each Seller, other than AIG, on behalf of itself and each of its Affiliates, successors and assigns (collectively, the "Releasing Parties"), shall be deemed to have remised, released and forever discharged each Group Company and each of the current or former officers, directors, managers, employees and agents of the Group Companies (collectively, the "Released Parties") of and from any and all claims which the Releasing Parties, or any of them, now have, ever had, or at the Closing may have, or hereafter can, shall or may have, against the Released Parties, or any of them, for, upon or by reason of any matter, cause or thing whatsoever, from the beginning of time through the Closing Date, including any such claims related to or in connection with any grant of Profits Interests (or any promise or commitment to grant such Profits Interests) or under the Company Existing LLC Agreement. Notwithstanding the foregoing, nothing in this Section 6.6(e) shall be deemed to constitute a release by any Seller of any right by such Seller under ordinary course employment arrangements, which, for the avoidance of doubt, includes all employment agreements set forth on Schedule 3.11(b), this Agreement and any of the Ancillary Documents, but, in each case, only to the extent set forth herein or therein. As of the Closing Date, each Seller (other than AIG), on behalf of each of the applicable Releasing Parties, expressly acknowledges that it has had, or has had and waived, the opportunity to be advised by independent legal counsel.

(ii) Effective upon the Closing, AIG, on behalf of itself and each of its Affiliates, successors and assigns (collectively, the "AIG Releasing Parties"), shall be deemed to have remised, released and forever discharged, the Released Parties of and from any and all claims which the AIG Releasing Parties, or any of them, now have, ever had, or at the Closing may have, or hereafter can, shall or may have, against the Released Parties in such AIG Releasing Party's capacity as a direct or indirect equityholder of any Group Company (but not in any other capacity, including in any such AIG Releasing Party's role as a commercial partner) from the beginning of time through the Closing Date, including any such claims under the Company Existing LLC Agreement. For the avoidance of doubt, the foregoing release shall not include any claims against any of the Released Parties (other than any Group Company) under the Membership Interest Purchase Agreement for the Prior Acquisition or the Membership Interest Purchase Agreement for the 2015 acquisition of the Company by an Affiliate of AIG. AIG hereby represents and warrants that, as of the date hereof, those employees of the AIG Releasing Parties who regularly deal with the Group Companies have no knowledge, without any duty of inquiry, of any claim that any AIG

Releasing Party has against any Group Company for breach or default under any commercial arrangements between an AIG Releasing Party and a Group Company.

Section 6.7 Exclusive Dealing. During the period from the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, the Sellers shall not, nor shall the Sellers (other than AIG) permit any Group Company or their respective officers, directors, employees, representatives, consultants, financial advisors, attorneys, accountants, or other agents to, nor shall AIG permit any of its officers, directors, employees, representatives, consultants, financial advisors, attorneys, accountants or other agents to, solicit, engage in discussions or negotiations with, or provide any information to or enter into any agreement with any Person (other than Buyer and/or its respective Affiliates) concerning any sale of any of the Company's equity securities, any merger of the Company, sale of substantially all of the assets of the Company or similar transaction involving the Group Companies, other than assets sold in the ordinary course of business (each such acquisition transaction, an "Acquisition Transaction"); provided, however, that Buyer hereby acknowledges that prior to the date of this Agreement, one or more of the Sellers have provided information relating to the Group Companies and has afforded access to, and engaged in discussions with, other Persons in connection with a proposed Acquisition Transaction and that such information, access and discussions could reasonably enable another Person to form a basis for an Acquisition Transaction without any breach by the Company of this Section 6.7. Notwithstanding the foregoing, the Sellers may respond to any unsolicited proposal regarding an Acquisition Transaction by indicating that such Seller is subject to an exclusivity agreement and is unable to provide any information related to the Group Companies or entertain any proposals or offers or engage in any negotiations or discussions concerning an Acquisition Transaction for as long as this Agreement remains in effect. The Sellers (to the extent aware thereof) shall notify the Buyer as soon as practicable of any such unsolicited proposal.

Section 6.8 Documents and Information. After the Closing Date, Buyer and the Group Companies shall, until the earlier of the expiration of the time period required by Buyer's bona fide document retention policy as in effect as of the date of this Agreement and the seventh (7th) anniversary of the Closing Date, retain all books, records and other documents pertaining to the business of the Group Companies in existence on the Closing Date and make the same available for inspection and copying by the Seller Representative or its representatives (at the expense of the Seller or Sellers requesting such information) during normal business hours of the Company or any of its Subsidiaries, as applicable, upon reasonable request and upon reasonable advance notice.

Section 6.9 Contact with Customers, Suppliers and Other Business Relations. During the period from the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, except as permitted under Section 6.2, Buyer hereby agrees that it is not authorized to and shall not (and shall not permit any of its employees, agents, representatives or Affiliates to) contact any employee (excluding executive officers), customer, supplier, distributor or other material business relation of any Group Company regarding any Group Company, its business or the transactions contemplated by this Agreement without the prior consent of the Company.

Section 6.10 Notification. The Company and the Sellers (to the extent aware thereof) shall promptly notify (such notification, a “Notice”) Buyer of:

(a) any change or event that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect or otherwise result in any representation or warranty of the Company or Sellers under this Agreement being inaccurate in any material respect;

(b) any notice or other communication from any Person alleging that the Consent of such Person is or may be required in connection with the transactions contemplated by this Agreement that would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by this Agreement;

(c) any notice or other communication from any Person or Governmental Entity in connection with the transactions contemplated by this Agreement that would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by this Agreement; and

(d) any Action commenced or, to the knowledge of the Company, threatened in writing against, relating to or involving or otherwise affecting any Group Company or its business that relates to the consummation of the transactions contemplated by this Agreement.

Each of the Company and the Sellers acknowledges that Buyer does not and will not waive any right it may have under this Agreement as a result of any such Notice.

Section 6.11 Affiliate Agreements. On or prior to the Closing Date, the Group Companies shall cause all Affiliate Agreements (other than the Affiliate Agreements set forth on Schedule 6.11 and other than any Affiliate Agreement to which AIG or any of its Affiliates is a party, which shall remain in effect, except for the Profit Sharing Agreement, which shall be terminated) to be terminated and canceled without any further Liability to, or obligation of, any Group Company, from and after the Closing. AIG and NSMIG shall use commercially reasonable efforts to, and the Company shall use commercially reasonable efforts to cause NSMIG to, enter into a profit sharing agreement following the Closing in substantially the form previously approved by AIG, the Company and Buyer by email exchange on March 29, 2018 (the “Replacement Profit Sharing Agreement”) to replace the Profit Sharing Agreement terminated pursuant to this Section 6.11. For the avoidance of doubt, it is not a condition to Closing that the Replacement Profit Sharing Agreement be entered into on or prior to the Closing Date.

Section 6.12 Non-Solicitation.

(a) For a period of one (1) year from the Closing, each Seller (other than AIG) shall not, and shall direct each of its Affiliates not to, solicit or recruit for employment or hire any employee of any Group Company set forth on Schedule 6.12 (each, a “Covered Employee”), except for (i) general solicitations of employment by any Seller or its Affiliates (including solicitations through employee search firms or similar agents) not specifically directed towards Covered Employees and not resulting in the hiring of any such Covered Employee, and (ii) hiring any Covered Employee whose employment was terminated by the Group Companies at least six (6) months prior to the date of hire by such Seller or Affiliate thereof.

(b) For a period of one (1) year from the Closing, (i) each Seller (other than NSM Holdings and AIG) shall not, and shall cause each of its Affiliates not to, and (ii) AIG shall cause each AIG Restricted Person not to, in each case, solicit, influence, entice or encourage any person who at such time is an insurance company under a Program Agreement with any Group Company to cease or curtail its relationship with any Group Company; provided, however, that the placement of general advertisements that are not directly targeted at such insurance companies shall not violate this clause (b), and provided, further, that solely with respect to any AIG Restricted Person, this clause (b) shall not apply to any insurance company currently writing policies with respect to any “Renewal Business”, as such term is defined in the RRA Agreement, for so long as the RRA Agreement remains in effect with respect to such Renewal Business.

(c) If any provision contained in this Section 6.12 shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section 6.12, but this Section 6.12 shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the Parties that if any of the restrictions or covenants contained herein is held to be for a length of time which is not permitted by applicable Law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable Law, a court of competent jurisdiction shall construe and interpret or reform this Section 6.12 to provide for a covenant having the maximum enforceable time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such applicable Law. Each Seller acknowledges that Buyer and the Company would be irreparably harmed by any breach of this Section 6.12 and that there would be no adequate remedy at Law or in damages to compensate Buyer and the Company for any such breach. Each Seller agrees that Buyer and the Company shall be entitled to injunctive relief requiring specific performance by such Seller of its respective obligations under this Section 6.12, and such Seller, as applicable, consents to the entry thereof.

Notwithstanding the foregoing, solely for purposes of this Section 6.12, the Affiliates of NSM Holdings shall be deemed to be limited to ABRY Partners II, LLC, ABRY Partners VIII, L.P., ABRY Investment Partnership, L.P. and ABRY Partners VIII Co-Investment Fund, L.P..

Section 6.13 Tax Matters.

(a) For U.S. federal and applicable state and local income tax purposes, the purchase and sale of the Purchased Units hereunder shall be treated as the purchase and sale of interests in a partnership; the Company will not cease to be taxable as a partnership as a result of the transactions contemplated hereunder; and the Purchase Price shall be allocated among the assets of the Company in accordance with the principles set forth on Exhibit D. The Parties shall, and shall cause their Affiliates to, file all Tax Returns in a manner consistent with the tax treatment set forth in the preceding sentence and Exhibit D, except as required by a “determination” within the meaning of Section 1313(a) of the Code (or similar provision of state, local or foreign Tax Law). The Parties will cause the Company to make an election under Section 754 of the Code (and any similar election under any provision of any other Tax Law) for the taxable period that includes the Closing Date unless such an election is already in effect for such taxable period.

