

**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 September 30, 2004

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 03755-2053

(Address of principal executive offices including zip code)

(603) 640-2200

(Registrant's telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

As of November 2, 2004, 10,769,451 common shares with a par value of \$1.00 per share ("Common Shares") were outstanding (which includes 15,000 restricted Common Shares which 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

Unaudited

(dollars in millions, except share amounts)	September 30, 2004	December 31, 2003
Assets		
Fixed maturity investments, at fair value (amortized cost: \$7,359.5 and \$6,010.2)	\$ 7,562.1	\$ 6,248.1
Short-term investments, at amortized cost (which approximates fair value)	1,839.2	1,546.6
Common equity securities, at fair value (cost: \$758.8 and \$396.2)	989.1	513.6
Other investments (cost: \$399.7 and \$184.0)	438.2	239.2
	<hr/>	<hr/>
Total investments	10,828.6	8,547.5
Cash	144.5	89.9
Reinsurance recoverable on unpaid losses	1,665.5	1,213.5
Reinsurance recoverable on unpaid losses—Berkshire Hathaway Inc.	2,248.1	2,260.3
Reinsurance recoverable on paid losses	74.0	121.7
Insurance and reinsurance premiums receivable	1,067.0	779.0
Funds held by ceding companies	931.8	144.1
Deferred acquisition costs	342.9	233.6
Deferred tax asset	252.1	260.0
Ceded unearned premiums	258.9	185.3
Investment in unconsolidated insurance affiliates	443.0	515.9
Investment income accrued	89.8	73.0
Accounts receivable on unsettled investment sales	91.1	9.1
Other assets	509.9	538.1
	<hr/>	<hr/>
Total assets	\$ 18,947.2	\$ 14,971.0
Liabilities		
Loss and loss adjustment expense reserves	\$ 9,533.9	\$ 7,728.2
Unearned insurance and reinsurance premiums	1,926.0	1,409.4
Reserves for structured contracts	400.1	—
Debt	793.6	743.0
Deferred tax liability	294.6	—
Funds held under reinsurance treaties	160.0	211.9
Ceded reinsurance payable	131.5	127.7
Accounts payable on unsettled investment purchases	509.2	371.6
Other liabilities	1,355.3	1,205.5
Preferred stock subject to mandatory redemption:		
Held by Berkshire Hathaway Inc. (redemption value \$300.0)	187.1	174.5
Held by others (redemption value \$20.0)	20.0	20.0
	<hr/>	<hr/>
Total liabilities	15,311.3	11,991.8
Common shareholders' equity		
Common Shares at \$1 par value per share—authorized 50,000,000 shares; issued and outstanding 10,769,451 and 9,007,195 shares	10.8	9.0
Paid-in surplus	1,713.2	1,399.6
Retained earnings	1,531.2	1,286.4
Accumulated other comprehensive income, after tax:		
Net unrealized gains on investments	377.2	286.0
Net unrealized foreign currency translation gains (losses)	8.3	(.3)
Unearned compensation—restricted Common Share awards	(4.8)	(1.5)
	<hr/>	<hr/>
Total common shareholders' equity	3,635.9	2,979.2
	<hr/>	<hr/>
Total liabilities and common shareholders' equity	\$ 18,947.2	\$ 14,971.0

See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Unaudited

(dollars in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues:				
Earned insurance and reinsurance premiums	\$ 992.3	\$ 788.2	\$ 2,821.4	\$ 2,346.4
Net investment income	83.4	67.5	247.6	219.1
Net realized investment gains (losses)	53.6	(34.2)	109.8	114.0
Other revenue	34.3	90.1	126.1	163.0
Total revenues	1,163.6	911.6	3,304.9	2,842.5
Expenses:				
Loss and loss adjustment expenses	787.8	600.5	1,934.5	1,634.5
Insurance and reinsurance acquisition expenses	203.6	153.9	544.3	460.7
Other underwriting expenses	137.5	65.2	387.6	250.7
General and administrative expenses	78.4	23.5	202.4	103.5
Accretion of fair value adjustment to loss and loss adjustment expense reserves	10.2	10.1	33.1	38.5
Interest expense on debt	12.2	11.0	35.6	37.1
Interest expense—dividends and accretion on preferred stock subject to mandatory redemption	12.0	11.0	35.3	11.0
Total expenses	1,241.7	875.2	3,172.8	2,536.0
Pretax income (loss)	(78.1)	36.4	132.1	306.5
Tax benefit (provision)	23.6	(14.4)	(65.7)	(105.2)
Net income (loss) before minority interest and equity in earnings of affiliates	(54.5)	22.0	66.4	201.3
Dividends and accretion on mandatorily redeemable preferred stock of subsidiaries	—	—	—	(21.5)
Equity in earnings of unconsolidated insurance affiliates	3.7	13.6	26.8	42.3
Net income (loss) before extraordinary item	(50.8)	35.6	93.2	222.1
Excess of fair value of acquired net assets over cost	40.7	—	160.7	—
Net income (loss)	(10.1)	35.6	253.9	222.1
Net change in unrealized gains and losses for investments held	165.1	(39.5)	154.8	119.0
Net change in foreign currency translation	(.1)	(.5)	8.6	1.1
Recognition of net unrealized gains and losses for investments sold	(33.7)	17.2	(63.6)	(75.0)
Comprehensive net income	\$ 121.2	\$ 12.8	\$ 353.7	\$ 267.2
Computation of net income (loss) available to common shareholders:				
Net income (loss)	\$ (10.1)	\$ 35.6	\$ 253.9	\$ 222.1
Redemption value adjustment—Convertible preference shares	—	—	—	(49.5)
Net income (loss) available to common shareholders	\$ (10.1)	\$ 35.6	\$ 253.9	\$ 172.6
Basic earnings per share:				
Net income (loss) before extraordinary item	\$ (4.72)	\$ 3.96	\$ 9.70	\$ 19.99
Net income (loss)	(0.94)	3.96	26.41	19.99
Diluted earnings per share:				
Net income (loss) before extraordinary item	\$ (4.72)	\$ 3.50	\$ 8.93	\$ 17.89
Net income (loss)	(0.94)	3.50	24.44	17.89
Dividends declared and paid per Common Share	\$ —	\$ —	\$ 1.00	\$ 1.00

See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

Unaudited

(millions)	Common shareholders' equity	Common Shares and paid-in surplus	Retained earnings	Accum. other comprehensive income, after tax	Unearned compensation
Balances at January 1, 2004	\$ 2,979.2	\$ 1,408.6	\$ 1,286.4	\$ 285.7	\$ (1.5)
Net income	253.9	—	253.9	—	—
Other comprehensive income, after tax	99.8	—	—	99.8	—
Dividends declared on Common Shares	(9.1)	—	(9.1)	—	—
Changes to accrued option expense	3.5	3.5	—	—	—
Exercise of warrants held by Berkshire Hathaway, Inc.	294.0	294.0	—	—	—
Issuances of Common Shares	13.3	18.0	—	—	(4.7)
Repurchases and retirements of Common Shares	(.1)	(.1)	—	—	—
Amortization of restricted Common Share awards	1.4	—	—	—	1.4
Balances at September 30, 2004	\$ 3,635.9	\$ 1,724.0	\$ 1,531.2	\$ 385.5	\$ (4.8)
(millions)	Common shareholders' equity	Common Shares and paid-in surplus	Retained earnings	Accum. other comprehensive income, after tax	Unearned compensation
Balances at January 1, 2003	\$ 2,407.9	\$ 1,134.6	\$ 1,071.9	\$ 206.7	\$ (5.3)
Net income	222.1	—	222.1	—	—
Other comprehensive income, after tax	45.1	—	—	45.1	—
Redemption value adjustment—Convertible Preference Shares	(49.5)	—	(49.5)	—	—
Dividends declared on Common Shares	(8.3)	—	(8.3)	—	—
Changes to accrued option expense	4.0	4.0	—	—	—
Issuances of Common Shares	269.5	271.5	—	—	(2.0)
Repurchases and retirements of Common Shares	(13.8)	(5.5)	(8.3)	—	—
Amortization of restricted Common Share awards	5.6	—	—	—	5.6
Balances at September 30, 2003	\$ 2,882.6	\$ 1,404.6	\$ 1,227.9	\$ 251.8	\$ (1.7)

See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(millions)	Nine Months Ended September 30,	
	2004	2003
Cash flows from operations:		
Net income	\$ 253.9	\$ 222.1
Charges (credits) to reconcile net income to cash flows used for operations:		
Excess of fair value of acquired net assets over cost	(160.7)	—
Deferred tax (benefit) provision	(28.1)	64.8
Net realized investment gains	(109.8)	(114.0)
Other operating items:		
Net change in reinsurance recoverable on paid and unpaid losses	203.1	465.4
Net change in loss and loss adjustment expense reserves	(506.4)	(844.8)
Net change in insurance and reinsurance premiums receivable	(92.9)	(3.3)
Net change in unearned insurance and reinsurance premiums	169.5	(32.3)
Net change in deferred acquisition costs	(68.3)	3.2
Net change in funds held under reinsurance treaties	(80.1)	(62.2)
Net change in other assets and liabilities	(87.6)	(95.2)
Net cash flows used for operations	(507.4)	(396.3)
Cash flows from investing activities:		
Net (increase) decrease in short-term investments	(8.3)	110.1
Sales of fixed maturity investments	4,699.3	15,052.6
Sales of common equity securities and other investments	596.5	96.4
Maturities of fixed maturity investments	1,259.4	2,064.5
Sale of Montpelier common shares	155.3	—
Sale of consolidated affiliate, net of cash sold	22.1	—
Purchases of fixed maturity investments	(5,391.7)	(16,282.4)
Purchases of consolidated affiliates, net of cash acquired	(458.5)	—
Purchases of common equity securities and other investments	(423.4)	(355.5)
Investment in unconsolidated insurance affiliate	(194.7)	—
Net change in unsettled investment purchases and sales	70.0	(209.2)
Net (acquisitions) dispositions of property and equipment	(14.5)	47.2
Net cash flows provided from investing activities	311.5	523.7
Cash flows from financing activities:		
Issuances of debt	—	693.4
Repayments of debt	(25.0)	(739.9)
Cash dividends paid to common shareholders	(9.1)	(8.3)
Cash dividends paid to preferred shareholders	(22.7)	(22.7)
Proceeds from issuances of Common Shares	13.3	.8
Proceeds from exercise of warrants to acquire Common Shares	294.0	—
Net cash provided from (used for) financing activities	250.5	(76.7)
Net increase in cash during the period	54.6	50.7
Cash balances at beginning of period	89.9	121.5
Cash balances at end of period	\$ 144.5	\$ 172.2
Supplemental cash flows information:		
Interest paid	\$ 23.0	\$ 24.6
Net taxes (paid) received	(69.0)	22.5

See Notes to Consolidated Financial Statements

Note 1. Basis of Presentation

These interim consolidated financial statements include the accounts of White Mountains Insurance Group, Ltd. (the "Company" or the "Registrant") and its subsidiaries (collectively, "White Mountains") and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company is a Bermuda limited liability company with its headquarters located at the Bank of Butterfield Building, 42 Reid Street, Hamilton HM 12, Bermuda. The Company's 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 HM 11, Bermuda.

The Company's reportable segments are OneBeacon, White Mountains Re, Esurance and Other Operations.

The OneBeacon family of companies are U.S.-based property and casualty insurance writers, which were acquired by White Mountains from Aviva plc ("Aviva", formerly CGNU plc) on June 1, 2001 (the "OneBeacon Acquisition").

White Mountains' reinsurance operations are conducted primarily through its recently formed global reinsurance organization ("White Mountains Re"), which oversees the operations of Folksamerica, Sirius, and WMU, as described below.

Folksamerica Holding Company Inc. (together with its reinsurance subsidiary, Folksamerica Reinsurance Company, "Folksamerica") became a wholly-owned subsidiary of White Mountains in 1998. In connection with the OneBeacon Acquisition, Folksamerica was contributed to OneBeacon. On March 31, 2004, OneBeacon distributed its interest in Folksamerica back to its parent, Fund American Companies, Inc. ("Fund American").

On April 16, 2004, White Mountains acquired Sirius Insurance Holding Sweden AB and its subsidiaries ("Sirius"), a group of international insurers and reinsurers that focuses mainly on property and other short-tailed lines, from ABB Ltd. (See Note 2). Subsequent to White Mountains' acquisition of Sirius, Fund American Reinsurance Company Ltd. ("Fund American Re") was sold to Sirius by the Company. The results of Fund American Re are now included in Sirius' results throughout this report. White Mountains' reinsurance operations also include its wholly owned subsidiaries, White Mountains Underwriting Limited (domiciled in Ireland) and White Mountains Underwriting (Bermuda) Limited (collectively, "WMU"). WMU is an underwriting advisory company specializing in international property and marine excess reinsurance.

Esurance has been a unit of White Mountains since October 2000. Esurance markets personal auto insurance directly to customers and through select online agents.

White Mountains' Other Operations consists of the Company and its intermediate holding companies, as well as the International American Group, Inc. (the "International American Group"). The International American Group, which was acquired by White Mountains in 1999, consists of American Centennial Insurance Company ("American Centennial") and British Insurance Company of Cayman ("British Insurance Company") and, prior to its sale in January 2004, also included Peninsula Insurance Company ("Peninsula").

White Mountains has completed numerous significant transactions during the periods presented which have affected the comparability of the financial statement information presented herein. White Mountains' consolidated statements of income and comprehensive income include the results of acquired businesses beginning as of the date each respective acquisition was completed. Net changes in

assets and liabilities reported in the consolidated statements of cash flows exclude those assets and liabilities acquired or sold during the periods presented.

All significant intercompany transactions have been eliminated in consolidation. The financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of White Mountains. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company's 2003 Annual Report on Form 10-K. The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts in the prior period financial statements have been reclassified to conform with the current presentation. Refer to the Company's 2003 Annual Report on Form 10-K for a complete discussion regarding White Mountains' significant accounting policies.

Recently Adopted Changes in Accounting Principles

Variable Interest Entities

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which addresses consolidation issues surrounding special purpose entities and certain other entities, collectively termed variable interest entities ("VIE"), to which the usual condition for consolidation does not apply. A VIE is an entity in which the equity investors do not have the characteristics of a controlling interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Under FIN 46, the primary beneficiary of a VIE is required to consolidate the VIE in its financial statements. The primary beneficiary is an entity that has a variable interest that will absorb the majority of the VIE's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. White Mountains adopted the disclosure provisions of FIN 46 beginning with its December 31, 2002 Form 10-K and its consolidation provisions as of March 31, 2004.

For purposes of FIN 46, New Jersey Skylands Insurance Association is considered to be a VIE and as a result, the balance sheet accounts and the results of operations of the Association have been consolidated in White Mountains' financial statements since March 31, 2004. See Note 11.

Note 2. Acquisitions and Dispositions

Sirius

On April 16, 2004, White Mountains completed its acquisition of Sirius from ABB Ltd. (the "Sirius Acquisition") for SEK 3.27 billion (approximately \$427.5 million based upon the foreign exchange spot rate at the date of acquisition), which includes \$10.5 million of expenses incurred in connection with the acquisition. The principal companies acquired were Sirius International Insurance Corporation ("Sirius International"), Sirius America Insurance Company ("Sirius America") and Scandinavian Reinsurance Company Ltd. ("Scandinavian Re"). Stockholm-based Sirius International is the largest reinsurance company in Scandinavia and has offices in Stockholm, London, Hamburg, Zurich, Belgium and Singapore. Sirius America is a U.S.-based insurer focused on primary insurance programs that was acquired by Folksamerica as part of the transaction. Scandinavian Re is a Bermuda-based finite reinsurer that is in runoff.

The Sirius Acquisition was accounted for by the purchase method of accounting and, therefore, the identifiable assets and liabilities of Sirius were recorded by White Mountains at their fair values on

April 16, 2004. The process of determining the fair value of such assets and liabilities acquired was as follows: (i) the purchase price of Sirius was preliminarily allocated to the acquired assets and liabilities, based on their respective estimated fair values at April 16, 2004; (ii) the excess of the estimated fair value of acquired net assets over the purchase price was used to reduce the estimated fair values of all non-current, non-financial assets acquired to zero; and (iii) the remaining excess of the estimated fair value of net assets over the purchase price was recorded as an extraordinary gain.

The fair value of identifiable assets and liabilities acquired on April 16, 2004 were as follows (in millions):

Fair value of assets acquired	\$ 3,306.9
Fair value of liabilities acquired	2,768.0
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Fair value of net assets acquired	538.9
Total purchase price, including expenses	(427.5)
	<hr/>
Resulting extraordinary gain	\$ 111.4
	<hr/>

Significant assets and liabilities acquired through Sirius included \$1,851.9 million of cash and investments, \$790.1 million of funds held by ceding companies, \$286.2 million of reinsurance recoverable on paid and unpaid losses, \$245.8 million of insurance and reinsurance balances receivable, \$24.3 million of deferred acquisition costs, \$1,612.7 million of loss and loss adjustment expense reserves, \$432.2 million of reserves for structured settlements, \$276.5 million of unearned insurance premiums and \$289.4 million of deferred tax liabilities.

Supplemental unaudited pro forma condensed combined income statement information for the nine-month period ended September 30, 2004, which assumes that the Sirius Acquisition had occurred as of January 1, 2004, and for the twelve-month period ended December 31, 2003, which assumes the Sirius Acquisition had occurred as of January 1, 2003, follows:

(Unaudited) Millions, except per share amounts	Pro Forma Nine Months Ended September 30, 2004	Pro Forma Twelve Months Ended December 31, 2003(1)
Total revenues	\$ 3,451.6	\$ 4,408.3
Income before extraordinary items	\$ 128.4	\$ 262.0
Net income	\$ 289.1	\$ 347.5
<i>Earnings per share:</i>		
Pro forma net income—basic	\$ 30.07	\$ 34.15
Pro forma net income—diluted	\$ 27.84	\$ 30.55

(1) Because Sirius is a foreign company that has not previously reported interim financial information in accordance with GAAP, pro forma information for the Sirius Acquisition is not available for the 2003 interim periods.

The unaudited pro forma information presented above for the nine-month period ended September 30, 2004 and the twelve-month period ended December 31, 2003 has been supplied for comparative purposes only and does not purport to reflect the actual results that would have been reported had the Sirius Acquisition been consummated at January 1, 2004 and 2003, respectively. Additionally, such pro forma financial information does not purport to represent results that may occur in the future.

Symetra

On August 2, 2004, White Mountains, Berkshire Hathaway Inc. ("Berkshire") and several other private investors capitalized Symetra Financial Corporation ("Symetra") in order to purchase the life and investment operations of Safeco Corporation for \$1.35 billion. The acquired companies, which are now operating under the Symetra brand, focus mainly on group insurance, individual life insurance,

structured settlements and retirement services. Symetra had an initial capitalization of approximately \$1.4 billion, consisting of \$1,065 million of common equity and \$315 million of bank debt. White Mountains invested \$194.7 million in Symetra in exchange for 2.0 million common shares of Symetra. In addition, White Mountains and Berkshire each received warrants to acquire an additional 1.1 million common shares of Symetra at \$100 per share. White Mountains owns approximately 19% of the outstanding common shares of Symetra, which are accounted for under the equity method, and approximately 24% of Symetra on a fully-converted basis including the warrants, which are accounted for under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). Three White Mountains designees serve on Symetra's eight member board of directors.

White Mountains recorded its initial investment in Symetra in accordance with GAAP by allocating the \$194.7 million purchase price between the common shares and the warrants. The allocation was determined by recording the warrants at their fair value of \$35.4 million, with the remaining \$159.3 million allocated to the common shares. White Mountains then recognized an extraordinary gain of \$40.7 million, representing the difference between the initial cost of the common shares and the amount of White Mountains' equity in the underlying net assets of Symetra, as required by APB 18, "The Equity Method of Accounting for Investments in Common Stock".

The following table summarizes White Mountains' investment in Symetra for the three months ended September 30, 2004:

Millions	Common Shares	Warrants
Initial value of investment in Symetra at closing, August 2, 2004	\$ 159.3	\$ 35.4
Extraordinary gain—excess of fair value of acquired net assets over cost	40.7	—
Equity in earnings of Symetra	4.4	—
Equity in net unrealized gains from Symetra's equity portfolio	.3	—
Increase in value of warrants	—	.4
Investment in Symetra as of September 30, 2004, before net unrealized gains from Symetra's fixed maturity portfolio	\$ 204.7	\$ 35.8
Equity in net unrealized gains from Symetra's fixed maturity portfolio	48.1	—
Carrying value of Investment in Symetra as of September 30, 2004	\$ 252.8	\$ 35.8

White Mountains' carrying value of its investment in Symetra includes the change in net unrealized gains from Symetra's fixed maturity portfolio. Under GAAP, Symetra is required to record its fixed maturity investments at fair value, which results in unrealized gains during periods when interest rates fall and unrealized losses in periods when interest rates rise. Because the liabilities related to the life insurance and structured settlement products that these assets support are not marked to market under GAAP, it is likely that the economic impact on Symetra would be the opposite of that shown under GAAP (i.e., in general, Symetra's intrinsic value increases when interest rates rise and decreases when interest rates fall).

Other acquisitions and dispositions

On October 6, 2004, Sirius entered into an agreement to acquire Tryg-Baltica Forsikring, internationalt forsikringsselskab A/S ("Tryg Baltica") from Tryg Forsikring A/S, a Tryg Vesta Group company based in Denmark. Under the terms of the agreement, Sirius will pay approximately DKK 315 million (\$52.6 million). Following the closing, Sirius will place the company into runoff, though it is anticipated that select business will be renewed by Sirius. Sirius is not acquiring any infrastructure or employees and Sirius will manage the company's runoff administration. The transaction, which Sirius expects to close during the fourth quarter of 2004, is subject to regulatory approvals and other customary closing conditions.

On March 31, 2004, OneBeacon acquired Atlantic Specialty Insurance Company ("Atlantic Specialty"), a subsidiary of Atlantic Mutual Insurance Company ("Atlantic Mutual"), and the renewal rights to Atlantic Mutual's segmented commercial insurance business, including the unearned premiums on the acquired book (the "Atlantic Specialty Transaction"). The overall gross written premium for this book of business totals approximately \$400 million. Under the terms of the agreement, OneBeacon will pay Atlantic Mutual a renewal commission on the premiums renewed. In connection with its acquisition of Atlantic Specialty, OneBeacon issued a \$20.0 million note to the seller (See Note 6).

On March 31, 2004, Folksamerica completed its acquisition of the Sierra Insurance Group companies (the "Sierra Group"), consisting of California Indemnity Insurance Company and its three subsidiaries, from Nevada-based Sierra Health Services, Inc. Folksamerica paid \$76.2 million for the Sierra Group, which included \$14.2 million in cash and a \$62.0 million purchase note (see Note 6), of which \$58.0 million will be adjusted over its six-year term to reflect favorable or adverse loss reserve development on the acquired reserve portfolio and runoff of remaining policies in force (mainly workers compensation business) as well as certain other balance sheet protections. The acquired companies' net assets at the time of the close were \$84.8 million, including \$270.3 million of investments, \$174.4 million of reinsurance balances recoverable, \$406.9 million of loss and loss adjustment expense reserves and \$25.1 million of unearned premium. The acquisition resulted in an \$8.6 million extraordinary gain, which White Mountains recognized in the first quarter of 2004.

During the first quarter of 2004, White Mountains sold a portion of its investment in Montpelier Re Holdings Ltd. ("Montpelier") common shares to third parties. As a result of this sale, as well as changes to the composition of the Board of Directors of both Montpelier and White Mountains, White Mountains changed the method of accounting for its remaining common share investment in Montpelier as of March 31, 2004 from an equity method investment in an unconsolidated affiliate to a common equity security classified as available for sale and carried at fair value. See Note 5.

In January 2004, Folksamerica sold Peninsula to the Donegal Group for \$23.3 million, or 107.5% of its GAAP book value, resulting in a pretax gain of \$2.1 million, which White Mountains recognized in the first quarter of 2004.

Note 3. Loss and Loss Adjustment Expense Reserves

The following table summarizes the loss and loss adjustment expense ("LAE") reserve activities of White Mountains' insurance and reinsurance subsidiaries for the three and nine months ended September 30, 2004 and 2003:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Gross beginning balance	\$ 9,329.1	\$ 8,286.5	\$ 7,728.2	\$ 8,875.3
Less beginning reinsurance recoverable on unpaid losses	(3,733.3)	(3,814.4)	(3,473.8)	(4,071.9)
Net loss and LAE reserves	5,595.8	4,472.1	4,254.4	4,803.4
Loss and LAE reserves sold—Peninsula	—	—	(17.0)	—
Loss and LAE reserves acquired—Sirius(1)	—	—	1,328.9	—
Loss and LAE reserves acquired—Sierra Group(1)	—	—	244.4	—
Loss and LAE reserves consolidated—NJ Skylands Reciprocal	—	—	62.1	—
Loss and LAE incurred relating to:				
Current year losses	746.7	493.6	1,862.3	1,497.2
Prior year losses	41.1	106.9	72.2	137.3
Total incurred loss and LAE	787.8	600.5	1,934.5	1,634.5
Accretion of fair value adjustment to loss and LAE reserves	10.2	10.1	33.1	38.5
Foreign currency translation adjustment to loss and LAE reserves	(3.9)	—	4.1	—
Loss and LAE paid relating to:				
Current year losses	(332.4)	(307.7)	(591.8)	(498.0)
Prior year losses	(437.2)	(378.2)	(1,632.4)	(1,581.6)
Total loss and LAE payments	(769.6)	(685.9)	(2,224.2)	(2,079.6)
Net ending balance	5,620.3	4,396.8	5,620.3	4,396.8
Plus ending reinsurance recoverable on unpaid losses	3,913.6	3,633.7	3,913.6	3,633.7
Gross ending balance	\$ 9,533.9	\$ 8,030.5	\$ 9,533.9	\$ 8,030.5

(1) Reinsurance recoverables on unpaid losses acquired in the Sirius and Sierra Group acquisitions totalled \$283.8 million and \$162.5 million, respectively.

White Mountains experienced \$41.1 million and \$72.2 million of net unfavorable development on prior accident year loss and LAE reserves during the three and nine months ended September 30, 2004. OneBeacon recorded \$53 million of prior accident year reserve development in the third quarter of 2004, related primarily to run-off workers compensation and general liability reserves, due to the expectation that more workers compensation claims will reopen and increased litigation costs associated with general liability claims. White Mountains' unfavorable loss development for the nine months ended September 30, 2004 included an additional \$30 million that resulted from emerging claims experienced in OneBeacon's run-off operations and increases in reserves at OneBeacon as a result of audits of national account and program claims administered by third parties.

White Mountains recorded \$106.9 million and \$137.3 million of net unfavorable development on prior accident year loss and LAE reserves during the three and nine months ended September 30, 2003, of which \$100 million and \$120 million, respectively, were experienced by OneBeacon. The net unfavorable development at OneBeacon in the third quarter of 2003 primarily related to construction defect claims as part of the review of all claims recalled from Liberty Mutual by OneBeacon. The development at OneBeacon during the first nine months of 2003 also included approximately \$12 million for a significant 1995 property claim from a pool in which OneBeacon had participated (the Industrial Risk Insurers pool) which had been in litigation and was settled through an arbitration decision during the second quarter of 2003.

In connection with purchase accounting for the acquisition of OneBeacon, White Mountains was required to adjust to fair value OneBeacon's loss and LAE reserves and the related reinsurance

recoverables by \$646.9 million and \$346.9 million, respectively, on OneBeacon's acquired balance sheet. This net reduction to loss and LAE reserves of \$300.0 million at June 1, 2001 (\$88.9 million at September 30, 2004) is being recognized through an income statement charge ratably with and over the period the claims are settled. As such, White Mountains recognized \$6.5 million and \$26.7 million of such charges for the three and nine months ended September 30, 2004, respectively, and \$10.1 million and \$38.5 million for the three and nine months ended September 30, 2003, respectively.

In connection with purchase accounting for the Sirius Acquisition, White Mountains was required to adjust to fair value the loss and LAE reserves on Sirius International's acquired balance sheet by \$58.1 million. This fair value adjustment is being recognized through an income statement charge ratably with and over the period the claims are settled. As such, White Mountains recognized \$3.7 million and \$6.4 million of such charges for the three and nine months ended September 30, 2004, respectively.

Note 4. Third Party Reinsurance

In the normal course of business, White Mountains' insurance and reinsurance subsidiaries seek to limit losses that may arise from catastrophes or other events by reinsuring with third party reinsurers. White Mountains remains liable for risks reinsured in the event that the reinsurer is unable to honor its obligations under reinsurance contracts.

OneBeacon

In connection with the OneBeacon Acquisition, Aviva caused OneBeacon to purchase two reinsurance contracts; a full risk-transfer cover from National Indemnity Company ("NICO") for up to \$2.5 billion in old asbestos and environmental ("A&E") claims and certain other exposures (the "NICO Cover") and an adverse development cover from General Reinsurance Corporation ("GRC") for up to \$400.0 million of adverse development on losses occurring in years 2000 and prior (the "GRC Cover") in addition to \$170.0 million of reserves ceded as of the date of the OneBeacon Acquisition.

Under the terms of the NICO Cover, NICO receives reinsurance recoverables from certain of OneBeacon's third party reinsurers in existence at the time the NICO Cover was executed ("Third Party Recoverables"). As a result, the Third Party Recoverables serve to protect the \$2.5 billion limit of NICO coverage for the benefit of OneBeacon. Third Party Recoverables are typically for the amount of loss in excess of a stated level each year. White Mountains estimates that on an incurred basis, net of Third Party Recoverables, it has exhausted approximately \$1.7 billion of the coverage provided by NICO at September 30, 2004. Approximately \$590.0 million of these incurred losses have been paid by NICO through September 30, 2004. To the extent that actual experience differs from White Mountains' estimate of ultimate A&E losses and Third Party Recoverables, future losses could utilize some or all of the protection remaining under the NICO Cover.

At September 30, 2004, OneBeacon had \$31.6 million of reinsurance recoverable on paid losses and \$2,887.3 million (gross of \$283.6 million in purchase accounting adjustments, as described in Note 3) that will become recoverable if claims are paid in accordance with current reserve estimates. Because reinsurance contracts do not relieve OneBeacon of its primary obligation to its policyholders, the collectibility of balances due from OneBeacon's reinsurers is critical to OneBeacon's financial strength. OneBeacon is selective with regard to its reinsurers, placing reinsurance with only those reinsurers having strong financial condition. OneBeacon monitors the financial strength of its reinsurers on an ongoing basis. As a result, uncollectible amounts have not historically been significant. The

following table provides a listing of OneBeacon's top reinsurers based upon recoverable amounts, the percentage of total reinsurance recoverables and the reinsurer's A.M. Best rating.

Top Reinsurers (dollars in millions)	Balance at September 30, 2004	% of Total	A.M. Best Rating(3)
Subsidiaries of Berkshire (NICO and GRC)	\$ 2,118.7	73%	A++
Liberty Mutual Insurance Group and subsidiaries(1)	146.6	5	A
American Re-Insurance Company	67.2	2	A+
Tokio Fire and Marine Insurance Company	59.8	2	A++
Aviva plc and its affiliates(2)	27.6	1	not rated

- (1) At September 30, 2004, OneBeacon had assumed balances payable and expenses payable of approximately \$100.6 million under its renewal rights agreement with Liberty Mutual Insurance Group ("Liberty Mutual"), which expired on October 31, 2003. In the event of Liberty Mutual insolvency, OneBeacon has the right to offset these balances against its reinsurance recoverable due from Liberty Mutual.
- (2) Represents non-U.S. insurance entities whose balances are fully collateralized through funds held, letters of credit and/or trust agreements.
- (3) A.M. Best ratings as detailed above are: "A++" (Superior, which is the highest of fifteen ratings), "A+" (Superior, which is the second highest of fifteen ratings) and "A" (Excellent, which is the third highest of fifteen ratings).