(b) All transfer, documentary, sales, use, registration and real property transfer or gains Taxes, stamp Taxes, excise Taxes and other similar Taxes with respect to the transactions contemplated by this Agreement (collectively, “Transfer Taxes”) will be borne one hundred percent (100%) by Buyer. Any Tax Return with respect to Transfer Taxes will be filed by the party required to file the Tax Return under applicable Law. Buyer, the Sellers and the Seller Representative will cooperate in timely making all filings, Tax Returns, reports and forms as necessary or appropriate to comply with the provisions of all applicable Laws in connection with the payment of such Transfer Taxes and will each use its commercially reasonable efforts to minimize the amount of any such Transfer Taxes.

(c) The Seller Representative will prepare or cause to be prepared, and file or cause to be filed, all Tax Returns (including Schedules K-1) for the Group Companies relating to any Pre-Closing Tax Period (other than any Straddle Period), and Buyer will cooperate, to the extent required, in preparing and filing such Tax Returns. At least ten days prior to the due date for filing any such Tax Return, the Seller Representative will deliver a draft of such Tax Return to Buyer and AIG and shall consider in good faith any comments provided by Buyer and AIG on such Tax Return (provided that Buyer shall have a reasonable opportunity to review and comment on any comments of AIG). Buyer will prepare or cause to be prepared, and file or cause to be filed, all Tax Returns (including Schedules K-1) for the Group Companies relating to any Straddle Period, and the Sellers and Seller Representative will cooperate, to the extent required, in preparing and filing such Tax Returns. All Tax Returns relating to a Pre-Closing Tax Period (including a Straddle Period) shall be prepared in a manner consistent with the Group Companies’ past practice, unless otherwise required by applicable Law. Any Tax deductions arising from the payment of the Closing Indebtedness, Seller Expenses (including the Management Bonus Amount) and any other payments made by or on behalf of the Group Companies in connection with the transactions contemplated by this Agreement, including any transaction bonuses, fees and expenses, shall (to the extent permitted by applicable Law) be allocated to the Pre-Closing Tax Period and, for the avoidance of doubt, an amount equal to the Management Bonus Amount (and the employer’s share of any payroll Taxes attributable thereto) shall be treated as a deductible fee paid by the Company to NSM Administration, Inc., and subsequently paid to the relevant employee or remitted to the relevant taxing authority, as the case may be, with respect to the Pre-Closing Tax Period (to the extent permitted by applicable Law). At least twenty (20) days prior to the due date for filing any Tax Return prepared by Buyer pursuant to this Section 6.13(c), Buyer will deliver a draft of such Tax Return to the Seller Representative for the Seller Representative’s review and approval (not to be unreasonably withheld). Buyer will not, and will not cause or permit any of its Affiliates or any Group Company to, (i) file, amend or otherwise modify any Tax Return or Tax election relating to a Group Company or (ii) agree to the waiver of or any extension of the statute of limitations, in each case with respect to any Pre-Closing Tax Period (including a Straddle Period) without the written consent of the Seller Representative (not to be unreasonably withheld), unless otherwise required by applicable law. Notwithstanding the foregoing, Buyer shall be entitled to cause the Company to make an election under Section 6226(a) of the Code, as enacted by the Budget Act, with respect to a Tax year beginning on or after January 1, 2018, and ending after the Closing Date, provided, however, that the parties hereto shall in any case use commercially reasonable efforts to obtain any applicable reductions in any asserted underpayment or deficiency relating to the Sellers’ interests in the Company (for the avoidance of doubt, including any adjustments under Section 6225(c) of the Code, as enacted by the Budget Act) and provided, further, that the Company shall

not make such an election in the event the Seller Representative objects to the making of such election and the Sellers agree to severally indemnify the Company in accordance with their Percentage Allocations for any Taxes arising as a result of not making such election such that the total amount of such indemnity is equal to one hundred percent (100%) of such Taxes (without duplication of Section 9.2). Buyer will not take any action on the Closing Date after the Closing with respect to the Group Companies outside the ordinary course of business.

(d) After the Closing, Buyer will notify the Seller Representative and AIG of any pending U.S. federal, state, local or foreign Tax audit or examination or notice of deficiency or other adjustment, assessment, or redetermination relating to Taxes or Tax Returns of any Group Company for a Pre-Closing Tax Period (each a "Seller Tax Contest"). The Seller Representative will control, at its own expense, any Seller Tax Contest relating to any Pre-Closing Tax Period (other than any Straddle Period); provided, however, that (1) Buyer's consent (not to be unreasonably withheld) will be required for any settlement by the Seller Representative to the extent such settlement could reasonably be expected to affect any Tax liability of or borne by Buyer and (2) AIG's consent (not to be unreasonably withheld) will be required for settlement by the Seller Representative to the extent such settlement relates to any Tax period (or any portion thereof) beginning on or after March 31, 2015, and ending on or before the Prior Acquisition Date. Buyer will control, at its own expense, any other Seller Tax Contests; provided, however, that (i) Seller Representative will have the right, at its own expense, directly or through its designated representatives, to participate fully in such Seller Tax Contest, including to review in advance and reasonably comment upon submissions made in the course of such Seller Tax Contest and to attend any in-person or telephonic meetings, and (ii) Seller Representative's consent (not to be unreasonably withheld, and subject to Section 11.9(d) provided that no Seller shall unreasonably refuse to permit the Seller Representative to consent if Section 11.9(d) is applicable) will be required for any settlement by Buyer to the extent such settlement could reasonably be expected to affect any Tax liability of or borne by the Sellers.

(e) No election under Section 338 or Section 336 of the Code will be filed with respect to the transactions contemplated by this Agreement.

(f) Each Party shall reasonably cooperate with the other Party in connection with the preparation of Tax Returns and the defense of any Tax audits, and such cooperation shall include the retention of and (upon the other Party's request) the provision of records and information reasonably relevant to any such matters and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder; provided that the requesting Party shall reimburse the providing Party for any reasonable out-of-pocket expenses incurred by such providing Party pursuant to this Section 6.13(f). Any information shared pursuant to this Section 6.13(f) shall be treated as "Confidential Information" pursuant to the terms of the Confidentiality Agreement, the provisions of which are by this reference hereby incorporated herein, provided, however, that each Party shall be entitled to disclose such information to the extent required in connection with its obligations under applicable Law.

Section 6.14 Residency Forms. No later than ten (10) days prior to Closing, each Seller will deliver to Buyer a certificate in the form of Exhibit E (each a "Residency Form"); provided, however, that the Parties will cooperate to revise such form certificate to comply with any

requirements under any Treasury Regulations promulgated pursuant to Section 1446(f) prior to Closing.

ARTICLE 7

CONDITIONS TO CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT

Section 7.1 Conditions to the Obligations of the Company, Buyer and the Sellers. The obligations of the Company, Buyer and the Sellers to consummate the transactions contemplated by this Agreement are subject to the satisfaction (or, if permitted by applicable Law, waiver by the Party for whose benefit such condition exists) of the following conditions:

- (a) any applicable waiting period under the HSR Act relating to the transactions contemplated by this Agreement shall have expired or been terminated;
- (b) the U.K. Approvals shall have been received; and
- (c) no statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other Governmental Entity or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect.

Section 7.2 Other Conditions to the Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or, if permitted by applicable Law, waiver by Buyer of the following further conditions:

(a) the representations and warranties of the Company set forth in Article 3 and of the Sellers set forth in Article 4 hereof (other than the Seller Fundamental Representations and the representations and warranties set forth in Section 3.8(a)) shall be true and correct in all respects (without regard to any qualifications or references to Material Adverse Effect, "material", or any other materiality qualifications or references contained in any specific representation or warranty) in each case as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, except, in each case, (i) to the extent such representations and warranties are made on and as of a specified date, in which case the same shall continue on the Closing Date to be true and correct as of the specified date and (ii) to the extent that the events, changes, occurrences and circumstances that cause such representations and warranties to not be true and correct as of such applicable dates, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect. The Seller Fundamental Representations shall be true and correct in all respects (except for any de minimis inaccuracy) and the representations and warranties set forth in Section 3.8(a) shall be true and correct in all respects, in each case as, of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, except to the extent such representations and warranties are made on and as of a specified date, in which case the same shall continue on the Closing Date to be true and correct as of the specified date;

(b) the Sellers, or the Seller Representative on behalf of the Sellers, as applicable, and the Company shall have performed and complied in all material respects with all covenants

required to be performed or complied with by the Sellers, or the Seller Representative on behalf of the Sellers, as applicable, and the Company under this Agreement on or prior to the Closing Date;

(c) since the date of this Agreement, no event, change, occurrence or circumstance shall have occurred that has had or would reasonably be expected to have a Material Adverse Effect;

(d) prior to or at the Closing, the Company shall have delivered the following closing documents in form and substance reasonably acceptable to Buyer:

(i) a certificate of an authorized officer of the Company, dated as of the Closing Date, to the effect that the conditions specified in Section 7.2(a), Section 7.2(b) and Section 7.2(c) have been satisfied by the Company;

(ii) a certified copy of the resolutions of the Company's board of directors authorizing the execution and delivery of the Agreement and the consummation of the transactions contemplated hereby;

(iii) written resignations of each of the directors of the Company and each of the directors of the other Group Companies that are directors, officers or employees of AIG or NSM Holdings or any of their Affiliates (other than the Group Companies); and

(iv) a certificate from Company, in form and substance as prescribed by Treasury Regulations promulgated under Code Section 1445, for purposes of satisfying Buyer's obligations under Treasury Regulation Section 1.1445-11T(d)(2)(i);

(e) prior to or at the Closing, each Seller shall have delivered the items contemplated by Section 2.3(a);

(f) the Escrow Agreement shall have been executed by the Seller Representative and the Escrow Agent;

(g) the Second Amended and Restated Limited Liability Company Agreement of the Company shall have been executed by the Company and each Rollover Seller;

(h) the Company shall have received and provided Buyer with a copy of the pay-off letter(s) relating to the Indebtedness outstanding under the Credit Facilities in a form reasonably acceptable to Buyer (the "Pay-off Letters") unless Buyer has provided to the Sellers written confirmation that Buyer does not intend to repay the Indebtedness outstanding under the Credit Facilities prior to the date that is one (1) day after the satisfaction (or waiver) of the conditions set forth in Article 7 (other than this Section 7.2(h)) or those conditions to be satisfied by the delivery of documents or taking of any other action at the Closing by any Party); and

(i) The Employment Agreements shall be executed and not revoked and each employee party thereto shall not have terminated employment or given notice of any intention to terminate employment with the Group Companies.