White Mountains Re

In 2000, Folksamerica purchased a reinsurance contract from Imagine Re (the "Imagine Cover") to reduce its statutory operating leverage and protect its surplus from adverse development relating to A&E exposures as well as the reserves assumed in several acquisitions. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts", amounts related to reserves transferred to Imagine Re for liabilities incurred as a result of past insurable events have been accounted for as retroactive reinsurance. At September 30, 2004 and December 31, 2003, Folksamerica's reinsurance recoverables included \$260.0 million and \$312.4 million, respectively, recorded under the Imagine Cover. All balances due from Imagine Re are fully collateralized, either with Folksamerica as the beneficiary of invested assets in a trust, with funds held, or through a letter of credit. As of December 31, 2003, the entire \$115.0 million of coverage available under this contract had been fully utilized. At September 30, 2004 and December 31, 2003, Folksamerica had also recorded \$44.3 million and \$50.6 million in deferred gains, respectively, related to adverse development on loss reserves incurred as a result of past insurable events transferred to Imagine Re at the inception of the Imagine Cover.

At September 30, 2004, White Mountains Re had \$35.8 million of reinsurance recoverable on paid losses and \$1,293.2 million that will become recoverable if claims are paid in accordance with current reserve estimates. Because reinsurance contracts do not relieve White Mountains Re of its obligation to its ceding companies, the collectibility of balances due from its reinsurers is critical to White Mountains Re's financial strength. White Mountains Re is selective with regard to its reinsurers, placing reinsurance with only those reinsurers having strong financial condition. White Mountains Re monitors the financial strength of its reinsurers on an ongoing basis. The following table provides a listing of

White Mountains Re's top reinsurers based upon recoverable amounts, the percentage of total recoverables and the reinsurer's A.M. Best Rating.

Top Reinsurers (dollars in millions)	Balance at September 30, 2004	% of Total	A.M. Best Rating(2)
Olympus Reinsurance Company ("Olympus")(1)	\$ 278.8	21%	A-
Imagine Re(1)	260.0	20	A-
London Life & General Reinsurance Company Ltd. and London Life & Casualty Reinsurance Corp.(1)	135.4	10	A
Subsidiaries of Berkshire (GRC and affiliates)	87.2	7	A++
St. Paul Travelers	79.6	6	A++

(1) Represents non-U.S. insurance entities whose balances are fully collateralized through funds held, letters of credit or trust agreements.

(2) A.M. Best ratings as detailed above are: "A++" (Superior, which is the highest of fifteen ratings), "A" (Excellent, which is the third highest of fifteen ratings) and "A-" (Excellent, which is the fourth highest of fifteen ratings).

Note 5. Investment Securities

White Mountains' portfolio of fixed maturity investments is comprised primarily of corporate debt securities, U.S. government agency and foreign government securities and mortgage-backed securities and are classified as available for sale. Nearly all of the fixed maturity securities currently held by White Mountains are publicly traded and greater than 98% of the market value of such securities are considered to be investment grade (meaning rated BBB or higher by Standard & Poor's).

White Mountains' net investment income is comprised primarily of interest income associated with the fixed maturity investments of its consolidated insurance and reinsurance operations, dividend income from its equity investments and interest income from its short-term investments. Net investment income for the three and nine months ended September 30, 2004 and 2003 consisted of the following:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Investment income:				
Fixed maturity investments	\$ 80.4	\$ 63.8	\$ 216.9	\$ 201.4
Short-term investments	3.6	.7	9.8	9.1
Common equity securities	.8	2.4	17.5	6.8
Other	1.0	.9	8.5	4.0
Total investment income	85.8	67.8	252.7	221.3
Less investment expenses	(2.4)	(.3)	(5.1)	(2.2)
Net investment income, pretax	\$ 83.4	\$ 67.5	\$ 247.6	\$ 219.1

The composition of realized investment gains (losses) for the three and nine months ended September 30, 2004 and 2003 consisted of the following:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Fixed maturity investments	\$ 7.0	\$ (31.3)	\$ 18.7	\$ 94.7
Common equity securities	22.3	3.4	48.5	25.2
Montpelier common shares	—	—	35.2	—
Other investments	24.3	(6.3)	7.4	(5.9)
Net realized investment gains (losses), pretax	\$ 53.6	\$ (34.2)	\$ 109.8	\$ 114.0

During the first quarter of 2004, White Mountains sold 4.5 million common shares of Montpelier to third parties for net proceeds of \$155.3 million, resulting in a pretax realized gain of \$35.2 million (see Note 2). Also during the first quarter of 2004, White Mountains purchased additional warrants to acquire 2,390,786 common shares of Montpelier from an existing warrant holder for \$54.1 million in cash, thereby raising the total number of such warrants owned by White Mountains to 7,172,358. The Montpelier warrants have an exercise price of \$16.67 per share (as adjusted for stock splits) and are exercisable until December 2011.

The following table summarizes White Mountains' investment in Montpelier as of September 30, 2004 and December 31, 2003:

Millions	As of September 30, 2004			As of December 31, 2003		
	Shares Value	Carrying	Fair Value	Shares	Carrying Value	Fair Value
Montpelier						
Common shares	6.3	\$ 224.6	\$ 224.6	10.8	\$ 282.7	\$ 396.3
Warrants to acquire common shares	7.2	147.8	147.8	4.8	90.5	90.5
Total	13.5	\$ 372.4	\$ 372.4	15.6	\$ 373.2	\$ 486.8

White Mountains accounts for its Montpelier and Symetra warrants (see Note 2) under FAS 133 as a component of other investments, recording the instruments at fair value with changes in fair value recognized through the income statement as a realized investment gain or loss.

White Mountains recorded investment gains of \$10.9 million and \$3.2 million for the three and nine months ended September 30, 2004 and investment gains (losses) of \$(6.4) million and \$5.1 million for the three and nine months ended September 30, 2003 related to its Montpelier warrants. White Mountains recorded an investment gain of \$.4 million for the three and nine months ended September 30, 2004 related to its Symetra warrants.

Impairment

Temporary losses on investment securities are recorded as unrealized losses. Temporary losses do not impact net income and earnings per common share but serve to reduce comprehensive net income, shareholders' equity and tangible book value. Unrealized losses subsequently identified as other-than-temporary impairments are recorded as realized losses. Other-than-temporary impairments previously recorded as unrealized losses do not impact comprehensive net income, shareholders' equity and tangible book value but serve to reduce net income and earnings per common share.

White Mountains' methodology of assessing other-than-temporary impairments is based on security-specific facts and circumstances as of the balance sheet date. As a result, subsequent adverse changes in an issuers' credit quality or subsequent weakening of market conditions that differ from expectations could result in additional other-than-temporary impairments. In addition, the sale of a fixed maturity security with a previously recorded unrealized loss would result in a realized loss. Either

of these situations would adversely impact net income and earnings per common share but would not impact comprehensive net income, shareholders' equity or tangible book value.

The following table presents an analysis of the continuous periods during which White Mountains has held investment positions which were carried at an unrealized loss as of September 30, 2004 (excluding short-term investments):

Dollars in millions	September 30, 2004			
	0-6 Months	6-12 Months	> 12 Months	Total
Fixed maturity investments:				
Number of positions	116	112	10	238
Market value	\$ 1,495.0	\$ 533.1	\$ 72.3	\$ 2,100.4
Amortized cost	\$ 1,502.8	\$ 537.3	\$ 74.0	\$ 2,114.1
Unrealized loss	\$ (7.8)	\$ (4.2)	\$ (1.7)	\$ (13.7)
Common equity securities:				
Number of positions	22	2	—	24
Market value	\$ 97.9	\$.4	\$ —	\$ 98.3
Cost	\$ 100.9	\$.5	\$ —	\$ 101.4
Unrealized loss	\$ (3.0)	\$ (.1)	\$ —	\$ (3.1)
Other investments:				
Number of positions	1	—	2	3
Market value	\$ —	\$ —	\$.7	\$.7
Cost	\$ 1.0	\$ —	\$.8	\$ 1.8
Unrealized loss	\$ (1.0)	\$ —	\$ (1.1)	\$ (1.1)
Total:				
Number of positions	139	114	12	265
Market value	\$ 1,592.9	\$ 533.5	\$ 73.0	\$ 2,199.4
Amortized cost	\$ 1,604.7	\$ 537.8	\$ 74.8	\$ 2,217.3
Unrealized loss	\$ (11.8)	\$ (4.3)	\$ (1.8)	\$ (17.9)
% of total gross unrealized losses	66%	24%	10%	100%

For the nine months ended September 30, 2004, White Mountains did not experience any material other-than-temporary impairment charges. White Mountains believes that the gross unrealized losses relating to its fixed maturity investments at September 30, 2004 resulted primarily from increases in market interest rates from the dates that certain investments within that portfolio were acquired as opposed to fundamental changes in the credit quality of the issuers of such securities. White Mountains views these decreases in value as being temporary because it has the intent and ability to retain such investments until recovery. However, should White Mountains determine that it no longer has the intent and ability to hold a fixed maturity investment that has an existing unrealized loss resulting from an increase in market interest rates until it recovers, this loss would be realized through the income statement at the time such determination is made. White Mountains also believes that the gross unrealized losses recorded on its common equity securities and its other investments at September 30, 2004 resulted primarily from decreases in quoted market values from the dates that certain investments securities within that portfolio were acquired as opposed to fundamental changes in the issuer's financial performance and near-term financial prospects. Therefore, these decreases are also viewed as being temporary. However, due to the inherent risk involved in investing in the equity markets, it is possible that the decrease in market value of these investments may ultimately prove to be other than temporary. As of September 30, 2004, White Mountains' investment portfolio did not include any investment securities with an after-tax unrealized loss of more than \$3.0 million.

Note 6. Debt

White Mountains' debt outstanding as of September 30, 2004 and December 31, 2003 consisted of the following:

Millions	September 30, 2004	December 31, 2003
Senior Notes, face value	\$ 700.0	\$ 700.0
Unamortized original issue discount	(1.7)	(1.9)
Senior Notes, carrying value	698.3	698.1
Bank Facility	—	—
Sierra Note	60.3	—
Atlantic Specialty Note	20.0	—
C-F Seller Note	—	25.0
Fund III notes	15.0	15.0
Other debt	—	4.9
Total debt	\$ 793.6	\$ 743.0

Senior Notes

On May 19, 2003, Fund American, a wholly-owned subsidiary of the Company, issued \$700.0 million face value of senior unsecured debt through a public offering, at an issue price of 99.7% (the "Senior Notes"). The Senior Notes bear an annual interest rate of 5.9%, payable semi-annually in arrears on May 15 and November 15, until maturity on May 15, 2013, and are fully and unconditionally guaranteed as to the payment of principal and interest by the Company. Fund American incurred \$7.3 million in expenses related to the issuance of the Senior Notes (including the \$4.5 million underwriting discount), which have been deferred and are being recognized into interest expense over the life of the Senior Notes. Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the Senior Notes have an effective yield to maturity of approximately 6.0% per annum.

Bank Facility

In September 2003, Fund American established a \$300.0 million revolving credit facility (the "Bank Facility") under which both Fund American and the Company are permitted borrowers. In August 2004, Fund American restructured and resyndicated the Bank Facility to increase the availability under the revolving credit facility to \$400.0 million and to extend the maturity from September 2006 to August 2009. Under the Bank Facility, the Company guarantees all obligations of Fund American, and Fund American guarantees all borrowings of the Company subject to certain limitations imposed by the terms of the Company's preferred stock held by Berkshire. As of September 30, 2004, the Bank Facility was undrawn.

New Debt

In connection with its acquisition of the Sierra Group on March 31, 2004, Folksamerica entered into a \$62.0 million purchase note (the "Sierra Note"), \$58.0 million of which will be adjusted over its six-year term to reflect favorable or adverse loss reserve development on the acquired reserve portfolio and runoff of remaining policies in force (mainly workers compensation business) as well as certain other balance sheet protections. Interest will accrue on the unpaid balance of the Sierra Note at a rate of 4.0% per annum, compounded quarterly, and will be payable at its maturity.

In connection with its acquisition of Atlantic Specialty on March 31, 2004, OneBeacon issued a \$20.0 million note to the seller (the "Atlantic Specialty Note"). The note accrues interest at a rate of 5.2% except that the outstanding principal amount in excess of \$15.0 million accrues interest at a rate

of 3.6%. OneBeacon is required to repay \$2.0 million of principal on the notes per year, commencing with the first payment due on January 1, 2007.

C-F Seller Note

In connection with its acquisition of C-F Insurance Company in September 2001, Folksamerica issued a \$25.0 million note to the seller (the "C-F Seller Note".) On August 27, 2004, Folksamerica paid off the remaining balance of this note.

Note 7. Earnings Per Share

Basic earnings per share amounts are based on the weighted average number of Common Shares outstanding. Diluted earnings per share amounts are based on the weighted average number of Common Shares and the net effect of potentially dilutive Common Shares outstanding, based on the treasury stock method. The following table details the Company's computation of earnings per Common Share for the three and nine months ended September 30, 2004 and 2003:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Basic earnings per share numerators (in millions):				
Net income before extraordinary item	\$ (50.8)	\$ 35.6	\$ 93.2	\$ 222.1
Redemption value adjustment—Convertible Preference Shares	—	—	—	(49.5)
Net income before extraordinary item available to common shareholders	\$ (50.8)	\$ 35.6	\$ 93.2	\$ 172.6
Extraordinary item—excess of fair value of acquired net assets over cost	40.7	—	160.7	—
Net income available to common shareholders	\$ (10.1)	\$ 35.6	\$ 253.9	\$ 172.6
Diluted earnings per share numerators (in millions):				
Net income before extraordinary item available to common shareholders	\$ (50.8)	\$ 35.6	\$ 93.2	\$ 172.6
Other effects on diluted earnings(1)	—	(.7)	(.8)	(1.9)
Adjusted net income before extraordinary item available to common shareholders	\$ (50.8)	\$ 34.9	\$ 92.4	\$ 170.7
Extraordinary item—excess of fair value of acquired net assets over cost	40.7	—	160.7	—
Adjusted net income available to common shareholders	\$ (10.1)	\$ 34.9	\$ 253.1	\$ 170.7
Earnings per share denominators (in thousands):				
Basic earnings per share denominator (average Common Shares outstanding)	10,754	8,996	9,616	8,634
Average outstanding dilutive warrants	—	962	742	907
Diluted earnings per share denominator(2)	10,754	9,958	10,358	9,541
Basic earnings per share (in dollars):				
Net income (loss) before extraordinary item	\$ (4.72)	\$ 3.96	\$ 9.70	\$ 19.99
Extraordinary item—excess of fair value of acquired net assets over cost	3.78	—	16.71	—
Net income (loss)	\$ (.94)	\$ 3.96	\$ 26.41	\$ 19.99
Diluted earnings per share (in dollars):				
Net income (loss) before extraordinary item	\$ (4.72)	\$ 3.50	\$ 8.93	\$ 17.89
Extraordinary item—excess of fair value of acquired net assets over cost	3.78	—	15.51	—
Net income (loss)	\$ (.94)	\$ 3.50	\$ 24.44	\$ 17.89

- (1) The diluted earnings per share numerators for certain periods presented include an adjustment to White Mountains' equity in earnings related to its investment in the common shares of Montpelier, which is reflective of dilution in Montpelier's earnings brought about by outstanding warrants and options to acquire common shares of Montpelier that are in-the-money. As of March 31, 2004, White Mountains changed its method of accounting for this investment from equity accounting to fair value, therefore, this equity adjustment is not applicable to periods beginning after March 31, 2004. The diluted earnings per share numerators also include, when applicable, an add-back of the income or expense relating to options to acquire

Common Shares and restricted Common Shares when the inclusion of such items in the earnings per share denominator is dilutive (see note 2 below).

- (2) The diluted earnings per share denominators for the nine months ended September 30, 2004 and for the three and nine months ended September 30, 2003 include the dilutive effects of average outstanding warrants to acquire 1,724,200 Common Shares at an average strike price of \$173.99 per Common Share. The warrants were fully exercised on June 29, 2004. The diluted earnings per share denominators for all periods presented exclude the anti-dilutive effects of unearned restricted Common Shares outstanding which are being fully expensed over the vesting period.

Note 8. Segment Information

White Mountains has determined that its reportable segments are "OneBeacon", "White Mountains Re" (consisting of the operations of Folksamerica, Sirius and WMU), "Esurance" and "Other Operations" (consisting of White Mountains' investments in Montpelier and Symetra warrants, the International American Group, the Company and its intermediate subsidiary holding companies).