Section 7.3 Other Conditions to the Obligations of the Company and the Sellers. The obligations of the Company and the Sellers to consummate the transactions contemplated by this Agreement are subject to the satisfaction or, if permitted by applicable Law, waiver by the Company and the Seller Representative of the following further conditions:

(a) the representations and warranties of Buyer set forth in Article 5 hereof (other than the Buyer Fundamental Representations) shall be true and correct in all material respects (without regard to any qualifications or references “material” or any other materiality qualifications or references contained in any specific representation or warranty) in each case as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, except to the extent such representations and warranties are made on and as of a specified date, in which case the same shall continue on the Closing Date to be true and correct as of the specified date. The Buyer Fundamental Representations shall be true and correct in all respects (except for any de minimis inaccuracy);

(b) Buyer shall have performed and complied in all material respects with all covenants required to be performed or complied with by it under this Agreement on or prior to the Closing Date;

(c) prior to or at the Closing, Buyer shall have delivered, in form and substance reasonably acceptable to the Company, a certificate of an authorized officer of Buyer, dated as of the Closing Date, to the effect that the conditions specified in Section 7.3(a) and Section 7.3(b) have been satisfied;

(d) prior to or at the Closing, Buyer shall have taken the actions, and delivered the items, contemplated by Section 2.3(b);

(e) the Escrow Agreement shall have been executed by Buyer and the Escrow Agent; and

(f) the Second Amended and Restated Limited Liability Company Agreement of the Company shall have been executed by the Buyer.

Section 7.4 Frustration of Closing Conditions. No Party may rely on the failure of any condition set forth in this Article 7 to be satisfied if such failure was caused by such Party’s failure to use commercially reasonable efforts to cause the Closing to occur, as required by Section 6.3.

ARTICLE 8 TERMINATION; AMENDMENT; WAIVER

Section 8.1 Termination. This Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned at any time prior to the Closing:

(a) by mutual written consent of Buyer and the Seller Representative (on behalf of the Sellers);

(b) by Buyer, if any of the representations or warranties of the Company set forth in Article 3 or the Sellers set forth in Article 4 shall not be true and correct or if the Company or the Sellers has failed to perform any covenant or agreement on the part of the Sellers or the Company set forth in this Agreement such that the condition to Closing set forth in either Section 7.2(a) or Section 7.2(b) would not be satisfied and the breach or breaches causing such representations or warranties not to be true and correct, or the failures to perform any covenant or agreement, as applicable, are not cured within twenty (20) days after written notice thereof is delivered to the Seller Representative; provided, that Buyer is not then in breach of this Agreement so as to prevent the conditions to Closing set forth in either Section 7.3(a) or Section 7.3(b) from being satisfied;

(c) by the Seller Representative (on behalf of the Sellers), if any of the representations or warranties of Buyer set forth in Article 5 shall not be true and correct or if Buyer has failed to perform any covenant or agreement on the part of Buyer set forth in this Agreement (including an obligation to consummate the Closing) such that the condition to Closing set forth in either Section 7.3(a) or Section 7.3(b) would not be satisfied and the breach or breaches causing such representations or warranties not to be true and correct, or the failures to perform any covenant or agreement, as applicable, are not cured within twenty (20) days after written notice thereof is delivered to Buyer; provided, that neither the Sellers nor any Group Company is then in breach of this Agreement so as to prevent the conditions to Closing set forth in Section 7.2(a) or Section 7.2(b) from being satisfied;

(d) by either Buyer or the Seller Representative (on behalf of the Sellers), if the transactions contemplated by this Agreement shall not have been consummated on or prior to July 31, 2018 (the "Outside Date") and the Party seeking to terminate this Agreement pursuant to this Section 8.1(d) shall not have breached in any material respect its obligations under this Agreement in any manner that shall have proximately caused the failure to consummate the transactions contemplated by this Agreement on or before the Outside Date; provided, that if Section 7.1(b) is the only condition set forth in Section 7.1 and Section 7.2 that has not been satisfied by such date (other than those conditions that by their nature are to be satisfied by actions taken at the Closing, but which would be satisfied if the Closing Date were the date of such termination, or would have been satisfied, assuming the Closing had in fact occurred), then the Outside Date shall be automatically extended to October 1, 2018;

(e) by either Buyer or the Seller Representative (on behalf of the Sellers), if any Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree or ruling or other action shall have become final and nonappealable; provided, that the Party seeking to terminate this Agreement pursuant to this Section 8.1(e) shall have used reasonable best efforts to remove such order, decree, ruling, judgment or injunction; or

(f) by the Seller Representative (on behalf of the Sellers), if (i) all of the conditions set forth in Section 7.1 and Section 7.2 have been satisfied (other than those conditions that by their nature are to be satisfied by actions taken at the Closing, but which would be satisfied if the Closing Date were the date of such termination, or would have been satisfied, assuming the Closing had in fact occurred), (ii) the Seller Representative has indicated to Buyer in writing that the Sellers are ready, willing and able to consummate the transactions contemplated by this

Agreement (subject to the satisfaction or waiver of all of the conditions set forth in Section 7.1 and Section 7.2) and (iii) Buyer fails to consummate the transactions contemplated by this Agreement within two (2) Business Days following the date on which the Closing should have occurred pursuant to Section 2.2.

Section 8.2 Effect of Termination

(a) In the event of the termination of this Agreement pursuant to Section 8.1, this entire Agreement shall forthwith become void (and there shall be no liability or obligation on the part of Buyer, the Sellers or the Company or their respective officers, directors or equityholders) with the exception of (a) the provisions of the final sentence of Section 6.2, this Section 8.2, and Article 11, each of which provisions shall survive such termination and remain valid and binding obligations of the Parties, and (b) any liability of Buyer for any breach of or failure to perform any of its obligations under this Agreement (including any failure by Buyer to consummate the transactions contemplated by this Agreement if and when it is obligated to do so hereunder) prior to such termination, in which case and notwithstanding anything to the contrary in this Agreement, the Sellers and the Company shall be entitled to all remedies available at Law or in equity. Nothing herein shall limit or prevent any Party from exercising any rights or remedies it may have under Section 11.15.

(b) Notwithstanding anything set forth in Section 8.2(a), in the event that the Seller Representative (on behalf of the Sellers) terminates this Agreement pursuant to Section 8.1(f), then Buyer shall pay to the Sellers in accordance with their respective Pro Rata Percentages a termination fee of \$15,500,000 in cash (the "Termination Fee"). Buyer shall pay, or cause to be paid, the Termination Fee, if applicable, to the Sellers with such payment amount allocated among the Sellers in accordance with their respective Pro Rata Percentages and each Seller's portion of such payment amount paid by Buyer by wire transfer of immediately available funds within five (5) Business Days after the termination of this Agreement under the circumstances described in the first sentence of this Section 8.2(b) to the accounts specified by the Sellers or (if not so specified by a Seller) the Seller Representative promptly following such termination. The Sellers may pursue both a grant of specific performance in accordance with (and subject to the limitations set forth in) Section 11.15 and the payment of the Termination Fee and the fees and expenses pursuant to this Section 8.2; provided that under no circumstances shall the Sellers be permitted or entitled to receive both a grant of specific performance resulting in the Closing and of payment of the Termination Fee. The Termination Fee shall be considered liquidated damages (and not a penalty) for any and all losses or damages suffered or incurred by the Sellers or any other Person in connection with this Agreement and the transactions contemplated hereby (and the abandonment or termination thereof) or any other matter forming the basis for such termination, and no Person shall have any rights or claims against any of Buyer and any of its respective Affiliates, and each of their respective former, current and future directors, officers, employees, advisors, managers, partners, members, equityholders, agents, and other representatives, successors and assigns (each, a "Buyer Related Party") relating to this Agreement or any of the transactions contemplated hereby (and the abandonment or termination thereof), or in respect of any oral representations made or alleged to be made in connection herewith or therewith, whether at law or equity, in contract, in tort or otherwise, and neither Buyer nor any Buyer Related Party shall have any further liability or obligation relating to or arising out of this Agreement or any of the transactions contemplated hereby (and the abandonment or termination thereof) or in respect of any oral representations made or

alleged to be made in connection herewith or therewith. Upon payment of the Termination Fee (i) neither the Company nor any of the Company's Affiliates shall be entitled to bring or maintain any Action against any Buyer Related Party arising out of or in connection with this Agreement or any Ancillary Document or any of the transactions contemplated hereby or thereby (or the abandonment or termination thereof) or any matters forming the basis for such termination and (ii) the Company shall cause any Action pending in connection with this Agreement, any Ancillary Document or any of the transactions contemplated hereby or thereby (or the abandonment or termination thereof), to the extent maintained by the Company against any Buyer Related Party, to be dismissed with prejudice promptly, and in any event within five (5) Business Days after the payment of the Termination Fee. The Company shall not be entitled to collect the Termination Fee on more than one occasion. The Parties acknowledge that the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, the Parties would not enter into this Agreement.