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 Board of Directors. Significant intercompany transactions among White Mountains' segments have been eliminated herein. Certain amounts in the prior periods have been reclassified to conform with the current presentation. Financial information for White Mountains' segments follows:

Millions	OneBeacon	WMRe	Esurance	Other Operations	Total
Three months ended September 30, 2004					
Earned insurance and reinsurance premiums	\$ 600.1	\$ 345.9	\$ 46.4	\$ (.1)	\$ 992.3
Net investment income	52.3	18.6	.9	11.6	83.4
Net realized investment gains (losses)	36.1	(3.4)	.2	20.7	53.6
Other revenue (loss)	29.1	(10.4)	.8	14.8	34.3
Total revenues	717.6	350.7	48.3	47.0	1,163.6
Loss and LAE	441.9	305.3	31.6	9.0	787.8
Insurance and reinsurance acquisition expenses	111.7	83.5	8.4	—	203.6
Other underwriting expenses	97.7	32.2	7.1	.5	137.5
General and administrative expenses	31.5	5.1	.3	41.5	78.4
Accretion of fair value adjustment to loss and LAE reserves	—	3.7	—	6.5	10.2
Interest expense on debt	.3	1.0	—	10.9	12.2
Interest expense on preferred stock subject to mandatory redemption	—	—	—	12.0	12.0
Total expenses	683.1	430.8	47.4	80.4	1,241.7
Pretax income (loss)	\$ 34.5	\$ (80.1)	\$.9	\$ (33.4)	\$ (78.1)

Millions	OneBeacon	WMRe	Esurance	Other Operations	Total
Nine months ended September 30, 2004					
Earned insurance and reinsurance premiums	\$ 1,794.5	\$ 903.4	\$ 123.5	\$ —	\$ 2,821.4
Net investment income	161.7	60.2	2.2	23.5	247.6
Net realized investment gains (losses)	107.0	9.0	.6	(6.8)	109.8
Other revenue	93.0	23.0	1.3	8.8	126.1
Total revenues	2,156.2	995.6	127.6	25.5	3,304.9
Loss and LAE	1,180.2	655.3	89.0	10.0	1,934.5
Insurance and reinsurance acquisition expenses	328.1	197.2	19.0	—	544.3
Other underwriting expenses	284.0	83.1	19.2	1.3	387.6
General and administrative expenses	90.8	11.6	.3	99.7	202.4
Accretion of fair value adjustment to loss and LAE reserves	—	6.4	—	26.7	33.1
Interest expense on debt	.7	2.7	—	32.2	35.6
Interest expense on preferred stock subject to mandatory redemption	—	—	—	35.3	35.3
Total expenses	1,883.8	956.3	127.5	205.2	3,172.8
Pretax income (loss)	\$ 272.4	\$ 39.3	\$.1	\$ (179.7)	\$ 132.1

Millions	OneBeacon	WMRe	Esurance	Other Operations	Total
Three months ended September 30, 2003					
Earned insurance and reinsurance premiums	\$ 536.5	\$ 216.5	\$ 26.9	\$ 8.3	\$ 788.2
Net investment income	46.5	11.3	.5	9.2	67.5
Net realized investment losses	(17.1)	(8.9)	(.5)	(7.7)	(34.2)
Other revenue	32.5	19.3	.1	38.2	90.1
Total revenues	598.4	238.2	27.0	48.0	911.6
Loss and LAE	423.5	147.9	22.1	7.0	600.5
Insurance and reinsurance acquisition expenses	98.9	48.7	5.2	1.1	153.9
Other underwriting expenses	42.8	14.6	5.1	2.7	65.2
General and administrative expenses	8.1	5.6	—	9.8	23.5
Accretion of fair value adjustment to loss and LAE reserves	—	—	—	10.1	10.1
Interest expense on debt	—	.5	—	10.5	11.0
Interest expense on preferred stock subject to mandatory redemption	—	—	—	11.0	11.0
Total expenses	573.3	217.3	32.4	52.2	875.2
Pretax income (loss)	\$ 25.1	\$ 20.9	\$ (5.4)	\$ (4.2)	\$ 36.4

Millions	OneBeacon	WMRe	Esurance	Other Operations	Total
Nine months ended September 30, 2003					
Earned insurance and reinsurance premiums	\$ 1,643.4	\$ 611.3	\$ 68.3	\$ 23.4	\$ 2,346.4
Net investment income	166.5	37.0	1.1	14.5	219.1
Net realized investment gains (losses)	112.2	4.9	—	(3.1)	114.0
Other revenue	64.7	56.7	.2	41.4	163.0
Total revenues	1,986.8	709.9	69.6	76.2	2,842.5
Loss and LAE	1,157.2	401.9	56.9	18.5	1,634.5
Insurance and reinsurance acquisition expenses	301.8	142.8	13.2	2.9	460.7
Other underwriting expenses	186.8	41.1	14.9	7.9	250.7
General and administrative expenses	41.1	11.1	—	51.3	103.5
Accretion of fair value adjustment to loss and LAE reserves	—	—	—	38.5	38.5
Interest expense on debt	—	1.5	—	35.6	37.1
Interest expense on preferred stock subject to mandatory redemption	—	—	—	11.0	11.0
Total expenses	1,686.9	598.4	85.0	165.7	2,536.0
Pretax income (loss)	\$ 299.9	\$ 111.5	\$ (15.4)	\$ (89.5)	\$ 306.5

Note 9. Share-Based Compensation

White Mountains' share-based compensation plans, consisting primarily of performance shares with limited use of restricted Common Share awards ("Restricted Shares") and a one-time grant of incentive stock options to acquire Common Shares ("Options"), are designed to maximize shareholder value over long periods of time by aligning the financial interests of its management with those of its owners. Performance shares are payable upon achievement of pre-defined business goals and are valued based on the market value of Common Shares at the time awards are earned. Performance shares are typically paid in cash, though they may be paid in Common Shares at the election of the Board of Directors.

White Mountains expenses all its share-based compensation, including its outstanding Options, and accounts for these obligations under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations, including FASB Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Options or Award Plans" ("FIN 28"). White Mountains recorded compensation charges of \$42.7 million and \$125.6 million for outstanding performance shares during the three and nine months ended September 30, 2004, respectively and \$30.3 million and \$106.6 million for outstanding performance shares during the three and nine months ended September 30, 2003, respectively. Compensation expense charged to earnings for Restricted Shares was \$.6 million and \$1.4 million for the three and nine months ended September 30, 2004, respectively and \$.2 million and \$5.6 million for the three and nine months ended September 30, 2003, respectively.

In 2000, the Company issued a one-time award of 81,000 Options to eleven key employees. The Options were issued at an exercise price equal to the market value of the underlying Common Shares on February 27, 2000 (the grant date). The exercise price escalates on a straight-line basis by 6% per annum over the ten-year life of the Options. As a result, the Company accounts for the outstanding Options as variable options under FIN 28, with compensation expense charged to earnings over the service period based on the intrinsic value of the underlying Common Shares. Compensation expense charged against earnings for Options was \$1.0 million and \$3.5 million for the three and nine months ended September 30, 2004, respectively and \$.4 million and \$4.1 million for the three and nine months ended September 30, 2003, respectively. At September 30, 2004, the Company had 49,965 Options outstanding (6,765 of which were exercisable) with a weighted average exercise price of \$138.78 per Common Share. During the nine months ended September 30, 2004, 600 Options were exercised at an average exercise price of \$133.16 per Common Share.

White Mountains has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") with respect to its outstanding Options and Restricted Shares. The following table illustrates the pro forma effect on net income and earnings per share for each period indicated as if the Company applied the fair value recognition provisions of SFAS 123 to its employee Option incentive compensation program. The effects of Restricted Share and performance

share expense are not included below because the accounting treatment that the Company follows under APB 25 is identical to the fair value accounting prescribed by SFAS 123 for these instruments.

Millions, except per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income (loss) as reported	\$ (10.1)	\$ 35.6	\$ 253.9	\$ 222.1
Add: Option expense included in reported net income	1.0	.4	3.5	4.1
Deduct: Option expense determined under fair value based method	—	—	(.1)	(.1)
Net income(loss), pro forma	\$ (9.1)	\$ 36.0	\$ 257.3	\$ 226.1
Earnings per share:				
Basic—as reported	\$ (.94)	\$ 3.96	\$ 26.41	\$ 19.99
Basic—pro forma	(.85)	4.00	26.76	20.46
Diluted—as reported	(.94)	3.50	24.44	17.89
Diluted—pro forma	(.85)	3.54	24.77	18.31

Note 10. Common Shares, Mandatorily Redeemable Preferred Stock and Convertible Preference Shares

Common Shares issued

On June 29, 2004, Berkshire exercised all of its warrants to purchase 1,724,200 Common Shares of White Mountains for \$294 million. As a result, Berkshire now holds approximately 16.0% of White Mountains' outstanding common stock. Berkshire bought the warrants in connection with the financing of White Mountains' acquisition of OneBeacon in 2001. The warrants were exercisable at any time until May 2008 and callable by the Company on or after May 31, 2005. Berkshire and the Company agreed to reduce the exercise price by approximately 2%.

In addition to the Berkshire warrant exercise, during the first nine months of 2004, the Company issued a total of 38,372 Common Shares, which consisted of 27,772 shares issued to the OneBeacon employee stock ownership plan, 10,000 Restricted Shares issued to key management personnel, and 600 shares issued in satisfaction of Options exercised.

Mandatorily Redeemable Preferred Stock

In July 2003, White Mountains adopted the provisions of SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150") and it subsequently adopted FASB Staff Position No. 150-3 ("FSP 150-3") in November 2003. SFAS 150, among other things, required an issuer of mandatorily redeemable financial instruments to classify such instruments as a liability and to initially measure the liability at its fair value. In addition, all future dividends paid to holders of those instruments, as well as any accretion related to those instruments, are to be reflected as interest cost. FSP 150-3 was released by the FASB in November 2003 and it indefinitely deferred the fair value measurement provisions of SFAS 150 for certain mandatorily redeemable noncontrolling interests. However, the presentation provisions of SFAS 150 are still applicable to those instruments.

White Mountains has two classes of mandatorily redeemable preferred stock of subsidiaries, which were previously classified as minority interests, that fall within the scope of SFAS 150 and are considered noncontrolling interests under FSP 150-3. Upon adoption of SFAS 150 in 2003, White Mountains reclassified these instruments from mezzanine equity to liabilities at their historical carrying values. White Mountains recorded \$12.0 million and \$35.3 million, respectively, as interest expense on preferred stock during the three and nine months ended September 30, 2004 (of which \$4.5 million and \$12.6 million, respectively, represented accretion of discount) and \$11.0 million during both the three and nine months ended September 30, 2003 (of which \$3.4 million represented accretion of discount). Prior to the adoption of FAS 150, White Mountains also recognized \$15.1 million of dividends and \$6.4 million of accretion on preferred stock during the nine months ended September 30, 2003.

Convertible Preference Shares

In October of 2002, White Mountains sold \$200.0 million of its equity securities in a private transaction. Investment funds managed by Franklin Mutual Advisers, LLC purchased 677,966 convertible preference shares of the Company at a price of \$200.0 million (\$295.00 per share). Upon shareholder approval at the Company's Annual Meeting held on May 19, 2003, the convertible preference shares were repurchased and cancelled in consideration of 677,966 Common Shares. Because the redemption value of the convertible preference shares was in excess of the cash received upon their issuance, they were required to be marked-to-market until the date they were converted to shareholders' equity, resulting in a cumulative \$68.5 million charge to retained earnings (\$49.5 million of which was recognized during the nine months ended September 30, 2003), with an offsetting increase to paid-in surplus.

Note 11. Variable Interest Entities

New Jersey Skylands

As part of a restructuring of its New Jersey personal lines, OneBeacon formed New Jersey Skylands Management LLC and the New Jersey Insurance Department approved the formation of New Jersey Skylands Insurance Association and its wholly owned subsidiary New Jersey Skylands Insurance Company (together, the "Association") during the third quarter of 2002. New Jersey Skylands Insurance Association (the "NJ Skylands Reciprocal"), is a not-for-profit, policyholder-owned reciprocal insurance carrier. A reciprocal is an unincorporated association with each insured sharing risk with the others in the association. Thus, each participant in this pool is both an insurer and an insured. Policyholders share profits and losses in the same proportion as the amount of insurance purchased by that member. However, policyholders in the reciprocal are not subject to assessment for losses of the reciprocal.

An attorney-in-fact administers the reciprocal. Such administration entails paying losses, investing premium inflow, recruiting new members, underwriting new and renewal business, receiving premiums and exchanging reinsurance contracts. New Jersey Skylands Management LLC is the attorney-in-fact for all the business affairs of the NJ Skylands Reciprocal. Accordingly, New Jersey Skylands Insurance Company, the stock insurance company, has a management agreement with New Jersey Skylands Management LLC to manage its business affairs.

The NJ Skylands Reciprocal was capitalized by OneBeacon with a \$31.25 million surplus note. Principal and interest on the surplus note are repayable only with regulatory approval. As defined in the surplus note agreement, the NJ Skylands Reciprocal's obligation to pay principal under the surplus note agreement is subordinated to all liabilities and obligations to policyholders, to claimants for benefits under contracts of insurance it issued, to all other classes of creditors other than surplus note holders, and to the State of New Jersey and any governmental or quasi-governmental entity. The Association began writing personal automobile coverage for new customers in August 2002.

OneBeacon has no ownership interest in the Association. As a result of its adoption of FIN 46, White Mountains' future economic income derived from the New Jersey automobile insurance market will differ from the operating results that it will record on a consolidated GAAP basis. On an economic basis, OneBeacon will realize income from management and service fees charged by New Jersey Skylands Management Corporation to the Association and interest on the surplus note. On a consolidated GAAP basis, White Mountains will recognize profits from the insurance operations of the Association until such time that the Association's equity is greater than zero or until the accumulated losses in the Association exceed OneBeacon's initial surplus note investment.

White Mountains has determined that the Association qualifies as a VIE under the provisions of FIN 46. Upon adoption of FIN 46 on March 31, 2004, White Mountains consolidated the Association, which had total assets and total liabilities with a carrying value of \$138.5 million and \$111.6 million, respectively. The resulting \$26.9 million difference between the carrying values of the total assets and liabilities of the Association was equal to the March 31, 2004 carrying value of the surplus note investment at OneBeacon. Therefore, the adoption of FIN 46 did not have an effect on the Company's financial condition. The Company's economic exposure to the New Jersey auto market remains limited to the surplus notes invested in the reciprocal.

Note 12. Consolidating Financial Information

The Company has fully and unconditionally guaranteed Fund American's May 2003 issuance of the Senior Notes (see Note 6) and may fully and unconditionally guarantee any debt securities or trust preferred securities issued by Fund American's subsidiaries pursuant to its July 2003 shelf registration statement. The following tables present White Mountains' consolidating balance sheets as of September 30, 2004 and December 31, 2003, statements of income for the three and nine months ended September 30, 2004 and 2003 and cash flows for the nine months ended September 30, 2004 and 2003. These financial statements reflect the Company's financial position, results of operations and cash flows on a stand-alone basis, that of Fund American and of the Company's other entities, as well as the necessary adjustments to eliminate intercompany balances and transactions.