(c) If Buyer fails promptly to pay, or cause to be paid, the Termination Fee if and when payable pursuant to Section 8.2(b), and, in order to obtain such payment, any Seller commences an Action that results in a judgment against Buyer or Parent for the Termination Fee, Buyer or Parent, as applicable, shall pay to such Seller, in addition to the Termination Fee, all out-of-pocket fees, costs and expenses (including reasonable legal fees) incurred by such Seller in connection with any such Action.

Section 8.3 Amendment. This Agreement may be amended or modified only by a written agreement executed and delivered by duly authorized officers of Buyer and the Seller Representative (on behalf of the Sellers) (subject to Section 11.7 and Section 11.9(d), which in the circumstances described therein would require one or more Sellers to sign). This Agreement may not be modified or amended except as provided in the immediately preceding sentence and any purported amendment by any Party or Parties effected in a manner which does not comply with this Section 8.3 shall be void.

Section 8.4 Extension; Waiver. Subject to Section 8.1(d), at any time prior to the Closing, the Seller Representative (on behalf of the Sellers and the Company) may (a) extend the time for the performance of any of the obligations or other acts of Buyer contained herein, (b) waive any inaccuracies in the representations and warranties of Buyer contained herein or in any document, certificate or writing delivered by Buyer pursuant hereto or (c) waive compliance by Buyer with any of the agreements or conditions contained herein. Subject to Section 8.1(d), at any time prior to the Closing, Buyer may (i) extend the time for the performance of any of the obligations or other acts of the Company or the Sellers contained herein, (ii) waive any inaccuracies in the representations and warranties of the Company and the Sellers contained herein or in any document, certificate or writing delivered by the Company or Sellers pursuant hereto or (iii) waive compliance by the Company and the Sellers with any of the agreements or conditions contained herein. Any agreement on the part of any Party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such Party. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of such rights.

ARTICLE 9
INDEMNIFICATION

Section 9.1 Survival of Representations; Covenants.

(a) The representations and warranties of the Company and the Sellers contained in this Agreement (whether or not contained in Articles 3 or 4), any Ancillary Document or in any certificate delivered pursuant to Section 7.2, other than the representations and warranties set forth in (i) Section 3.1 (Organization and Qualification; Subsidiaries), Section 3.2 (Capitalization of the Group Companies), Section 3.3 (Authority), Section 3.17 (Brokers), and Section 3.19 (Transactions with Affiliates) (the “Company Fundamental Representations”), (ii) Section 4.1 (Organization), Section 4.2 (Authority), Section 4.4 (Title to the Units) and Section 4.6 (Brokers) (the “Individual Seller Fundamental Representations”), and together with the Company Fundamental Representations, the “Seller Fundamental Representations”) and (iii) Section 3.16 (Tax Matters), shall survive the Closing for a period of fifteen (15) months (the “General Survival Expiration Date”) at which time such representations shall terminate and thereafter be of no force and effect. The Seller Fundamental Representations shall survive the Closing indefinitely. The representations and warranties of the Group Companies set forth in Section 3.16 (Tax Matters) shall survive until the earlier of (x) the three-year anniversary of the Closing and (y) the expiration of the R&W Insurance for applicable Tax matters.

(b) The representations and warranties of Buyer contained in this Agreement (whether or not contained in Article 5), other than the representations and warranties set forth in Section 5.1 (Organization), Section 5.2 (Authority) and Section 5.4 (Brokers) (the “Buyer Fundamental Representations”), shall survive the Closing until the General Survival Expiration Date at which time such representations shall terminate and thereafter be of no force and effect. The Buyer Fundamental Representations shall survive the Closing indefinitely.

(c) The respective covenants, agreements and other obligations of the Group Companies, the Sellers and Buyer contained in this Agreement or in any Ancillary Document required to be performed or complied with prior to or as of the Closing shall not survive the Closing, after which they shall terminate and be of no force and effect. The respective covenants, agreements and other obligations of the Group Companies, the Sellers and Buyer contained in this Agreement or in any Ancillary Document required to be performed or complied with following the Closing shall survive the Closing Date indefinitely or for such lesser period of time as may be specified herein or therein, but not to exceed thirty (30) days following the applicable statute of limitations in the event of a breach of such covenant or other agreement, after which applicable date they shall terminate and be of no force and effect.

(d) Notwithstanding anything herein to the contrary, no claims may be asserted pursuant to Section 9.2 after the expiration of the survival period applicable to such representation, warranty, covenant, agreement or other obligation as specified in this Section 9.1; provided, that the good faith written assertion with reasonable specificity (to the extent known at such time) (a “Claims Notice”) prior to expiration of the applicable survival period of any such claim by a party for indemnification hereunder shall be valid and timely with respect to the breach or alleged breach of any such specific representation or warranty.

(e) It is the intention of the Parties that the survival periods and termination dates set forth in this Article 9 supersede any statute of limitation that would otherwise be applicable to such representations, warranties, covenants, agreements and other obligations or claims with respect thereto.

Section 9.2 General Indemnification.

(a) From and after the Closing, subject to the limitations and other provisions set forth in this Article 9, each Seller shall indemnify, defend and hold Buyer, its Affiliates (including the Group Companies) and each of their respective officers, directors, employees, stockholders, agents, attorneys accountants, representatives, successors, and permitted assigns (each, a “Buyer Indemnitee” and together, the “Buyer Indemnitees”) harmless from and against any damages, losses, Liabilities, obligations, Taxes, claims of any kind, interest or expenses (including reasonable attorneys’ fees and expenses) (“Loss”), in each case actually incurred, suffered by or asserted against a Buyer Indemnitee, to the extent directly or indirectly arising out of or resulting from:

(i) any misrepresentation in or breach or inaccuracy of (A) such Seller’s Individual Seller Fundamental Representations; (B) Company Fundamental Representations, (C) the representations and warranties of such Seller (other than such Seller’s Individual Seller Fundamental Representations) set forth in this Agreement, or (D) the representations and warranties of the Company (other than the Company Fundamental Representations) set forth in this Agreement or any Ancillary Document;

(ii) any breach or nonfulfillment of any covenant, agreement or other obligation of such Seller set forth in this Agreement or any Ancillary Document;

(iii) any breach or nonfulfillment of any covenant, agreement or other obligation of the Company set forth in this Agreement or any Ancillary Document; or

(iv) any Pre-Closing Taxes.

(b) The obligation to provide indemnification under Section 9.2(a) other than with respect to Section 9.2(a)(i)(A), Section 9.2(a)(i)(C) and Section 9.2(a)(ii), shall be pro rata in accordance with each Seller’s Percentage Allocation (such that the total amount of such indemnity is equal to 100% of the applicable Losses but, other than with respect to Fraud (but subject to the last sentence of Section 9.5 in respect of AIG), recovery by Buyer shall not in any event exceed the Final Purchase Price). The obligation to provide indemnification pursuant to Section 9.2(a)(i)(A), Section 9.2(a)(i)(C) and Section 9.2(a)(ii) shall be borne solely by the applicable Seller to whom such representation or obligation, as applicable, relates. Each Seller’s obligation to provide indemnification pursuant to this Section 9.2 shall be several and not joint.

(c) From and after the Closing, subject to the limitations and other provisions set forth in this Article 9, Buyer shall indemnify, defend and hold the Sellers, their Affiliates and each of their respective officers, directors, employees, stockholders, agents, attorneys accountants, representatives, successors, and permitted assigns (each, a “Seller Indemnitee” and together, the “Seller Indemnitees”) harmless from any Loss incurred, suffered by or asserted against a Seller Indemnitee, to the extent directly or indirectly arising out of or resulting from:

(i) any misrepresentation in or breach or inaccuracy of (A) Buyer Fundamental Representations or (B) the other representations and warranties of Buyer set forth in this Agreement; or

(ii) any breach or nonfulfillment of any covenant, agreement or other obligation of Buyer set forth in this Agreement.

(d) Nothing in this Article 9 shall affect or limit the ability of Buyer to recover under the R&W Insurance for any matters covered thereunder.

Section 9.3 Third Party Claims.

(a) If a claim, action, suit or proceeding by a third party (a "Third Party Claim") is made against any Person entitled to indemnification pursuant to Section 9.2 hereof (an "Indemnified Party"), and if such Indemnified Party intends to seek indemnity with respect thereto under this Article 9, such Indemnified Party shall promptly (and in any event within ten (10) Business Days after receiving notice of the Third-Party Claim) notify the Party obligated to indemnify such Indemnified Party (or, in the case of a Buyer Indemnitee seeking indemnification, such Buyer Indemnitee shall promptly notify Buyer (if such Buyer Indemnitee is not Buyer), and Buyer shall promptly notify the Seller Representative, in each case and in any event within ten (10) Business Days after receiving notice of the Third-Party Claim) (such notified party including, in the case of the Seller Representative, any Sellers that are so obligated, the "Responsible Party") of such Third Party Claim; provided, that the failure to so notify shall not relieve the Responsible Party of its obligations hereunder, except to the extent that the Responsible Party is actually and materially prejudiced thereby. The Responsible Party shall have thirty (30) days after receipt of such notice to assume the conduct and control, through counsel reasonably acceptable to the Indemnified Party at the expense of the Responsible Party, of the settlement or defense of such Third Party Claim, and the Indemnified Party shall cooperate with it in connection therewith; provided, that the Responsible Party shall be reasonably creditworthy with respect to the full amount of the Losses reasonably expected to be incurred by any Indemnified Party in connection with such Third Party Claim unless the amount of such Losses is less than the Indemnity Escrow Funds available at such time; provided, further, that the Responsible Party shall permit the Indemnified Party to participate in such settlement or defense through counsel chosen by such Indemnified Party (it being understood that the fees, costs and expenses of such counsel shall be borne by such Indemnified Party); provided, further, that notwithstanding anything herein to the contrary, the Responsible Party shall not have the right to assume control of such defense, if the claim for which the Responsible Party seeks to assume control (i) is one in which the Responsible Party is also a party and for which joint representation would be inappropriate or there may be one or more legal defenses or counterclaims available to the Indemnified Party that are materially different from or materially additional to those available to the Responsible Party, in the reasonable judgment of the Indemnified Party after consulting with outside counsel or (ii) the Third Party Claim seeks nonmonetary relief which, if granted, could materially and adversely affect the Indemnified Party or its Affiliates (and in such case of this clause (ii) the Indemnified Party may elect to assume such defense). The Responsible Party shall obtain the prior written approval of the Indemnified Party before entering into any settlement of such Third Party Claim or ceasing to defend against such Third Party Claim (with such approval not to be unreasonably conditioned or withheld); provided, however, that if the Responsible Party assumes the defense of a Third Party Claim, the Indemnified Party shall agree to any settlement, compromise