Consolidating Balance Sheet as of September 30, 2004	The Company	Other Entities	Fund American	Eliminations	Total
(Dollars in Millions)					
ASSETS					
Fixed maturity investments, at fair value	\$ —	\$ 1,171.9	\$ 6,390.2	\$ —	\$ 7,562.1
Short-term investments, at amortized cost	508.3	505.8	825.1	—	1,839.2
Common equity securities, at fair value	—	156.3	832.8	—	989.1
Other investments	—	259.6	178.6	—	438.2
Total investments	508.3	2,093.6	8,226.7	—	10,828.6
Cash	.1	11.2	133.2	—	144.5
Reinsurance recoverable on paid and unpaid losses	—	162.6	3,825.0	—	3,987.6
Insurance and reinsurance premiums receivable	—	139.8	927.2	—	1,067.0
Funds held by ceding companies	—	712.7	219.1	—	931.8
Deferred acquisition costs	—	31.8	311.1	—	342.9
Deferred tax asset	—	9.7	309.0	(66.6)	252.1
Ceded unearned premiums	—	42.3	216.6	—	258.9
Investment in unconsolidated insurance affiliates	35.8	252.8	154.4	—	443.0
Investment income accrued	—	16.7	73.1	—	89.8
Accounts receivable on unsettled investment sales	—	—	91.1	—	91.1
Investments in subsidiaries	3,404.7	—	—	(3,404.7)	—
Other assets	2.9	53.7	453.3	—	509.9
Total assets	\$ 3,951.8	\$ 3,526.9	\$ 14,939.8	\$ (3,471.3)	\$ 18,947.2
LIABILITIES AND COMMON SHAREHOLDERS' EQUITY					
Loss and LAE reserves	\$ —	\$ 1,401.8	\$ 8,132.1	\$ —	\$ 9,533.9
Unearned insurance and reinsurance premiums	—	250.4	1,675.6	—	1,926.0
Debt	—	—	793.6	—	793.6
Reserves for structured contracts	—	400.1	—	—	400.1
Deferred tax liability	—	361.2	—	(66.6)	294.6
Funds held under reinsurance treaties	—	17.0	143.0	—	160.0
Ceded reinsurance payable	—	28.7	102.8	—	131.5
Accounts payable on unsettled investment purchases	244.7	75.0	189.5	—	509.2
Other liabilities	71.2	384.2	899.9	—	1,355.3
Preferred stock subject to mandatory redemption	—	20.0	187.1	—	207.1
Total liabilities	315.9	2,938.4	12,123.6	(66.6)	15,311.3
Common shareholders' equity	3,635.9	588.5	2,816.2	(3,404.7)	3,635.9
Total liabilities and common shareholders' equity	\$ 3,951.8	\$ 3,526.9	\$ 14,939.8	\$ (3,471.3)	\$ 18,947.2

(Dollars in Millions)

ASSETS

Fixed maturity investments, at fair value	\$	—	\$	71.0	\$	6,177.1	\$	—	\$	6,248.1
Short-term investments, at amortized cost		11.1		682.2		854.6		(1.3)		1,546.6
Common equity securities, at fair value		—		—		513.6		—		513.6
Other investments		—		89.9		149.3		—		239.2
Total investments		11.1		843.1		7,694.6		(1.3)		8,547.5
Cash		.3		27.1		62.5		—		89.9
Reinsurance recoverable on paid and unpaid losses		—		8.8		3,586.7		—		3,595.5
Insurance and reinsurance premiums receivable		—		44.6		744.4		(10.0)		779.0
Funds held by ceding companies		—		5.9		138.2		—		144.1
Deferred acquisition costs		—		3.6		230.0		—		233.6
Deferred tax asset		—		(8.2)		361.6		(93.4)		260.0
Ceded unearned premiums		—		.9		184.4		—		185.3
Investment in unconsolidated insurance affiliates		—		90.5		425.4		—		515.9
Investment income accrued		—		—		73.0		—		73.0
Accounts receivable on unsettled investment sales		—		—		9.1		—		9.1
Investments in subsidiaries		3,021.0		—		—		(3,021.0)		—
Other assets		5.0		80.9		477.9		(25.7)		538.1
Total assets	\$	3,037.4	\$	1,097.2	\$	13,987.8	\$	(3,151.4)	\$	14,971.0

LIABILITIES AND COMMON SHAREHOLDERS' EQUITY

Loss and LAE reserves	\$	—	\$	75.9	\$	7,652.3	\$	—	\$	7,728.2
Unearned insurance and reinsurance premiums		—		23.3		1,386.1		—		1,409.4
Debt		—		12.9		730.1		—		743.0
Funds held under reinsurance treaties		—		—		211.9		—		211.9
Ceded reinsurance payable		—		—		127.7		—		127.7
Accounts payable on unsettled investment purchases		—		302.0		69.6		—		371.6
Other liabilities		58.2		318.8		958.9		(130.4)		1,205.5
Preferred stock subject to mandatory redemption		—		20.0		174.5		—		194.5
Total liabilities		58.2		752.9		11,311.1		(130.4)		11,991.8
Common shareholders' equity	\$	2,979.2	\$	344.3	\$	2,676.7	\$	(3,021.0)	\$	2,979.2
Total liabilities common shareholders' equity	\$	3,037.4	\$	1,097.2	\$	13,987.8	\$	(3,151.4)	\$	14,971.0

Consolidating Statement of Income
Three Months Ended September 30, 2004

	The Company	Other Entities	Fund American	Eliminations	Total
(Dollars in Millions)					
Earned insurance and reinsurance premiums	\$ —	\$ 123.8	\$ 868.5	\$ —	\$ 992.3
Net investment income	.6	10.2	72.6	—	83.4
Net realized investment gains	.3	13.3	40.0	—	53.6
Other revenue (loss)	—	(9.1)	45.8	(2.4)	34.3
Total revenues	.9	138.2	1,026.9	(2.4)	1,163.6
Loss and LAE	—	63.6	724.2	—	787.8
Insurance and reinsurance acquisition expenses	—	42.4	163.6	(2.4)	203.6
Other underwriting expenses	—	17.6	119.9	—	137.5
General and administrative expenses	11.5	30.2	36.7	—	78.4
Accretion of fair value adjustment to loss and LAE reserves	—	3.7	6.5	—	10.2
Interest expense	.2	—	12.0	—	12.2
Interest expense on preferred shares	—	.5	11.5	—	12.0
Total expenses	11.7	158.0	1,074.4	(2.4)	1,241.7
Pretax loss	(10.8)	(19.8)	(47.5)	—	(78.1)
Tax benefit (provision)	—	41.8	(18.2)	—	23.6
Equity in earnings of subsidiaries	(40.0)	—	—	40.0	—
Equity in earnings (loss) of unconsolidated insurance affiliates	—	4.4	(.7)	—	3.7
Excess of fair value of acquired net assets over cost	40.7	—	—	—	40.7
Net income (loss)	\$ (10.1)	\$ 26.4	\$ (66.4)	\$ 40.0	\$ (10.1)

Consolidating Statement of Income
Three Months Ended September 30, 2003

	The Company	Other Entities	Fund American	Eliminations	Total
(Dollars in Millions)					
Earned insurance and reinsurance premiums	\$ —	\$ 15.6	\$ 772.6	\$ —	\$ 788.2
Net investment income	—	1.0	66.5	—	67.5
Net realized investment losses	—	(7.7)	(26.5)	—	(34.2)
Other revenue (loss)	(.7)	21.1	73.1	(3.4)	90.1
Total revenues	(.7)	30.0	885.7	(3.4)	911.6
Loss and LAE	—	9.8	590.7	—	600.5
Insurance and reinsurance acquisition expenses	—	4.3	153.1	(3.5)	153.9
Other underwriting expenses	—	1.5	63.7	—	65.2
General and administrative expenses	7.8	.8	14.9	—	23.5
Accretion of fair value adjustment to loss and LAE reserves	—	—	10.1	—	10.1
Interest expense on debt	—	.1	10.9	—	11.0
Interest expense on preferred shares	—	.5	10.5	—	11.0
Total expenses	7.8	17.0	853.9	(3.5)	875.2
Pretax income (loss)	(8.5)	13.0	31.8	.1	36.4
Tax provision	—	(1.7)	(12.7)	—	(14.4)
Equity in earnings of subsidiaries	44.1	—	—	(44.1)	—
Equity in earnings of unconsolidated insurance affiliates	—	—	13.6	—	13.6
Net income	\$ 35.6	\$ 11.3	\$ 32.7	\$ (44.0)	\$ 35.6

Consolidating Statement of Income
Nine Months Ended September 30, 2004

	The Company	Other Entities	Fund American	Eliminations	Total
(Dollars in Millions)					
Earned insurance and reinsurance premiums	\$ —	\$ 308.0	\$ 2,513.4	\$ —	\$ 2,821.4
Net investment income	.6	29.5	217.5	—	247.6
Net realized investment gains (losses)	.3	(6.3)	115.8	—	109.8
Other revenue	—	18.2	116.7	(8.8)	126.1
Total revenues	.9	349.4	2,963.4	(8.8)	3,304.9
Loss and LAE	—	174.9	1,759.6	—	1,934.5
Insurance and reinsurance acquisition expenses	—	85.4	467.7	(8.8)	544.3
Other underwriting expenses	—	35.3	352.3	—	387.6
General and administrative expenses	34.4	37.6	130.4	—	202.4
Accretion of fair value adjustment to loss and LAE reserves	—	6.4	26.7	—	33.1
Interest expense	.3	.1	35.2	—	35.6
Interest expense on preferred shares	—	1.5	33.8	—	35.3
Total expenses	34.7	341.2	2,805.7	(8.8)	3,172.8
Pretax income (loss)	(33.8)	8.2	157.7	—	132.1
Tax benefit (provision)	(.1)	38.2	(103.8)	—	(65.7)
Equity in earnings of subsidiaries	247.1	—	—	(247.1)	—
Equity in earnings of unconsolidated insurance affiliates	—	4.4	22.4	—	26.8
Excess of fair value of acquired net assets over cost	40.7	110.9	9.1	—	160.7
Net income	\$ 253.9	\$ 161.7	\$ 85.4	\$ (247.1)	\$ 253.9

Consolidating Statement of Income
Nine Months Ended September 30, 2003

	The Company	Other Entities	Fund American	Eliminations	Total
(Dollars in Millions)					
Earned insurance and reinsurance premiums	\$ —	\$ 50.1	\$ 2,296.3	\$ —	\$ 2,346.4
Net investment income	.2	2.9	216.0	—	219.1
Net realized investment gains (losses)	(1.1)	4.7	110.4	—	114.0
Other revenue (loss)	(.7)	58.3	116.1	(10.7)	163.0
Total revenues	(1.6)	116.0	2,738.8	(10.7)	2,842.5
Loss and LAE	—	35.2	1,599.3	—	1,634.5
Insurance and reinsurance acquisition expenses	—	11.4	460.0	(10.7)	460.7
Other underwriting expenses	—	4.0	246.7	—	250.7
General and administrative expenses	39.5	5.8	58.2	—	103.5
Accretion of fair value adjustment to loss and LAE reserves	—	—	38.5	—	38.5
Interest expense	.1	.2	36.8	—	37.1
Interest expense on preferred shares	—	.5	10.5	—	11.0
Total expenses	39.6	57.1	2,450.0	(10.7)	2,536.0
Pretax income (loss)	(41.2)	58.9	288.8	—	306.5
Tax provision	—	(2.1)	(103.1)	—	(105.2)
Accretion and dividends on preferred stock of subsidiaries	—	(1.0)	(20.5)	—	(21.5)
Equity in earnings of subsidiaries	263.3	—	—	(263.3)	—
Equity in earnings of unconsolidated insurance affiliates	—	—	42.3	—	42.3
Net income	\$ 222.1	\$ 55.8	\$ 207.5	\$ (263.3)	\$ 222.1

Consolidating Statement of Cash Flows
 Nine Months Ended September 30, 2004

	The Company	Other Entities	Fund American	Total
(Dollars in Millions)				
Cash flows from operations:				
Net income (loss), excluding equity in earnings of subsidiaries	\$ 6.8	\$ 161.7	\$ 85.4	\$ 253.9
Charges (credits) to reconcile net income to cash flows from operations:				
Excess of fair value of acquired net assets over cost	(40.7)	(110.9)	(9.1)	(160.7)
Deferred tax provision	—	(123.8)	95.7	(28.1)
Net realized investment (gains) losses	(.4)	6.4	(115.8)	(109.8)
Other operating items:				
Net change in reinsurance recoverables on paid and unpaid losses	—	132.4	70.7	203.1
Net change in loss and loss adjustment expense reserves	—	(314.4)	(192.0)	(506.4)
Net change in insurance and reinsurance premiums receivable	—	25.9	(118.8)	(92.9)
Net change in unearned insurance and reinsurance premiums	—	13.6	155.9	169.5
Net change in deferred acquisition costs	—	(3.9)	(64.4)	(68.3)
Net change in funds held under reinsurance treaties	—	1.5	(81.6)	(80.1)
Net change in other assets and liabilities	(17.1)	172.2	(242.7)	(87.6)
Net cash flows used for operations	(51.4)	(39.3)	(416.7)	(507.4)
Cash flows from investing activities:				
Net (increase) decrease in short-term investments	(497.0)	362.0	126.7	(8.3)
Sales of fixed maturity investments	—	237.4	4,461.9	4,699.3
Sales of common equity securities and other investments	—	355.6	240.9	596.5
Maturities of fixed maturity investments	—	450.7	808.7	1,259.4
Sale of Montpelier common shares	—	—	155.3	155.3
Sale of consolidated affiliate, net of cash sold	—	—	22.1	22.1
Purchases of fixed maturity investments	—	(444.9)	(4,946.8)	(5,391.7)
Purchases of consolidated affiliates, net of cash acquired	—	(358.8)	(99.7)	(458.5)
Purchases of common equity securities and other investments	—	(218.7)	(204.7)	(423.4)
Investment in unconsolidated insurance affiliate	5.3	(200.0)	—	(194.7)
Net change in unsettled investment purchases and sales	244.7	(227.0)	52.3	70.0
Net acquisitions of property and equipment	—	(.7)	(13.8)	(14.5)
Net cash flows provided from (used for) investing activities	(247.0)	(44.4)	602.9	311.5
Cash flows from financing activities:				
Repayments of debt	—	—	(25.0)	(25.0)
Intercompany dividends and transfers	—	69.3	(69.3)	—
Cash dividends paid to common shareholders	(9.1)	—	—	(9.1)
Cash dividends paid to preferred shareholders	—	(1.5)	(21.2)	(22.7)
Proceeds from issuance of Common Shares	13.3	—	—	13.3
Proceeds from exercise of warrants to acquire Common Shares	294.0	—	—	294.0
Net cash provided from (used for) financing activities	298.2	67.8	(115.5)	250.5
Net increase (decrease) in cash during period	(.2)	(15.9)	70.7	54.6
Cash balances at beginning of period	.3	27.1	62.5	89.9
Cash balances at end of period	\$.1	\$ 11.2	\$ 133.2	\$ 144.5

Consolidating Statement of Cash Flows
 Nine Months Ended September 30, 2003

	The Company	Other Entities	Fund American	Total
(Dollars in Millions)				
Cash flows from operations:				
Net income (loss), excluding equity in earnings of subsidiaries	\$ (41.2)	\$ 55.8	\$ 207.5	\$ 222.1
Charges (credits) to reconcile net income to cash flows from operations:				
Deferred tax provision (benefit)	—	(14.3)	79.1	64.8
Net realized losses (gains)	1.1	(4.7)	(110.4)	(114.0)
Other operating items:				
Net change in reinsurance recoverables on paid and unpaid losses	—	(2.8)	468.2	465.4
Net change in loss and LAE reserves	—	3.0	(847.8)	(844.8)
Net change in insurance and reinsurance premiums receivable	—	(5.0)	1.7	(3.3)
Net change in unearned insurance and reinsurance premiums	—	11.0	(43.3)	(32.3)
Net change in deferred acquisition costs	(.3)	(1.8)	5.3	3.2
Net change in funds held under reinsurance treaties	—	—	(62.2)	(62.2)
Net change in other assets and liabilities	45.9	20.8	(161.9)	(95.2)
Net cash flows provided from (used for) operations	5.5	62.0	(463.8)	(396.3)
Cash flows from investing activities:				
Net decrease in short-term investments	2.9	43.4	63.8	110.1
Sales of fixed maturity investments	—	6.0	15,046.6	15,052.6
Sales of common equity securities and other investments	—	—	96.4	96.4
Maturities of fixed maturity investments	—	—	2,064.5	2,064.5
Purchases of fixed maturity investments	—	(68.4)	(16,214.0)	(16,282.4)
Purchases of common equity securities and other investments	(.1)	—	(355.4)	(355.5)
Net change in unsettled investment purchases and sales	—	—	(209.2)	(209.2)
Net dispositions (acquisitions) of property and equipment	—	(.9)	48.1	47.2
Net cash flows provided from (used for) investing activities	2.8	(19.9)	540.8	523.7
Cash flows from financing activities:				
Issuances of debt	—	—	693.4	693.4
Repayments of debt	—	—	(739.9)	(739.9)
Intercompany dividends and transfers	—	(25.0)	25.0	—
Cash dividends paid to common shareholders	(8.3)	—	—	(8.3)
Cash dividends paid to preferred shareholders	—	(1.5)	(21.2)	(22.7)
Proceeds from issuance of Common Shares	.8	—	—	.8
Net cash used for financing activities	(7.5)	(26.5)	(42.7)	(76.7)
Net increase in cash during period	.8	15.6	34.3	50.7
Cash balances at beginning of period	(.8)	41.4	80.9	121.5
Cash balances at end of period	\$ —	\$ 57.0	\$ 115.2	\$ 172.2