or discharge of a Third Party Claim that the Responsible Party may recommend and that by its terms obligates the Responsible Party to pay the full amount of the liability in connection with such Third Party Claim, which releases the Indemnified Party completely in connection with such Third Party Claim. Whether or not the Responsible Party assumes the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Responsible Party's prior written consent (which shall not be unreasonably withheld). If the Responsible Party does not or cannot assume the defense of such Third Party Claim as provided in this Section 9.3(a), then the Indemnified Party shall have the right to conduct and control, through counsel of its choosing, the defense of such Third Party Claim (other than during any period in which the Indemnified Party shall have failed to give notice of the Third Party Claim as provided in this Section 9.3(a)). In the event that the Indemnified Party controls the defense of a Third Party Claim, it shall obtain the prior written approval of the Responsible Party before entering into any settlement of such Third Party Claim or ceasing to defend against such Third Party Claim (with such approval not to be unreasonably conditioned or withheld). To the extent required under the R&W Insurance, the insurer under the R&W Insurance and its agents and advisors shall be permitted to associate effectively with any Party to this Agreement in the defense of any matter which constitutes Loss (as defined in the R&W Insurance). Whether or not the Responsible Party chooses to defend or prosecute any such claim, suit, action or proceeding, all of the parties hereto shall cooperate in the defense or prosecution thereof.

(b) All of the Parties shall cooperate in the defense or prosecution of any Third Party Claim in respect of which indemnity may be sought hereunder and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith.

(c) This Section 9.3 will not apply to any Tax claims, which are governed by Section 6.13(d).

Section 9.4 Other Claims. A claim for indemnification for any matter not involving a Third Party Claim shall be asserted by the Indemnified Party to the Responsible Party in writing with reasonable promptness, setting forth the facts giving rise to and the alleged basis for such claim and, if known or reasonably ascertainable, the amount of the liability asserted or which may be asserted by reason thereof; provided, that the failure to so notify shall not relieve the Responsible Party of its obligations hereunder, except to the extent that the Responsible Party is actually and materially prejudiced thereby. In the event the Responsible Party disputes its obligation to indemnify the Indemnified Party under this Article 9, the Responsible Party shall have forty-five (45) days after receipt of notice under this Section 9.4 to give written notice of such objection, and the grounds therefor, and the Indemnified Party shall thereafter have fifteen (15) days to respond in writing to the objection of the Responsible Party. If after such fifteen (15) day period there remains a dispute as to any obligation, the Parties shall attempt in good faith for fifteen (15) days to agree upon the rights of the respective Parties with respect to such indemnification obligation.

Section 9.5 Limitations on Indemnification Obligations. The rights to indemnification pursuant to the provisions of Section 9.2 are subject to the following limitations:

(a) the amount of any and all Losses will be determined net of (i) any amounts recovered by the Indemnified Party under indemnification agreements or arrangements with third

parties or under insurance policies (including any amounts recovered or recoverable by the Indemnified Party under the R&W Insurance) with respect to such Losses and (ii) any net Tax benefit realized with respect to such Losses in the taxable year in which such Losses arose, determined on a “with and without” basis;

(b) prior to seeking recovery from the Sellers pursuant to Section 9.2(a)(i) (or with respect to any claim that could be made thereunder), Buyer agrees to make, or cause the appropriate Buyer Indemnitee to make, a claim for the full amount of such Loss under the R&W Insurance; provided, however, that, so long as Buyer or the appropriate Buyer Indemnitee has first made such a claim under the R&W Insurance, Buyer or such Buyer Indemnitee may also make a claim for indemnification under Section 9.2(a), notwithstanding the fact that the Buyer Indemnitee’s claim under the R&W Insurance is still pending. Buyer agrees to use reasonable best efforts to recover, and to cause the appropriate Buyer Indemnitee to recover, for such claims under the R&W Insurance (including contesting any improper denial of coverage thereunder). In no event shall any Buyer Indemnitee be entitled to recover any duplicate Losses pursuant to this Article 9. If any Buyer Indemnitee shall recover any duplicate Losses pursuant to the R&W Insurance or otherwise subsequent to recovering corresponding Losses from the Sellers pursuant to this Article 9, such Buyer Indemnitee shall promptly reimburse and deliver the amount of such duplicate recovery to the Sellers. The Buyer Indemnitees shall not be entitled to recover Losses if such Losses would have been covered under the R&W Insurance if not for a failure by a Buyer Indemnitee to comply with the first sentence of this Section 9.5(b), due to the gross negligence or willful misconduct of a Buyer Indemnitee. Buyer shall not, and, after the Closing, shall cause the Company not to, amend or modify in any manner that may adversely affect the Sellers, or cancel or otherwise consent to the termination of, the R&W Insurance;

(c) notwithstanding anything to the contrary in this Agreement, the Buyer Indemnitees shall not be entitled to indemnification under Section 9.2(a) with respect to any Loss of any kind, interest or expenses, regardless of the form of action through which any of the foregoing are sought, that are in the nature of punitive or treble damages, except to the extent such damages are awarded to a third party;

(d) other than in the event of Fraud, the Sellers shall not be liable for any Loss pursuant to clause Section 9.2(a)(i)(C) or Section 9.2(a)(i)(D) for which any Buyer Indemnitee shall be entitled to indemnification thereunder (i) unless each such Loss (or series of related Losses arising out of the same or related circumstances) exceeds \$50,000 and (ii) until the aggregate amount of such Losses for which the Buyer Indemnitees shall be entitled to recover exceeds \$2,000,000, whereupon the Buyer Indemnitees shall be entitled to receive from the Indemnity Escrow Funds an aggregate amount of Losses up to the Indemnity Escrow Amount. Other than in the event of Fraud, the Sellers shall not be liable for any Loss pursuant to clause Section 9.2(a)(i)(C) or Section 9.2(a)(i)(D) once the Indemnity Escrow Funds have been exhausted and Buyer shall have no direct claims against Sellers for such Losses;

(e) only AIG, and not any other Seller, shall be liable for any Loss under Section 9.2(a) relating to a Pre-Closing Tax imposed on a Group Company under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Tax law) by reason of a Group Company having been included in a combined, consolidated, affiliated, unitary or other group for Tax purposes the common parent of which was AIG or any of its Affiliates (other than the Group

Companies) (and AIG shall be liable for the full amount of such Loss notwithstanding Section 9.2(b));

(f) notwithstanding Section 9.2(b), each Seller shall be liable for Losses in relation to Pre-Closing Taxes imposed on any Group Company under Subchapter C of Chapter 63 of the Code (Sections 6221 et seq.), as enacted by the Budget Act, only to the extent such Pre-Closing Taxes are attributable to such Seller's interest in the Company during the "reviewed year" (within the meaning of Section 6225(d)(1) of the Code, as enacted by the Budget Act) (for the avoidance of doubt, taking into account any applicable adjustments under Sections 6225(c) of the Code, as enacted by the Budget Act, in relation to such Seller);

(g) the indemnification obligations of the Sellers pursuant to Section 9.2(a)(iv) shall survive until the expiration of the R&W Insurance for applicable Tax matters, after which point Section 9.2(a)(iv) shall terminate and be of no further force and effect;

(h) the Sellers shall not be liable for any Loss arising from a breach of Section 3.16 (other than Section 3.16(a) or Section 3.16(h)) to the extent such Loss relates to Taxes for Tax periods (or portions thereof) beginning after the Closing Date;

(i) other than in the event of Fraud, the aggregate total amount of Losses in respect of which Buyer Indemnitees shall be entitled to recover from the Sellers pursuant to Section 9.2(a)(i)(A), Section 9.2(a)(i)(B), Section 9.2(a)(ii), Section 9.2(a)(iii) or Section 9.2(a)(iv) shall not exceed an amount equal to the Final Purchase Price; and

(j) other than in the event of Fraud, the aggregate total amount of Losses in respect of which Seller Indemnitees shall be entitled to recover from Buyer pursuant to clause (i) of Section 9.2(c) shall not exceed an amount equal to the Final Purchase Price; provided, that Buyer shall not be liable under clause (i) of Section 9.2(c) unless each such Loss (or series of related Losses arising out of the same or related circumstances) exceeds \$50,000.

Without limiting the foregoing, and notwithstanding anything herein to the contrary, other than in the event of Fraud, (i) in no event shall the aggregate amount of indemnity payments made by the Sellers under this Article 9 (including for Losses related to any inaccuracy or breach of the Seller Fundamental Representations) exceed the Final Purchase Price, and (ii) under no circumstances shall any Seller's aggregate liability for any and all claims for any Losses under this Agreement exceed such Seller's Percentage Allocation of the Final Purchase Price; provided that, the foregoing exception for Fraud shall only be applicable to AIG if, and AIG's aggregate liability for any and all claims for Losses under this Agreement shall not exceed AIG's Percentage Allocation of the Final Purchase Price unless, such Losses relate to, or arise out of, Fraud committed by AIG in making the representations and warranties with respect to it in Article IV hereof.