Note 13. Retirement and Postretirement Plans

The components of net periodic benefit costs for the three and nine months ended September 30, 2004 and 2003 were as follows:

Millions	Three Months Ended September 30,			
	2004	2003	2004	2003
	Pension Benefits		Other Postretirement Benefits	
Service cost	\$ 0.3	\$ 0.5	\$ —	\$ —
Interest cost	6.7	7.6	1.0	—
Expected return on plan assets	(7.6)	(7.6)	—	—
Amortization of prior service benefit	—	—	(1.0)	—
Amortization of unrecognized loss	—	—	0.2	—
Net periodic pension cost before settlements, curtailments and special termination benefits	(0.6)	0.5	0.2	—
Special termination benefits expense	0.3	—	—	—
Net periodic pension cost	\$ (0.3)	\$ 0.5	\$ 0.2	\$ —

Millions	Nine Months Ended September 30,			
	2004	2003	2004	2003
	Pension Benefits		Other Postretirement Benefits	
Service cost	\$ 0.8	\$ 1.4	\$.1	\$ —
Interest cost	20.1	22.9	2.9	—
Expected return on plan assets	(22.7)	(22.9)	—	—
Amortization of prior service benefit	—	—	(3.0)	—
Amortization of unrecognized loss	—	—	0.5	—
Net periodic pension cost before settlements, curtailments and special termination benefits	(1.8)	1.4	0.5	—
Special termination benefits expense	1.1	—	—	—
Net periodic pension cost	\$ (0.7)	\$ 1.4	\$ 0.5	\$ —

At December 31, 2003, the Company expected to contribute \$5.1 million to its pension plans and \$9.0 million to its other postretirement plans during 2004. As of September 30, 2004, \$3.7 million and \$6.1 million were contributed to the pensions plans and other postretirement plans. The Company anticipates contributing an additional \$3.0 million and \$4.8 million to the pension plans and other postretirement plans for the remainder of 2004.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Medicare Act") made significant changes to the federal Medicare Program by increasing coverage for prescription drugs. As a result, OneBeacon's retiree medical benefit obligations have been reduced. In the third quarter of 2004, OneBeacon adopted FASB Staff Position No. 106-2 entitled "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which reduced OneBeacon's accumulated benefit obligation by less than \$1 million. Accordingly, the impact of the Medicare Act is immaterial to White Mountains' consolidated financial position.

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 which are not historical in nature, and are hereby identified as forward-looking statements, to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. White Mountains cannot promise that its expectations in such forward-looking statements will turn out to be correct. White Mountains' actual results could be materially different from and worse than its expectations. See "Forward-Looking Statements" for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements.

The following discussion also includes two non-GAAP financial measures, adjusted comprehensive net income and fully converted tangible book value per share, that have been reconciled to their most comparable GAAP financial measures (see page 39). White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains' financial performance.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

Overview

White Mountains ended the third quarter of 2004 with a fully converted tangible book value per Common Share of \$320, up 14% over the last twelve months, up 10% since December 31, 2003 and up 2% since June 30, 2004, including dividends. Adjusted comprehensive net income for the quarter was \$73 million compared to \$13 million in the third quarter of the prior year. Year-to-date, adjusted comprehensive net income was \$306 million compared to \$267 million in the same period last year.

The following after-tax items impacted results for the third quarter of 2004:

- \$98 million in losses from the four major storms that impacted the southeastern United States during the quarter. This includes a \$14 million reduction of accrued profit commissions payable to White Mountains by Olympus, but does not include any impact on White Mountains' investments in Montpelier and Main Street America;
- \$34 million net increase on prior year reserves at OneBeacon;
- \$122 million in realized and unrealized investment gains (excluding \$48 million of equity in net unrealized gains from Symetra's fixed maturity portfolio);
- \$41 million gain on the Symetra transaction.

The Company reported a net loss of \$10 million for the quarter, compared to net income of \$36 million in the prior year's third quarter. The reduction in net income is primarily due to the storm losses. Year-to-date, the Company reported net income of \$254 million versus \$222 million in the comparable period of the prior year. The transaction gains on the Sirius acquisition and the Symetra investment more than offset the storm losses.

OneBeacon reported pre-tax income for the third quarter of 2004 of \$35 million, compared to \$25 million for the third quarter of 2003. For the first nine months of 2004, pre-tax income was \$272 million, versus \$300 million for the comparable period of 2003. The GAAP combined ratio was 109% for the third quarter and 100% for the first nine months of 2004 compared to 105% and 100%, respectively, for the comparable periods of 2003. Net written premiums were up 18% and 28% for the quarter and year-to-date, respectively. The growth in premiums was primarily due to the Atlantic Specialty Transaction.

White Mountains Re reported a pre-tax loss of \$80 million for the third quarter of 2004, compared to pre-tax income of \$21 million for the third quarter of 2003. The four major storms resulted in \$95 million of pre-tax losses for White Mountains Re in the quarter, as well as a \$15 million pre-tax

reduction of accrued profit commissions payable to White Mountains Re by Olympus. For the first nine months of 2004, pre-tax income was \$39 million versus \$112 million in the comparable prior year period. The GAAP combined ratio for White Mountains Re was 122% for the third quarter of 2004 and 104% for the first nine months of 2004, compared to 97% and 96%, respectively, in the comparable periods of 2003. Net written premiums were up 66% and 51% for the quarter and year-to-date, which reflects the impact of the Sirius acquisition.

Esurance reported pre-tax income of \$1 million in the third quarter of 2004, compared to a pre-tax loss of \$5 million in the third quarter of the prior year. The GAAP combined ratio was 101% in the third quarter of 2004, compared to 120% for the third quarter of the prior year. Net written premiums were up 65% for the quarter to \$55 million. The results and trends for the first nine months of 2004 were similar to those reported for the third quarter.

Set forth below is a reconciliation of White Mountains' fully converted tangible book value per common and equivalent share as of September 30, 2004, June 30, 2004, December 31, 2003 and September 30, 2003:

	Sep. 30, 2004	June 30, 2004	Dec. 31, 2003	Sep. 30, 2003
Book value per share numerators:				
	(millions)			
Common shareholders' equity	\$ 3,635.9	\$ 3,513.2	\$ 2,979.2	\$ 2,882.6
Proceeds from assumed exercise of outstanding warrants	—	—	300.0	300.0
Benefits to be received from share obligations under employee benefit plans	7.1	8.4	7.0	7.5
Remaining adjustment of subsidiary preferred stock to face value	(112.9)	(117.3)	(125.5)	(129.2)
Book value per share numerator	3,530.1	3,404.3	3,160.7	3,060.9
Less: Equity in net unrealized gains from Symetra's fixed maturity	(48.1)	—	—	—
Less: Goodwill of consolidated limited partnership investments	(20.0)	(19.7)	(20.3)	(17.8)
Fully converted tangible book value per common and equivalent share numerator	\$ 3,462.0	\$ 3,384.6	\$ 3,140.4	\$ 3,043.1
Book value per share denominators:				
	(thousands)			
Common Shares outstanding	10,769.4	10,769.4	9,007.2	9,002.4
Common Shares issuable upon exercise of outstanding warrants	—	—	1,724.2	1,724.2
Share obligations under employee benefit plans	50.0	50.0	50.6	55.4
Fully converted tangible book value per common and equivalent share denominator	10,819.4	10,819.4	10,782.0	10,782.0
Book value per share	\$ 326.28	\$ 314.65	\$ 293.15	\$ 283.90
Fully converted tangible book value per common and equivalent share	319.98	312.82	291.27	282.24

Recent Developments

Hurricanes. During the third quarter of 2004, four major hurricanes struck the southeastern United States (Charley, Frances, Ivan and Jeanne). White Mountains recorded approximately \$98 million in after-tax losses related to these storms (including the impact on the profit commission from Olympus, but excluding the impact on White Mountains' investments in Montpelier and MSA).

Symetra. During the third quarter of 2004, White Mountains completed its investment in Symetra and recorded a \$41 million extraordinary gain, representing the difference between the initial cost of the common shares and the amount of White Mountains' equity in the underlying net assets of Symetra, primarily due to the value of the warrants that White Mountains received (see Note 2).

Review of Consolidated Results

A summary of White Mountains' consolidated financial results follows:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Gross written premiums	\$ 1,405.3	\$ 999.9	\$ 3,811.8	\$ 2,827.5
Net written premiums	\$ 1,070.1	\$ 809.9	\$ 3,081.3	\$ 2,288.1
Earned insurance and reinsurance premiums	\$ 992.3	\$ 788.2	\$ 2,821.4	\$ 2,346.4
Net investment income	83.4	67.5	247.6	219.1
Net realized investment gains (losses)	53.6	(34.2)	109.8	114.0
Other revenue	34.3	90.1	126.1	163.0
Total revenues	1,163.6	911.6	3,304.9	2,842.5
Loss and LAE	787.8	600.5	1,934.5	1,634.5
Insurance and reinsurance acquisition expenses	203.6	153.9	544.3	460.7
Other underwriting expenses	137.5	65.2	387.6	250.7
General and administrative expenses	78.4	23.5	202.4	103.5
Accretion of fair value adjustment to loss and LAE reserves	10.2	10.1	33.1	38.5
Interest expense on debt	12.2	11.0	35.6	37.1
Interest expense—dividends and accretion on preferred stock subject to mandatory redemption	12.0	11.0	35.3	11.0
Total expenses	1,241.7	875.2	3,172.8	2,536.0
Pretax income (loss)	(78.1)	36.4	132.1	306.5
Tax benefit (provision)	23.6	(14.4)	(65.7)	(105.2)
Accretion and dividends on mandatorily redeemable preferred stock	—	—	—	(21.5)
Equity in earnings of unconsolidated insurance affiliates	3.7	13.6	26.8	42.3
Net income (loss) before extraordinary item	(50.8)	35.6	93.2	222.1
Excess of fair value of acquired net assets over cost	40.7	—	160.7	—
Net income (loss)	(10.1)	35.6	253.9	222.1
Other comprehensive income (loss)	131.3	(22.8)	99.8	45.1
Comprehensive net income	\$ 121.2	\$ 12.8	\$ 353.7	\$ 267.2
Less: Change in net unrealized gains from Symetra's fixed maturity portfolio	(48.1)	—	(48.1)	—
Adjusted comprehensive net income	\$ 73.1	\$ 12.8	\$ 305.6	\$ 267.2

White Mountains' total revenues increased by 27% for the three-month period ended September 30, 2004 compared to the same period in 2003. Growth in revenues was driven by the 26% increase in earned premiums due to the Sirius and Atlantic Specialty transactions. Net investment income grew 24% in the quarter primarily due to the income earned on the additional invested assets acquired in the Sirius transaction. Total expenses grew 41% for the quarter as loss and LAE were impacted by the four major storms and a prior year reserve increase recorded by OneBeacon. Loss, insurance acquisition and underwriting expenses were also all up due to the Sirius and Atlantic Specialty transactions.

White Mountains' total revenues increased by 16% for the nine month period ended September 30, 2004 compared to the same period in 2003, while total expenses increased by 25% for the nine months ended September 30, 2004 as compared to the prior year. Each of these increases were driven by the same factors as the quarter-only increases.

Summary of Operations by Segment

White Mountains conducts its operations through four segments: (i) "OneBeacon", (ii) "White Mountains Re" (consisting primarily of the operations of Folksamerica, Sirius and WMU), (iii) "Esurance" and (iv) "Other Operations" (consisting of the Company and its intermediate subsidiary holding companies, White Mountains' investments in its Montpelier and Symetra warrants

and the International American Group). White Mountains manages all of its investments through its wholly owned subsidiary, White Mountains Advisors LLC ("WM Advisors"), therefore, a discussion of White Mountains' consolidated investment operations is included after the discussion of operations by segment.

I. OneBeacon

Financial results for OneBeacon for the three and nine months ended September 30, 2004 and 2003 were as follows:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Gross written premiums	\$ 744.1	\$ 550.3	\$ 2,107.4	\$ 1,639.0
Net written premiums	\$ 638.2	\$ 541.0	\$ 1,941.7	\$ 1,519.5
Earned insurance and reinsurance premiums	\$ 600.1	\$ 536.5	\$ 1,794.5	\$ 1,643.4
Net investment income	52.3	46.5	161.7	166.5
Net realized investment gains (losses)	36.1	(17.1)	107.0	112.2
Other revenue	29.1	32.5	93.0	64.7
Total revenues	717.6	598.4	2,156.2	1,986.8
Loss and loss adjustment expenses	441.9	423.5	1,180.2	1,157.2
Insurance and reinsurance acquisition expenses	111.7	98.9	328.1	301.8
Other underwriting expenses	97.7	42.8	284.0	186.8
General and administrative expenses	31.5	8.1	90.8	41.1
Interest expense on debt	.3	—	.7	—
Total expenses	683.1	573.3	1,883.8	1,686.9
Pretax income	\$ 34.5	\$ 25.1	\$ 272.4	\$ 299.9

The following tables provide GAAP ratios, net written premiums and earned insurance premiums for OneBeacon's ongoing operations and in total for the three and nine months ended September 30, 2004 and 2003 (dollars in millions):

	GAAP Ratios			Net Premiums		GAAP Ratios			Net Premiums	
	Loss	Expense	Combined	Written	Earned	Loss	Expense	Combined	Written	Earned
	Three Months Ended September 30, 2004					Three Months Ended September 30, 2003				
Specialty	75%	32%	107%	\$ 227.4	\$ 193.2	60%	27%	87%	\$ 223.6	\$ 186.9
Personal	64	28	92	217.1	199.0	58	11	69	183.2	186.0
Commercial	61	39	100	167.5	171.8	61	30	91	95.7	105.8
Total(1)	74%	35%	109%	\$ 638.2	\$ 600.1	79%	26%	105%	\$ 541.0	\$ 536.5
	Nine Months Ended September 30, 2004					Nine Months Ended September 30, 2003				
Specialty	59%	30%	89%	\$ 647.6	\$ 606.3	55%	31%	86%	\$ 552.6	\$ 516.2
Personal	60	32	92	559.9	540.1	66	22	88	515.5	565.0
Commercial	60	40	100	676.3	530.8	63	33	96	328.1	320.9
Total(1)	66%	34%	100%	\$ 1,941.7	\$ 1,794.5	70%	30%	100%	\$ 1,519.5	\$ 1,643.4

(1) Includes results from run-off operations and reciprocals.

OneBeacon Results—Three Months Ended September 30, 2004 vs. Three Months Ended September 30, 2003

Overview

OneBeacon's pre-tax income for the third quarter of 2004 was \$35 million, compared to pre-tax income of \$25 million for the third quarter of 2003. The GAAP combined ratio increased to 109% for the third quarter of 2004, compared to 105% for the third quarter of 2003, primarily due to \$53 million of prior accident year reserve development in the third quarter of 2004. The reserve development related primarily to run-off workers compensation and general liability reserves, due to the expectation that more workers compensation claims will reopen and increased litigation costs associated with

general liability claims. The third quarter 2003 results include an approximate net \$100 million reserve increase primarily related to construction defect claims that was partially offset by an approximate \$30 million release of the New York assigned risk liability. Net written premiums for the third quarter of 2004 were \$638 million, an increase of 18% from \$541 million in the third quarter of last year, primarily driven by the Atlantic Specialty Transaction. In addition, OneBeacon's personal lines business experienced modest growth.

During the third quarter of 2004, OneBeacon entered into an agreement to sell the renewal rights to most of its pre-Atlantic Mutual New York commercial business to Tower Insurance Group. The transaction will impact approximately \$110 million of premiums and is expected to begin with December 1, 2004 renewals. OneBeacon will retain the commercial business acquired from Atlantic Mutual earlier this year.

Specialty Lines. OneBeacon's specialty businesses focus on providing custom coverages to certain niche markets, including AutoOne Insurance, our wholly owned Limited Assigned Distribution servicing carrier, ocean marine (offered through International Marine Underwriters, "IMU"), agricultural ("Agri"), and rural and farm related markets (offered through National Farmers Union, "NFU"), medical errors and omissions (offered through OBPP) and other specialty products, such as tuition reimbursement. Additionally, during the second quarter of 2004, OneBeacon entered into the excess and surplus lines property business through OneBeacon Specialty Property. Each specialty business has its own operations and distribution channel that target specific customer groups.

The specialty lines combined ratio was 107% for the third quarter of 2004, an increase of 20 points from the same period in 2003 due to significantly increased losses, primarily experienced at IMU, relating to the four storms in the southeastern United States. During the three months ended September 30, 2004, specialty lines written premiums remained relatively flat at \$227 million compared to \$224 million written during the three months ended September 30, 2003.

Personal Lines. OneBeacon's personal lines principally include automobile, homeowners and Custom-Pac products (Custom-Pac products are combination policies offering home and automobile coverage with optional umbrella, boatowners and other coverages). OneBeacon's mix of personal lines products between automobile and homeowners, including Custom-Pac products, was 69% and 24%, respectively, of personal lines net written premium during the three months ended September 30, 2004, compared with 62% and 32% for the three months ended September 30, 2003. OneBeacon writes the majority of its personal lines business in New York, Massachusetts and Maine. Excluding \$37.5 million of net written premiums in the third quarter of 2004 related to business assumed from New Jersey Skylands Insurance Association, net written premiums were flat when compared to the third quarter of 2003.

The combined ratio for personal lines for the three months ended September 20, 2004 was 92% compared to 69% in the third quarter of 2003. The 2003 combined ratio was favorably impacted by 16 points resulting from a \$30 million reduction in a liability for New York assigned risks that resulted from a change in the New York assigned risk market, including a depopulation of the pool and variable revisions to the structure of credit programs.

Personal lines continue to perform well. The company is selectively taking rate increases in both auto and home and is expected to stay ahead of loss trend. New business production is solid with the introduction of new products and technology and retention results have improved year over year.

Commercial Lines. OneBeacon's commercial lines products include, among others, multiple peril, commercial automobile and workers compensation. OneBeacon's mix of commercial lines products for multiple peril, commercial automobile and workers compensation was 52%, 21% and 12% of commercial lines net written premium for the three months ended September 30, 2004 including the

impact of the Atlantic Specialty Transaction compared with 52%, 23% and 8% for the three months ended September 30, 2003.

Commercial lines results for the three months ended September 30, 2004 include the impact of the Atlantic Specialty Transaction, which contributed \$72 million of written premiums and \$65 million of earned premiums. Excluding premium relating to the Atlantic Specialty Transaction, written premiums for the three months ended September 30, 2004 remained flat when compared with three months ended September 30, 2003. The commercial book achieved price increases of 5.8% for business written during the three months ended September 30, 2004. OneBeacon has also improved renewal retentions over the comparable 2003 period. Increases in written premiums from price increases and improved renewal retentions were offset by reduced writings in OneBeacon's legacy New York commercial business. With the acquisition of Atlantic Specialty and the successful implementation of the new multiple peril coverage for small business (OnePac), commercial lines has positioned itself as a niche provider for middle market commercial lines, as well as the small business market.

The combined ratio for commercial lines increased from 91% for the third quarter of 2003 to 100% for the third quarter of 2004, due to a 9% increase in the expense ratio primarily related to transition and integration costs related to the Atlantic Specialty Transaction. The commercial lines loss ratio for the third quarter of 2004 remained flat at 61% when compared with the third quarter of 2003; however, the third quarter 2004 loss ratio includes 8 points, or approximately \$13 million, relating to the four storms in the southeastern United States, which primarily related to Atlantic Specialty business in that area. Excluding these losses, the commercial lines loss ratio significantly improved.

OneBeacon Results—Nine Months Ended September 30, 2004 versus Nine Months Ended September 30,

OneBeacon's pre-tax income for the nine months ended September 30, 2004 was \$272 million, compared to pre-tax income of \$300 million for the comparable 2003 period. The GAAP combined ratio was 100% for the first nine months of 2004 and 2003. Net written premiums for the first nine months of 2004 were \$1.9 billion, up 28% from the comparable period last year. The Atlantic Specialty Transaction was the key driver in the increase in premiums.

OneBeacon's total revenues and expenses increased by 9% and 12%, respectively, for the nine months ended September 30, 2004 primarily due to the impact of the Atlantic Specialty Transaction and by the consolidation of New Jersey Skylands Insurance Association.

The results of each of the three major lines of business for the nine months ended September 30, 2004 compared with the nine months ended September 30, 2003 were consistent with those described for the three months ended September 30, 2004 described above. Of note, the growth in net written premiums for commercial lines is much higher for the nine months ended period as the first quarter included a one-time acquisition of unearned premium of \$135 million related to the Atlantic Specialty Transaction.

II. White Mountains Re

White Mountains' reinsurance operations are conducted primarily through its recently formed global reinsurance organization, White Mountains Re. Through Folksamerica, Sirius and WMU, White Mountains Re offers lead capacity for most property, casualty, accident & health and marine exposures, with program business written through Sirius America. Underwriting offices are located in New York, Stockholm, Chicago, Belgium, Miami, London, Connecticut, Bermuda, Hamburg, Toronto, Singapore and Dublin.

White Mountains Re's financial results for the three and nine months ended September 30, 2004 and 2003 follows:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Gross written premiums	\$ 605.3	\$ 405.3	\$ 1,559.0	\$ 1,073.9
Net written premiums	\$ 377.5	\$ 226.8	\$ 995.7	\$ 660.3
Earned insurance and reinsurance premiums	\$ 345.9	\$ 216.5	\$ 903.4	\$ 611.3
Net investment income	18.6	11.3	60.2	37.0
Net realized investment gains (losses)	(3.4)	(8.9)	9.0	4.9
Other revenue (loss)	(10.4)	19.3	23.0	56.7
Total revenues	350.7	238.2	995.6	709.9
Loss and loss adjustment expenses	305.3	147.9	655.3	401.9
Insurance and reinsurance acquisition expenses	83.5	48.7	197.2	142.8
Other underwriting expenses	32.2	14.6	83.1	41.1
General and administrative expenses	5.1	5.6	11.6	11.1
Accretion of fair value adjustment to loss and LAE reserves	3.7	—	6.4	—
Interest expense on debt	1.0	.5	2.7	1.5
Total expenses	430.8	217.3	956.3	598.4
Pretax income (loss)	\$ (80.1)	\$ 20.9	\$ 39.3	\$ 111.5

The following table provides White Mountains Re's GAAP combined ratios for the three and nine months ended September 30, 2004 and 2003:

GAAP Ratios:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Loss	88%	68%	73%	66%
Expense	34	29	31	30
Total Combined	122%	97%	104%	96%

White Mountains Re Results—Three and Nine Months Ended September 30, 2004 versus Three and Nine Months Ended September 30, 2003

White Mountains Re recorded a pre-tax loss of \$80 million for the third quarter of 2004, compared to pre-tax income of \$21 million for the third quarter of 2003. White Mountains Re's GAAP combined ratio was 122% for the three months ended September 30, 2004, compared to 97% for the comparable prior period. Pre-tax income for White Mountains Re was \$39 million for the first nine months of 2004, compared to \$112 million for the first nine months of 2003. White Mountains Re's GAAP combined ratio was 104% for the nine months ended September 30, 2004, compared to 96% for the nine months ended September 30, 2003.

White Mountains Re's results for the third quarter were adversely impacted by losses from the four storms that affected the southeastern United States in the third quarter of 2004. The four storms resulted in \$95 million of pre-tax losses for White Mountains Re, as well as a \$15 million pre-tax reduction of accrued profit commissions payable to White Mountains Re by Olympus. The four storms increased White Mountains Re's GAAP combined ratio by 28 points and 11 points for the three and nine months, respectively. There was no significant property catastrophe activity in the comparable prior periods. White Mountains Re has experienced favorable underwriting conditions for the past three underwriting years. Earnings from business segments not impacted by the four storms, and the recently completed Sirius acquisition, have partially offset the impact of this catastrophe activity. Net

written premiums, total revenues, and total expenses were all up substantially due to the Sirius Acquisition.

White Mountains Re continued to capitalize on its financial stability, reputation and disciplined underwriting strategy and expertise. In addition, the acquisition of Sirius, which primarily has a European customer base, has complemented and strengthened White Mountains Re's position within the global reinsurance market, and has enhanced White Mountains Re's operations and results. Except for the impacts of the four storms discussed above, White Mountains Re's profitability continued to reflect favorable terms and conditions in the global insurance and reinsurance market which developed in late 2000 and have generally continued into 2004. While it is expected that favorable terms and conditions will continue on most classes of business, increasing competition has begun to adversely impact pricing on certain classes, mainly property. However, the extraordinary hurricane season has resulted in some price firming in the market.

White Mountains Re's gross written premiums were \$597 million and \$1,550 million for the three and nine months ended September 30, 2004, while net written premiums were \$378 million and \$996 million for the three and nine months ended September 30, 2004. Each of these is up significantly relative to the prior year figures, due mainly to the acquisition of Sirius, which closed in the second quarter of 2004. For the three and nine months ended September 30, 2004, Sirius contributed \$206 million and \$489 million of gross premiums written, respectively and \$137 million and \$326 million of net premiums written, respectively.

Additionally, Folksamerica has generated new business from the previously announced CNA Re transaction and the establishment of a Chicago underwriting office. Annual gross written premiums through September 30, 2004 resulting from this transaction were approximately \$177 million, of which \$102 million was recorded as gross written premium and \$68 million as net written premium in the nine months ended September 30, 2004. Partially offsetting the increases resulting from these acquisitions was the cancellation of several large casualty treaties at Folksamerica whose pricing or terms did not meet White Mountains Re's underwriting guidelines.

Folksamerica receives referrals of international reinsurance placements from WMU; a relationship which began in 2002. Additionally, under quota share agreements, Folksamerica cedes up to 75% of substantially all of its short-tailed, non-casualty excess of loss business, as well as 50% of its property proportional business, including the business referred to Folksamerica by WMU, to Olympus. During the three and nine months ended September 30, 2004, Folksamerica ceded \$141 million and \$358 million of written premiums and \$174 million and \$218 million of incurred losses to Olympus. For the comparable periods in the prior year, Folksamerica ceded \$152 million and \$350 million of written premiums and \$36 million and \$83 million of incurred losses to Olympus. The increase in incurred losses ceded to Olympus relates primarily to the four storms.

White Mountains Re, through either Folksamerica or WMU, receives fee income on reinsurance placements referred to Olympus and is entitled to additional fees based on net underwriting profits on referred business. The additional capacity provided by the quota share relationship with Olympus enhances Folksamerica's ability to provide significant reinsurance capacity. Due to the effects of the four storms during the three month period ended September 30, 2004, White Mountains Re recorded a \$15 million pre-tax reduction of accrued profit commissions payable from Olympus. As a result, White Mountains Re recognized net fee income of \$1 million from Olympus for the three months ended September 30, 2004, compared to \$29 million in the third quarter of 2003. During the nine months ended September 30, 2004, White Mountains earned \$49 million of fee income from Olympus as compared to \$73 million for the nine months ended September 30, 2003. The decline in the fee income earned is due primarily to the negative impact of the four storms on the profit commission arrangement between White Mountains Re and Olympus.

III. Esurance

Esurance, a San Francisco-based, online personal auto insurance company, has been a subsidiary of White Mountains since October 2000. Esurance markets personal auto insurance directly to customers and through select online agents. Esurance recently entered Nevada's auto insurance market and now writes business in 16 states. In the third quarter, Esurance wrote 25% of its premium volume in Florida, 24% in California, 11% in Texas, 7% in Michigan, 5% in New York, and 28% in Esurance's other states.

Esurance's results for the three months ended September 30, 2004 and 2003 follows:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Gross written premiums	\$ 55.9	\$ 33.2	\$ 145.4	\$ 83.4
Net written premiums	\$ 54.7	\$ 33.2	\$ 144.0	\$ 83.4
Earned insurance and reinsurance premiums	\$ 46.4	\$ 26.9	\$ 123.5	\$ 68.3
Net investment income	.9	.5	2.2	1.1
Net realized gains (losses) on investments	.2	(.5)	.6	—
Other revenue	.8	.1	1.3	.2
Total revenues	48.3	27.0	127.6	69.6
Loss and LAE	31.6	22.1	89.0	56.9
Insurance and reinsurance acquisition expenses	8.4	5.2	19.0	13.2
Other underwriting expenses	7.1	5.1	19.2	14.9
General and administrative expenses	.3	—	.3	—
Total expenses	47.4	32.4	127.5	85.0
Pretax income (loss)	\$.9	\$ (5.4)	\$.1	\$ (15.4)

The following table provides Esurance's GAAP combined ratios:

GAAP Ratios:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Loss	68%	82%	72%	83%
Expense	33	38	31	41
Total Combined	101%	120%	103%	124%

Esurance's pretax income of \$1 million for the third quarter ended September 30, 2004 was an improvement over the pretax loss of \$5 million for the prior quarter. Losses resulting from the four storms that impacted the southeastern United States reduced third quarter pretax income by \$1 million (2 percentage points on the combined ratio). Esurance's break-even results for the year-to-date compare favorably to the \$15 million pretax loss for the first nine months of 2003. Net written premium for the quarter and year-to-date were up 65% and 73%, respectively, over comparable periods in 2003.

Esurance's proprietary, highly segmented auto program continues to perform well, enabling it to add new customers at acceptable loss ratios. Esurance's loss and LAE ratio was 68% and 72% for the third quarter and year-to-date, respectively.

The auto program, combined with Esurance's self-service, web-enabled operating platform, has enabled Esurance to increase premium volume and in-force policy count while containing operating costs. As of September 30, 2004, Esurance's in-force count was 107,000 policies, a 57% increase over September 30, 2003. Growth in policy count has been driven by an increased advertising presence, particularly on radio and TV.

IV. Other Operations

Other Operations consists of the operations of the Company and the Company's intermediate subsidiary holding companies and the International American Group, as well as White Mountains' investments in Montpelier and Symetra warrants. A summary of White Mountains' financial results from its Other Operations segment for the nine months ended September 30, 2004 and 2003 follows:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Gross written premiums	\$ —	\$ 11.1	\$ —	\$ 31.2
Net written premiums	\$ —	\$ 8.9	\$ —	\$ 24.9
Earned insurance and reinsurance premiums	\$ (.1)	\$ 8.3	\$ —	\$ 23.4
Net investment income	11.6	9.2	23.5	14.5
Net realized investment gains (losses)	20.7	(7.7)	(6.8)	(3.1)
Other revenue	14.8	38.2	8.8	41.4
Total revenues	47.0	48.0	25.5	76.2
Loss and LAE	9.0	7.0	10.0	18.5
Insurance and reinsurance acquisition expenses	—	1.1	—	2.9
Other underwriting expenses	.5	2.7	1.3	7.9
General and administrative expenses	41.5	9.8	99.7	51.3
Accretion of fair value adjustment to loss and lae reserves	6.5	10.1	26.7	38.5
Interest expense on debt	10.9	10.5	32.2	35.6
Interest expense on preferred stock subject to mandatory redemption	12.0	11.0	35.3	11.0
Total expenses	80.4	52.2	205.2	165.7
Pretax loss	\$ (33.4)	\$ (4.2)	\$ (179.7)	\$ (89.5)

White Mountains' Other Operations segment reported a pre-tax loss of \$33 million for the third quarter of 2004, compared to a pre-tax loss of \$4 million for the third quarter of 2003. For the first nine months of 2004 the segment reported a pre-tax loss of \$180 million versus \$90 million in the comparable period of 2003. The losses reported in this segment are principally the result of financing, purchase accounting and compensation expenses at the holding company level. The increased loss in the first nine months of 2004 relative to 2003 is principally the result of higher accruals for incentive compensation, a change in accounting for preferred stock, and the impact currency fluctuations had on hedging the cost of funding for the Sirius acquisition. In addition, the loss in the third quarter of 2003 was net of \$37 million in gains that were included as other revenue in this segment related to the sale of several real estate properties at OneBeacon previously written-off under purchase accounting.