Section 9.6 Tax Treatment of Indemnification. The Parties agree to treat any indemnification payment made pursuant to this Agreement as an adjustment to the Purchase Price for all Tax purposes, unless otherwise required by applicable Law.

Section 9.7 Duty to Mitigate. The Parties hereto agree that in the event of any indemnifiable Losses, the Indemnified Party seeking indemnification for such Losses shall use

commercially reasonable efforts to mitigate such Losses to the extent reasonably practicable promptly after becoming aware of any event which would reasonably be expected to give rise to any such Losses.

Section 9.8 Exclusive Remedy.

(a) Except as otherwise expressly provided in this Agreement or, in the case of the Buyer Indemnitees, as provided in the R&W Insurance, after the Closing, indemnification pursuant to the provisions of this Article 9 and the rights provided under the R&W Insurance shall be the sole and exclusive remedies for the Indemnified Parties for any misrepresentation or breach of any representation, warranty, covenant or other provision contained in this Agreement or in any certificate delivered pursuant hereto or to otherwise recover any Loss or other amounts (including any such misrepresentation or breach relating to Environmental Laws) suffered by any Indemnified Party as a result of or in connection with this Agreement or the transactions contemplated hereby, as applicable. Notwithstanding anything to the contrary contained in this Agreement, the limitations on indemnification set forth in this Agreement shall not apply to (i) any claims for Losses to the extent arising out of or based upon Fraud (except with respect to AIG, as set forth in the last sentence of Section 9.5) or (ii) any claims under, or in any way limit Buyer or any Buyer Indemnitee's rights in respect of, the R&W Insurance.

(b) The provisions of this Article 9 were specifically bargained for and reflected in the amounts payable to the Sellers in connection with the Acquisition Transaction pursuant to Article 2.

Section 9.9 Representation and Warranty Insurance Policy. The Parties acknowledge that Buyer has obtained the R&W Insurance, in the amount of \$50,000,000 and with a retention amount of \$4,000,000 to commence on the date of execution of this Agreement and to remain in effect pursuant to the terms thereof. Buyer has provided to Sellers substantially final copies of the R&W Insurance prior to the date of this Agreement. The R&W Insurance has been issued for the benefit of the Buyer Indemnitees; provided that, the risk of any failure by the Buyer Indemnitee to bind or maintain coverage in full force under the R&W Insurance shall be borne by the Buyer Indemnitees, and shall not operate to prejudice the rights of any Seller Indemnitee or to increase the obligations of any Seller Indemnitee hereunder. The R&W Insurance is a "Buyer's" policy and has been negotiated by Buyer in consultation with the Company and the Sellers. The insurer(s) shall not have, and will waive, any right, of subrogation, contribution, or otherwise against any Seller Indemnitee (including any former, current, or future Seller Representative of any of the foregoing) based upon, arising out of, or in any way connected to this Agreement, this transaction, or the R&W Insurance, except for any payment under the R&W Insurance resulting from that Seller Indemnitee's actual and intentional fraud in connection with this transaction. The Seller Indemnitees shall be intended third party beneficiaries under the policy of the immediately preceding provision.

Section 9.10 Manner of Payment; Escrow.

(a) To the extent any Buyer Indemnitee is entitled to recover pursuant to this Article 9 from the Indemnity Escrow Funds or from any Seller, as applicable, a payment shall be effected by wire transfer of immediately available funds from the Indemnity Escrow Funds or such

Seller, as applicable, to an account or accounts designated in writing by Buyer, within fifteen (15) days after the determination thereof.

(b) With respect to any indemnification in favor of any Seller Indemnitee pursuant to this Article 9, a payment shall be effected by wire transfer of immediately available funds from the Buyer or its Affiliate, to an account or accounts designated in writing by such Seller Indemnitee, within fifteen (15) days after the determination thereof.

(c) Any amount remaining in the Indemnity Escrow Account as of the General Survival Expiration Date (minus the aggregate amount reasonably claimed in good faith by the Buyer Indemnitees pursuant to claims made and not fully resolved prior to such date) shall be released by the Escrow Agent and disbursed to the Sellers in accordance with their respective Percentage Allocations. Thereafter, to the extent the funds held in the Indemnity Escrow Account exceed the aggregate amount reasonably claimed in good faith by the Buyer Indemnitees pursuant to claims made prior to the General Survival Expiration Date, and not fully resolved prior to the time of determination, the excess funds shall be promptly released by the Escrow Agent and such funds shall be disbursed to the Sellers in accordance with their respective Percentage Allocations.

(d) The Seller Representative and Buyer shall deliver joint written instructions to the Escrow Agent as promptly as reasonably practicable following the event necessitating a distribution instructing the Escrow Agent to make any distributions from the Indemnity Escrow Account expressly provided herein.

Section 9.11 Materiality. For purposes of (i) determining the existence of any such misrepresentation, breach or inaccuracy and (ii) calculating the amount of any Losses incurred in connection with any misrepresentation or breach or inaccuracy of any representation or warranty of any Party in Article 3, 4 or 5 set forth herein, any and all references to “materiality” or “Material Adverse Effect” (or other correlative or similar terms) shall be disregarded and each representation or warranty made by any Party in Article 3, 4 or 5, as applicable, shall be deemed made without any such qualifications or limitations.

ARTICLE 10 PARENT GUARANTEE

Section 10.1 Guarantee.

(a) Parent hereby absolutely, unconditionally and irrevocably guarantees to the Sellers, as primary obligor and not merely as a surety, (i) the due and punctual payment of all monetary obligations of Buyer under this Agreement and the Ancillary Documents including, for the avoidance of doubt, and payment obligations pursuant to Section 8.2 and (ii) the full and complete performance of all covenants and agreements of Buyer under this Agreement and the Ancillary Documents (the obligations of Buyer specified in clauses (i) and (ii) above, collectively, the “Guaranteed Obligations”).

(b) The guarantee contained in this Article 10 shall remain in full force and effect until all of the Guaranteed Obligations shall have been satisfied by payment in full.

Section 10.2 Nature of Guarantee. Parent guarantees that the Guaranteed Obligations will be duly and punctually paid and performed in accordance with the terms of this Article 10. If for any reason Buyer shall fail or be unable to duly and punctually pay or perform, or cause to be duly and punctually paid or performed, the Guaranteed Obligations as and when the same shall become due and payable, Parent shall, subject to the terms and conditions of this Article 10, forthwith duly and punctually pay or perform, or cause to be duly and punctually paid or performed, such Guaranteed Obligations. Parent further agrees that the guarantee contained in this Article 10 (the “Parent Guarantee”) constitutes a guarantee of payment and performance when due and not of collection and is in no way conditioned or contingent upon any attempt to collect from Buyer.

Section 10.3 Representations and Warranties of Parent. Solely for the purpose of this Article 10, Parent represents and warrants to Sellers as follows:

(a) Organization. Parent is an exempted limited liability company duly organized, validly existing and in good standing under the Laws of Bermuda has all requisite power and authority necessary to carry on its business as it is now being conducted and to own, lease and operate its assets and properties in all material respects.

(b) Corporate Authorization and No Contravention. Parent has all corporate power and authority necessary to execute and deliver this Agreement and to perform its obligations in connection with the Parent Guarantee. The execution and delivery of this Agreement and the performance of the obligations under the Parent Guarantee have been duly and validly authorized by the board of directors of Parent and no other proceedings on the part of Parent are necessary to authorize this Agreement or the performance of Parent’s obligations under the Parent Guarantee and does not contravene or constitute a default under (i) any applicable Law, rule or regulation, (ii) its Governing Documents or (iii) any material agreement, material Contract, order or other material instrument to which it is a party or its property is subject, except where such contravention or default would not have a material adverse effect on the financial condition, business or operations of Parent, taken as a whole.

(c) Binding Effect. This Parent Guarantee constitutes a valid and binding agreement of Parent, enforceable against Parent in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, or other similar Laws affecting or relating to enforcement of creditors’ rights generally or general principles of equity.

(d) No Consent Required. No approval or authorization by, or filing with, any Governmental Entity is required to be made or obtained by Parent in connection with the execution, delivery and performance by Parent of this Parent Guarantee other than (x) approvals and authorizations that have previously been obtained and filings that have previously been made or approvals, authorizations or filings which will be made on a timely basis, (y) approval, authorizations or filings which, if not obtained or made, would not have a material adverse effect on the financial condition, business or operations of the guarantor, taken as a whole, and (z) approvals, authorizations and filings required to be made by or obtained by Buyer as set forth in Section 5.3.

Section 10.4 Sole Obligation of Parent. Other than Section 8.2(c), Section 11.12 and Section 11.15(b), this Article 10 contains the only provisions in this Agreement that are applicable

to Parent. Parent shall not have any obligations under this Agreement other than those expressly set forth in this Article 10.

ARTICLE 11
MISCELLANEOUS

Section 11.1 Entire Agreement; Assignment. This Agreement (a) constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof and (b) shall not be assigned by any Party (whether by operation of Law or otherwise), other than for collateral purposes, without the prior written consent of Buyer and the Seller Representative (on behalf of the Sellers); provided, that Buyer may assign its rights and benefits hereunder, in whole or in part, to any Affiliate of Buyer which assignment will not relieve Buyer or Parent of any of its obligations under this Agreement or any Ancillary Documents. Any attempted assignment of this Agreement not in accordance with the terms of this Section 11.1 shall be void.

Section 11.2 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon actual receipt) by delivery in person, by facsimile (followed by overnight courier), e-mail (followed by overnight courier), or by registered or certified mail (postage prepaid, return receipt requested) to the other Parties as follows:

To Buyer or to the Company (after the Closing):

White Mountains Catskill Holdings, Inc.
80 South Main Street
Hanover, NH 03755
Attention: General Counsel
Facsimile: (603) 643-4562
E-mail: rseelig@whitemountains.com; jlichtenstein@whitemountains.com;
cdelehanty@whitemountains.com; and wbell@whitemountains.com

with a copy (which shall not constitute notice) to:

Cravath, Swaine & Moore LLP
825 Eighth Avenue
New York, NY 10019
Attention: David J. Perkins
Facsimile: (212) 474-3700
E-mail: dperkins@cravath.com

To the Seller Representative (on behalf of the Sellers) or to the Company (prior to the Closing):

NSM Acquisition Holdings, LLC
c/o ABRY Partners VIII, L.P.
888 Boylston Street, Suite 1600
Boston, MA 02199
Attention: Brent Stone
Facsimile: (617) 859-8797
E-mail: bstone@abry.com; myirilli@abry.com and aheiman@abry.com

with a copy (which shall not constitute notice) to:

Latham & Watkins LLP
200 Clarendon Street, 27th Floor
Boston, MA 02116
Attention: J. Ryan McCarthy
Facsimile: (617) 948-6001
E-mail: ryan.mccarthy@lw.com and nate.amory@lw.com

To AIG:

AIG Property Casualty U.S., Inc.
c/o American International Group, Inc.
175 Water Street
New York, NY 10038
Attention: General Counsel

with a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, NY 10019
Tel: (212) 728-8000
Attention: Robert S. Rachofsky

or to such other address as the Party to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

Section 11.3 Governing Law. This Agreement and any Action of any kind or any nature (whether based upon contract, tort or otherwise) that is any way related to this Agreement or any of the transactions related hereto, shall be governed by, and construed in accordance with, the Laws of the State of New York applicable to contracts executed in and to be performed in that state without regard to the conflict of Laws rules thereof.

Section 11.4 Fees and Expenses. Except as otherwise set forth in this Agreement, all fees and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement, including the fees and disbursements of counsel, financial advisors and accountants, shall be paid by the Party incurring such fees or expenses.

Section 11.5 Construction; Interpretation. The term “this Agreement” means this Unit Purchase Agreement together with the Schedules and exhibits hereto, as the same may from time to time be amended, modified, supplemented or restated in accordance with the terms hereof. The headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. No Party, nor its respective counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions hereof, and all provisions of this Agreement shall be construed according to their fair meaning and not strictly for or against any Party. Unless otherwise indicated to the contrary herein by the context or use thereof: (i) the words, “herein,” “hereto,” “hereof” and words of similar import refer to this Agreement as a whole, including the Schedules and exhibits, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Agreement; (ii) masculine gender shall also include the feminine and neutral genders, and vice versa; (iii) words importing the singular shall also include the plural, and vice versa; (iv) the words “include,” “includes” or “including” shall be deemed to be followed by the words “without limitation”; (v) financial terms shall have the meanings given to such terms under GAAP unless otherwise specified herein; and (vi) references to “\$” or “dollar” or “US\$” shall be references to United States dollars. If any action under this Agreement is required to be done or taken on a day that is not a Business Day or on which a government office is not open with respect to which a filing must be made, then such action shall be required to be done or taken not on such day but on the first succeeding Business Day thereafter.

Section 11.6 Exhibits and Schedules. All exhibits and the disclosure schedules to this Agreement delivered by the Company to Buyer concurrently with the execution and delivery of this Agreement (the “Schedules”), or documents expressly incorporated into this Agreement, are hereby incorporated into this Agreement and are hereby made a part hereof as if set out in full in this Agreement. Any item disclosed in any Schedule referenced by a particular Section in this Agreement shall be deemed to have been disclosed with respect to every other Section in this Agreement if the relevance of such disclosure to such other Section is reasonably apparent. The specification of any dollar amount in the representations or warranties contained in this Agreement or the inclusion of any specific item in any Schedule is not intended to imply that such amounts, or higher or lower amounts or the items so included or other items, are or are not material, and no Party shall use the fact of the setting of such amounts or the inclusion of any such item in any dispute or controversy as to whether any obligation, items or matter not described herein or included in a Schedule is or is not material for purposes of this Agreement. The disclosure with respect to any agreement, contract or other document referred to in the Schedules shall be qualified in its entirety by reference to the terms thereof. The Schedules and the information and statements contained therein are not intended to constitute, and shall not be construed as constituting, representations, warranties, covenants, agreements or obligations of the Company except as and to the extent expressly provided in this Agreement, nor shall they be taken as extending the scope of any representation, warranty, covenant, agreement or obligation set out in this Agreement. Any capitalized term used in any Exhibit or Schedule but not otherwise defined therein shall have the meaning given to such term in this Agreement.

Section 11.7 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each Party and its successors and permitted assigns and, except as provided in Section 6.6, nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. Notwithstanding the foregoing, Latham & Watkins LLP is a third party beneficiary of Section 11.16.

Section 11.8 Severability. If any term or other provision of this Agreement is invalid, illegal or unenforceable under applicable Law, all other provisions of this Agreement shall remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon a determination that any term or other provision of this Agreement is invalid, illegal or unenforceable under applicable Law, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 11.9 Seller Representative.

(a) The Sellers irrevocably appoint Brent Stone to act as the designated representative, agent and attorney-in-fact of such Sellers with full authority to make all decisions and determinations and to take all actions required or permitted under this Agreement on behalf of such Sellers (in such capacity, the "Seller Representative"), including (i) approving and executing any of the documents required under this Agreement to be delivered by such Sellers (other than AIG) on or after the Closing Date, (ii) approving or contesting any matter provided for in Article 2 of this Agreement, (iii) administering any indemnification matter on behalf of the Sellers, agreeing to the settlement of any indemnification matter and otherwise handling and negotiating indemnification matters, (iv) agreeing to any waiver, consent or amendment under or to this Agreement, (v) distributing to the Sellers any portion of any consideration hereunder payable to the Sellers after the Closing Date, (vi) sending, receiving and reviewing notices under this Agreement on behalf of the Sellers; provided that Seller Representative shall provide AIG with a copy of any notice received from Buyer following the Closing Date as promptly as reasonable practicable following receipt of such notice, and (vii) designating a successor Seller Representative (with the approval of AIG) in the event of the resignation or death of the then current Seller Representative. Each Seller acknowledges that this Section 11.9 is intended to have the broadest possible scope for the purpose of promoting the efficient negotiation and handling of all matters which arise under or in connection with this Agreement. All actions taken by the Seller Representative in connection with, or relating to, the subject matter of this Agreement that are within the authority conferred upon the Seller Representative pursuant to this Section 11.9 shall be deemed authorized, approved, ratified and confirmed by the Sellers, having the same force and effect as if performed pursuant to the direct authorization of such the Sellers. Buyer shall be entitled to rely upon, without independent investigation, any act, notice, instruction or communication from the Seller Representative on behalf of the Sellers and shall not be liable in any manner whatsoever for any action taken or not taken in reliance upon the actions taken or not taken or communications or writings given or executed by the Seller Representative. Buyer shall be entitled to disregard any notices or communications given or made by any Seller unless given or made through the Seller Representative.

(b) By Seller Representative's execution hereof, the Seller Representative hereby accepts the appointment as such. The Seller Representative may resign at any time in a writing delivered to the Sellers. The Sellers may, at any time, remove the Seller Representative and appoint a substitute representative by written consent signed by the Sellers (or, if applicable, their respective heirs, legal representatives, successors and assigns) representing a majority of the aggregate Pro Rata Percentage; provided, that such appointment shall also require the consent of AIG. If the Seller Representative is an individual and dies or becomes disabled or incapacitated, or if the Seller Representative is an entity and files for bankruptcy, becomes insolvent or dissolves, or if the Seller Representative, in either case, otherwise becomes unable to perform the Seller Representative's responsibilities hereunder or resigns from such position, the Sellers shall, by such written consent (including of AIG), appoint a substitute representative to fill such vacancy. Any such substitute representative shall be deemed to be the Seller Representative for all purposes of this Agreement. Upon the selection of such substitute Seller Representative, such substitute shall promptly notify Buyer in writing of such appointment, which written notice shall be accompanied by a copy of the written consent effecting such appointment.

(c) The Seller Representative shall act in such capacity in the manner the Seller Representative believes to be in the best interest of the Sellers. The Seller Representative is authorized to act on behalf of the Sellers notwithstanding any dispute or disagreement among the Sellers. In taking any action as the Seller Representative, the Seller Representative may rely conclusively, without any further inquiry or investigation, upon any certification or confirmation, oral or written, given by any Person whom the Seller Representative reasonably believes to be authorized thereunto. The Seller Representative may, in all questions arising hereunder, rely on the advice of counsel of its choosing, and the Seller Representative shall not be liable to any Seller for anything done, omitted or suffered in good faith by the Seller Representative based on such advice. The Seller Representative undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Seller Representative. The Seller Representative shall not have any liability to any Seller for any act done or omitted hereunder as the Seller Representative while acting in good faith. The Seller Representative shall be indemnified by the Sellers from and against any loss, liability or expense incurred in good faith on the part of the Seller Representative and arising out of or in connection with the acceptance or administration of the Seller Representative's duties hereunder.

(d) Notwithstanding anything to the contrary in this Agreement or any document related to this Agreement, the Seller Representative will only have the power or authority to act regarding matters pertaining to the Sellers as a group and not regarding matters pertaining to or affecting an individual Seller in a manner different from other Sellers generally (such individual Seller matters would include, for example, but not by way of limitation, an action against an individual Seller for his, her or its breach of any representation or warranty set forth in Article 4 or breach or nonfulfillment of any covenant or agreement under this Agreement), and the powers conferred on the Seller Representative herein and in such other related document shall not authorize or empower the Seller Representative to do or cause to be done any action (including by amending, modifying or waiving any provision of this Agreement or such other document or otherwise) that (i) results in the amounts payable hereunder or thereunder to any Seller being distributed in any manner other than as permitted pursuant to this Agreement or such related document, (ii) alters the consideration payable to any Seller pursuant to this Agreement or such related document, or (iii)

adds to or results in an increase of any Seller's indemnity or other obligations or Liabilities under this Agreement or such related document (including, for the avoidance of doubt, any change to the nature of the indemnity obligations); provided that settlement of an indemnification matter or the post-closing adjustment in Section 2.4(d), in each case otherwise in accordance with this Agreement, shall not constitute a breach of the limitations set forth in clauses (i) through (iii).

(e) The Company and the Seller Representative will, at least three (3) Business Days prior to the Closing Date, direct, by joint written notice to Buyer, that on the Closing Date an amount equal to \$2,000,000 (the "Holdback Amount") shall be paid directly by Buyer to the Seller Representative as designated in such notice, as a fund for the fees and expenses of the Seller Representative incurred in connection with this Agreement, with any balance of the Holdback Amount not used for such purposes (as determined by the Seller Representative in good faith) to be paid by the Seller Representative to the Sellers in accordance with their respective Holdback Allocations upon its good faith determination that the remaining Holdback Amount is no longer necessary for the Seller Representative's performance of its duties pursuant to the Transaction Documents, and which release shall occur no later than four (4) years from the date of this Agreement.

Section 11.10 Counterparts; Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile, e-mail, or scanned pages shall be effective as delivery of a manually executed counterpart to this Agreement.

Section 11.11 Knowledge of the Company. For all purposes of this Agreement, the phrase "to the Company's knowledge" and "known by the Company" and any derivations thereof shall mean as of the applicable date, the actual knowledge without independent investigation (and shall in no event encompass constructive, imputed or similar concepts of knowledge) of Geoffrey McKernan, William McKernan, William Kanehann, Felix DiFiore and Catherine Hunt, none of whom shall have any personal liability or obligations regarding such knowledge.

Section 11.12 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement, except with respect to Fraud, Buyer acknowledges and agrees that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against any past, present or future director, officer, agent or employee of any Seller or Affiliate thereof or any past, present or future member of a Seller or of any Affiliate or assignee thereof, as such, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any such Person, for any obligation of such Seller under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation. For the avoidance of doubt, nothing contained herein shall restrict the ability of the Sellers to seek specific performance of Parent's obligations hereunder in connection with the Parent Guarantee pursuant to and in accordance with Section 11.15(b).

Section 11.13 Waiver of Jury Trial. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY ACTION (I) ARISING UNDER THIS AGREEMENT OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. EACH PARTY HEREBY FURTHER AGREES AND CONSENTS THAT ANY SUCH ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 11.14 Jurisdiction and Venue. Each of the Parties hereto irrevocably (a) consents to submit to the exclusive jurisdiction of the courts of the State of New York, City of New York and of the United States of America located in the State of New York, City of New York in any action relating to the transactions contemplated by this agreement, (b) waives any objection to the laying of venue of any action related to the transactions contemplated by this agreement brought in such court, (c) waives and agrees not to plead or claim in any such court that any such action brought in any such court has been brought in an inconvenient forum, and (d) agrees that service of process or of any other papers upon such Party by registered mail at the address to which notices are required to be sent to such Party under Section 11.2 shall be deemed good, proper and effective service upon such Party.

Section 11.15 Remedies.

(a) Except as otherwise expressly provided herein, any and all remedies provided herein will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. The Parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the Parties do not perform their respective obligations under the provisions of this Agreement (including failing to take such actions as are required of them hereunder to consummate the transactions contemplated by this Agreement) in accordance with their specific terms or otherwise breach such provisions. It is accordingly agreed that, prior to the valid termination of this Agreement pursuant to Section 8.1, the Parties shall be entitled to an injunction or injunctions, specific performance and other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement (including failing to take such actions as are required of them hereunder to consummate the transactions contemplated by this Agreement), in each case without posting a bond or undertaking, this being in addition to any other remedy to which they are entitled at Law or in equity. Each of the Parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief when expressly available pursuant to the terms of this Agreement on the basis that the other Parties have an adequate remedy at law or an award of specific performance is not an appropriate remedy for any reason at law or equity notwithstanding the potential for payment of the Termination Fee in the event of the termination of this Agreement in accordance with Section 8.2. No breach of any representation, warranty or covenant contained herein or in any certificate delivered pursuant to this Agreement shall give rise to any right on the

part of any Party, after the consummation of the transactions contemplated hereby, to rescind this Agreement or any of the transactions contemplated hereby.

(b) Notwithstanding the foregoing, it is explicitly agreed that the Sellers shall be entitled to seek specific performance of the Parent Guarantee to cause the Guaranteed Obligations to be funded if and only if (i) the conditions set forth in Section 7.1 and Section 7.2 have been satisfied (other than those conditions that by their nature are to be satisfied by actions taken at the Closing; provided, that such conditions are then capable of being satisfied and will be satisfied at the Closing) or have been waived (in writing) by Buyer in each case at the time the Closing is required to have occurred pursuant to Section 2.1, (ii) the Seller Representative (on behalf of the Sellers) has irrevocably confirmed to Buyer in writing that, if specific performance is granted and the Guaranteed Obligations are funded, the Sellers are ready, willing and able to (and shall), and shall cause the Company to, perform its obligations in connection with effectuating the Closing and the Closing will occur pursuant to Article 2 (and the Seller Representative has not (on behalf of the Sellers) revoked such notice), and (iii) Buyer fails to consummate the Closing by the later of (A) two (2) Business Days following the date of the notice described in clause (ii) and (B) the date the Closing is required to have occurred in accordance with Section 2.2.

(c) To the extent any Party brings an Action to enforce specifically the performance of the terms and provisions of this Agreement (other than an Action to enforce specifically any provision that expressly survives termination of this Agreement), the Outside Date shall automatically be extended to (i) the tenth (10th) Business Day following the final resolution of such Action or (ii) such other time period established by the court presiding over such Action.

Section 11.16 Waiver of Conflicts. Recognizing that Latham & Watkins LLP has acted as legal counsel to the Sellers, their respective Affiliates and the Group Companies prior to the Closing, and that Latham & Watkins LLP intends to act as legal counsel to the Sellers and their respective Affiliates (which will no longer include the Group Companies) after the Closing, each of Buyer and the Company hereby waives, on its own behalf and agrees to cause its respective Affiliates to waive, any conflicts that may arise in connection with Latham & Watkins LLP representing the Sellers and/or their respective Affiliates after the Closing as such representation may relate to Buyer, any Group Company or the transactions contemplated herein. In addition, all communications involving attorney-client confidences between any Seller, its Affiliates or any Group Company and Latham & Watkins LLP in the course of the negotiation, documentation and consummation of the transactions contemplated hereby shall be deemed to be attorney-client confidences that belong solely to such Seller and its Affiliates (and not the Group Companies). Accordingly, the Group Companies shall not have access to any such communications, or to the files of Latham & Watkins LLP relating to its engagement, whether or not the Closing shall have occurred. Without limiting the generality of the foregoing, upon and after the Closing, (i) the Sellers and their respective Affiliates (and not the Group Companies) shall be the sole holders of the attorney-client privilege with respect to such engagement, and none of the Group Companies shall be a holder thereof, (ii) to the extent that files of Latham & Watkins LLP in respect of such engagement constitute property of the client, only the Sellers and their respective Affiliates (and not the Group Companies) shall hold such property rights and (iii) Latham & Watkins LLP shall have no duty whatsoever to reveal or disclose any such attorney-client communications or files to any of the Group Companies by reason of any attorney-client relationship between Latham & Watkins LLP and any of the Group Companies or otherwise.

Section 11.17 Currency. All payments made by Buyer pursuant to this Agreement shall be made in United States dollars.

Section 11.18 Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

* * * * *

IN WITNESS WHEREOF, each of the Parties has caused this Unit Purchase Agreement to be duly executed on its behalf as of the day and year first above written.

NSM ACQUISITION HOLDINGS, LLC

By: /s/ Brent Stone
Name: Brent Stone
Title: President

AIG PROPERTY CASUALTY U.S., INC.

By: /s/ John M. Artesani
Name: John M. Artesani
Title: Senior Vice President

NSM INSURANCE HOLDCO, LLC

By: /s/ Geoffrey McKernan
Name: Geoffrey McKernan
Title: Chief Executive Officer

WHITE MOUNTAINS CATSKILL HOLDINGS, INC.

By: /s/ Jason R. Lichtenstein
Name: Jason R. Lichtenstein
Title: Secretary

WHITE MOUNTAINS INSURANCE GROUP, LTD.

By: /s/ Robert L. Seelig
Name: Robert L. Seelig
Title: Executive Vice President and General Counsel

SELLER REPRESENTATIVE

ABRY PARTNERS VIII, L.P.

By: ABRY VIII Capital Partners, L.P.,
Its General Partner

By: ABRY VIII Capital Investors, LLC,
Its General Partner

By: /s/ Brent Stone
Name: Brent Stone
Title: Authorized Person

IN WITNESS WHEREOF, each of the Parties has caused this Unit Purchase Agreement to be duly executed on its behalf as of the day and year first above written.

MANAGEMENT SELLERS

/s/ Geoffrey McKernan Name: Geoffrey McKernan

/s/ William McKernan Name: William McKernan

/s/ William Kanehann Name: William Kanehann

/s/ Felix DiFiore Name: Felix DiFiore

/s/ Catherine Hunt Name: Catherine Hunt

/s/ Joseph Saraiva Name: Joseph Saraiva

/s/ Michael P. Egan Name: Michael P. Egan

/s/ Jennifer L. Porter Name: Jennifer L. Porter

**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, 2018

By:

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

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

I, Reid T. Campbell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 2, 2018

By:

/s/ Reid T. Campbell

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, 2018 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, 2018

**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, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Reid T. Campbell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Reid T. Campbell

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

May 2, 2018