During the 2003 periods, the Other Operations segment included the results of Peninsula, which the Company sold on January 5, 2004. All of the written and earned premiums in the Other Operations segment in the 2003 period were from Peninsula, which was the only active insurance company in this segment.

Summary of Investment Operations

Overview

White Mountains manages all of its consolidated investments through its wholly-owned subsidiary, WM Advisors. White Mountains' investment philosophy is to invest its assets with a view towards maximizing its after-tax total return over extended periods of time. Under this approach, each dollar of after-tax investment income and realized and unrealized gains and losses is valued equally. White Mountains' overall fixed maturity investment strategy is to purchase securities that are attractively priced in relation to perceived credit risks. White Mountains generally manages the interest rate risk associated with holding fixed maturity investments by actively monitoring and maintaining the average

duration of the portfolio with the goal of achieving an adequate after-tax total return without subjecting the portfolio to an unreasonable level of interest rate risk. White Mountains' investment portfolio mix as of September 30, 2004 was focused on capital preservation and consisted in large part of high-quality, fixed maturity investments and short-term investments.

Results

The GAAP total return on invested assets for the third quarter of 2004 quarter was 2.5% and year-to-date was 3.5%, while the equity portfolio is up 10% year-to-date. The rally in the bond market during the quarter helped White Mountains' fixed income results, but WM Advisors also achieved excellent results in the equity portfolio in a quarter where the overall equity market declined. Management is continuing to keep its fixed maturity portfolio duration relatively short at about 3 years to reflect its concern that rates may rise in the next few years.

White Mountains sold a portion of its common stock investment in Montpelier during the first quarter resulting in a \$35.2 million pre-tax realized gain, and changed the method of accounting for its remaining Montpelier common stock to the fair value method, resulting in a \$32.5 million increase in after-tax unrealized gains in the first quarter.

White Mountains' total net investment results for the three and nine months ended September 30, 2004 and 2003 are shown below:

Dollars in Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net investment income, pretax	\$ 83.4	\$ 67.5	\$ 247.6	\$ 219.1
Net realized investment gains (losses), pretax	\$ 53.6	\$ (34.2)	\$ 109.8	\$ 114.0
Change in net unrealized investment gains (losses), after-tax	\$ 83.3	\$ (22.3)	\$ 43.1	\$ 44.0
Change in net unrealized investment gains from Symetra's fixed maturity portfolio, after-tax	\$ 48.1	\$ —	\$ 48.1	\$ —

White Mountains' net investment income is comprised primarily of interest income associated with its substantial portfolio of fixed maturity investments and dividend income from its equity investments. White Mountains' realized investment gains and losses result principally from sales of fixed maturity investments, common equity securities and common shares of Montpelier, as well as amounts recognized for the change in value of its Montpelier and Symetra warrants. The investment losses realized in the third quarter of 2003 reflect sales of mortgage backed securities to reduce the duration of the bond portfolio. Net investment income was up 13% from last year mainly due to the Sirius Acquisition. The significant negative swing in both realized and unrealized gains and losses was driven by the increase in interest rates described above.

Impairment

See **Note 5—Investments** of the accompanying consolidated financial statements for White Mountains' analysis of impairment losses on investment securities.

NON-GAAP FINANCIAL MEASURES

This report includes two non-GAAP financial measures that have been reconciled to their most comparable GAAP financial measures. White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains' financial performance.

Adjusted comprehensive net income is a non-GAAP measure that excludes the change in net unrealized gains from Symetra's fixed maturity portfolio from comprehensive net income. GAAP requires these assets to be marked-to-market, which results in gains during periods when interest rates

fall and losses in periods when interest rates rise. Because the liabilities related to the life insurance and structured settlement products that these assets support are not marked to market, it is likely that the economic impact on Symetra would be the opposite of that shown under GAAP (i.e., in general, Symetra's intrinsic value increases when interest rates rise and decreases when interest rates fall). The reconciliation of adjusted comprehensive net income to comprehensive net income is included on page 34.

Book value per share is derived by dividing the Company's total GAAP shareholders' equity as of a given date by the number of Common Shares outstanding as of that date, including the dilutive effects of outstanding Options and Warrants, as well as the unamortized accretion of preferred stock. Fully converted tangible book value per share is a non-GAAP measure which is derived by expanding the GAAP book value per share calculation to include the effects of assumed conversion of all convertible securities and to exclude any unamortized goodwill and net unrealized gains from Symetra's fixed maturity portfolio. The reconciliation of fully converted tangible book value per share to book value per share is included on page 33.

LIQUIDITY AND CAPITAL RESOURCES

Operating cash and short-term investments

White Mountains' consolidated sources of cash consist primarily of premium collections, net investment income, financing activities and proceeds from sales and maturities of investments. White Mountains' consolidated uses of cash are primarily claim payments, operating expenses, financing costs and the purchase of investments.

Both internal and external forces influence White Mountains' financial condition, results of operations and cash flows. Claim settlements, premium levels and investment returns may be impacted by changing rates of inflation and other economic conditions. In many cases, significant periods of time, ranging up to several years or more, may lapse between the occurrence of an insured loss, the reporting of the loss to White Mountains and the settlement of the liability for that loss. Management believes that White Mountains' cash balances, cash flows from operations, routine sales of investments and the liquidity provided by the Bank Facility are adequate to meet expected cash requirements for the foreseeable future.

Dividend Capacity

The Company and certain of its intermediate holding companies rely on cash dividends and tax sharing payments received from the operating subsidiaries. Under the insurance laws of the states and jurisdictions under which White Mountains' insurance subsidiaries are domiciled, an insurer is restricted with respect to the timing or the amount of dividends it may pay without prior approval by regulatory authorities. Accordingly, there can be no assurance regarding the amount of such dividends that may be paid by such subsidiaries in the future. In the first nine months of 2004, OneBeacon's first tier insurance subsidiaries paid cash dividends of \$199 million to their parent. For the remainder of 2004, OneBeacon's first tier insurance subsidiaries have the ability to pay dividends of approximately \$135 million without approval of regulatory authorities. OneBeacon's distribution of Folksamerica to its parent, Fund American, in the first quarter of 2004 was effected as a share repurchase and did not impair OneBeacon's dividend paying capacity. In the first nine months of 2004, Folksamerica's first tier reinsurance subsidiary paid cash dividends of \$12 million to its parent and, for the remainder of 2004, Folksamerica's first tier reinsurance subsidiary has the ability to pay dividends of approximately \$15 million without approval of regulatory authorities.

In accordance with provisions available under Swedish tax law, Sirius can voluntarily transfer its pretax earnings, or a portion thereof, subject to certain limitations, into an untaxed reserve referred to as a safety reserve. Sirius' safety reserve was approximately \$1 billion at September 30, 2004. Under

GAAP, the safety reserve, net of the related deferred tax liability established at the effective Swedish tax rate of 28%, is reclassified to retained earnings. This deferred tax liability is only required to be paid by Sirius if it fails to maintain predetermined levels of premium writings in future years or if it chooses to distribute the earnings previously transferred into the safety reserve. As a result of the indefinite deferral of these taxes, Swedish regulatory authorities do not apply any taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations.

Insurance Float

Insurance float is an important dynamic of White Mountains' operations that must be managed effectively. Float is money that an insurance company holds for a limited time. In an insurance operation, float arises because premiums are collected before losses are paid. This interval can extend over many years. During that time, the insurer invests the money. When the premiums that an insurer collects do not cover the losses and expenses it eventually must pay, the result is an underwriting loss, which is considered to be the cost of float. The amount and cost of float for White Mountains is affected by underlying market conditions, as well as acquisitions or dispositions of insurance and reinsurance businesses. Although insurance float can be calculated using numbers determined under GAAP, insurance float is not a GAAP concept and therefore there is no comparable GAAP measure.

For each of the years in the three-year period ending December 31, 2003, the Company has had negative cash flows from operations but has generated significant float from its insurance and reinsurance operations. The Company's cash flow from operations does not include float generated by the acquisition of insurance and reinsurance businesses in recent years. Post-acquisition, such companies are often placed into partial or complete run-off, thereby resulting in negative cash flows from operations as the investment portfolios acquired are liquidated over time to pay claims. White Mountains expects that it will continue to have negative cash flows from operations for the foreseeable future but expects float to increase from time to time with potential acquisitions, as was the case with the recent Sirius and Sierra Group acquisitions.

One of the means by which White Mountains calculates its insurance float is by taking its net investment assets and subtracting its total tangible capital. The following table illustrates White

Mountains' consolidated insurance float position as of September 30, 2004 and for the past four year-ends:

(\$ in millions)	Sep. 30, 2004	Year Ended December 31,			
		2003	2002	2001	2000
Total investments	\$ 10,828.6	\$ 8,547.5	\$ 8,899.4	\$ 9,005.7	\$ 2,102.2
Cash	144.5	89.9	121.5	67.4	4.4
Investment in unconsolidated insurance affiliate(s)	443.0	515.9	399.9	311.1	130.6
Accounts receivable on unsettled investment sales	91.1	9.1	160.8	75.2	—
Accounts payable on unsettled investment purchases	(509.2)	(371.6)	(495.2)	(311.2)	(.2)
Funds held by ceding companies	931.8	144.1	95.1	61.0	48.0
Funds held under reinsurance treaties	(160.0)	(211.9)	(262.4)	(361.7)	(420.0)
Net investment assets	\$ 11,769.8	\$ 8,723.0	\$ 8,919.1	\$ 8,847.5	\$ 1,865.0
Total common shareholders' equity	\$ 3,635.9	\$ 2,979.2	\$ 2,407.9	\$ 1,444.6	\$ 1,046.5
Debt	793.6	743.0	793.2	1,125.4	96.0
Preferred stock subject to mandatory redemption	207.1	194.5	180.9	170.3	—
Convertible preference shares	—	—	219.0	—	—
Deferred credits and goodwill	(20.0)	(20.3)	—	660.2	66.8
Equity in net unrealized gains from Symetra's fixed income portfolio	(48.1)	—	—	—	—
Total tangible capital	\$ 4,568.5	\$ 3,896.4	\$ 3,601.0	\$ 3,400.5	\$ 1,209.3
Insurance float	\$ 7,201.3	\$ 4,826.6	\$ 5,318.1	\$ 5,447.0	\$ 655.7
Insurance float as a multiple of total tangible capital	1.6x	1.2x	1.5x	1.6x	0.5x
Net investment assets as a multiple of total tangible capital	2.6x	2.2x	2.5x	2.6x	1.5x
Insurance floats as a multiple of shareholders' equity	2.0x	1.6x	2.2x	3.8x	0.6x
Net investment assets as a multiple of shareholders' equity	3.2x	2.9x	3.7x	6.1x	1.8x

White Mountains has historically obtained its float primarily through acquisitions, as opposed to organic growth. In the case of OneBeacon, the substantial amount of float initially acquired with the OneBeacon Acquisition has shrunk as a result of OneBeacon's re-underwriting efforts and the effects of the Liberty Agreement. OneBeacon's float is expected to continue to shrink over the next few years as older, long-tailed loss reserves are paid and are not replaced with the same level of current writings as those written in the past. In the case of White Mountains' Reinsurance operations, its float is expected to gradually increase in the next few years as a result of higher premium writings from its increase in capital base over the past two years and from recent acquisitions. It is White Mountains' intention to generate low-cost float over time through a combination of acquisitions and/or by organic growth in its existing insurance and reinsurance operations. However, White Mountains will seek to increase its float organically only when market conditions allow for an expectation of generating underwriting profits. The increase in White Mountains' consolidated float position during the first nine months of 2004 is mainly attributable to the Sirius and the Sierra Group acquisitions.

Financing

The following table summarizes White Mountains' consolidated capital structure as of September 30, 2004 and December 31, 2003:

Millions	September 30, 2004	December 31, 2003
Senior Notes, carrying value	\$ 698.3	\$ 698.1
Bank Facility	—	—
Sierra Note	60.3	—
Atlantic Specialty Note	20.0	—
C-F Seller Note	—	25.0
Fund III notes	15.0	15.0
Other debt	—	4.9
Total debt	\$ 793.6	\$ 743.0
Preferred stock subject to mandatory redemption	207.1	194.5
Common shareholders' equity	3,635.9	2,979.2
Goodwill of consolidated limited partnerships	(20.0)	(20.3)
Equity in net unrealized gains from Symetra's fixed income portfolio	(48.1)	—
Total capitalization	\$ 4,568.5	\$ 3,896.4
Debt to total capitalization	17%	19%
Debt and preferred stock to total capitalization	22%	24%

Management believes that White Mountains' strong financial position provides it with the flexibility and capacity to obtain funds externally as needed through debt or equity financing on both a short-term and long-term basis. In July 2003, White Mountains enhanced its access to the capital markets by having a shelf registration declared effective by the SEC for offerings of up to \$2.0 billion in debt and/or equity securities.

In August 2004, Fund American restructured and resyndicated its existing \$300.0 million Bank Facility to increase the availability under the revolving credit facility to \$400.0 million and to extend the maturity from September 2006 to August 2009. As of September 30, 2004, the Bank Facility was undrawn.

In May 2003, White Mountains reduced its cost of capital and significantly reduced its near-term obligations by fully prepaying its previous \$739.9 million amortizing bank facility, principally through the net proceeds from the issuance of the Senior Notes, which were issued by Fund American through a public offering. The Senior Notes bear a fixed interest rate of 5.9% and mature in May 2013.

Fund American's Senior Notes are currently rated "Baa2" (Adequate, the 9th highest of 21 ratings) by Moody's Investor Services ("Moody's") and "BBB-" (Adequate, the 10th highest of 24 ratings) by S&P. The outlook for each rating is stable. It is possible that, in the future, one or more of the rating agencies may lower White Mountains' existing ratings. If one or more of its ratings were downgraded, White Mountains could incur higher borrowing costs and its ability to access the capital markets could be impacted. In addition, White Mountains' insurance and reinsurance operations could be adversely impacted by a downgrade in their financial strength ratings, including a possible reduction in demand for their products in certain markets.

In connection with its acquisition of the Sierra Group on March 31, 2004, Folksamerica entered into a \$62.0 million purchase note (the "Sierra Note"), \$58.0 million of which will be adjusted over its six-year term to reflect favorable or adverse loss reserve development on the acquired reserve portfolio and runoff of remaining policies in force (mainly workers compensation business) as well as certain other balance sheet protections. Interest will accrue on the unpaid balance of the Sierra Note at a rate of 4.0% per annum, compounded quarterly, and will be payable at its maturity.

In connection with its acquisition of Atlantic Specialty on March 31, 2004, OneBeacon issued a \$20.0 million note to the seller (the "Atlantic Specialty Note"). The note accrues interest at a rate of

5.2% except that the outstanding principal amount in excess of \$15.0 million accrues interest at a rate of 3.6%. OneBeacon is required to repay \$2.0 million of principal on the notes per year, commencing with the first payment due on January 1, 2007.

Contractual Obligations and Commitments

Below is a schedule of White Mountains' material contractual obligations and commitments as of September 30, 2004:

Millions	Due in One Year or Less	Due in Two Years	Due in Three Years	Due in Four Years	Due After Four Years	Total
Debt	\$ —	\$ —	\$ 17.0	\$ 2.0	\$ 776.3	\$ 795.3
Mandatorily redeemable preferred stock	—	—	—	300.0	20.0	320.0
Total contractual obligations(1)	\$ —	\$ —	\$ 17.0	\$ 302.0	\$ 796.3	\$ 1,115.3

(1) Does not reflect contractual obligations and commitments under operating leases.

At December 31, 2003, contractual obligations and commitments under operating leases were \$153.9 million. There are no provisions within White Mountains' leasing agreements that would trigger acceleration of future lease payments. White Mountains does not finance its operations through the securitization of its trade receivables, through special purpose entities or through synthetic leases. Further, White Mountains has not entered into any arrangement requiring it to guarantee payment of third party debt or to fund losses of an unconsolidated special purpose entity.

Detailed information concerning White Mountains' liquidity and capital resource activities during the nine months ended September 30, 2004 and 2003 follows:

For the nine months ended September 30, 2004

On August 27, 2004, White Mountains repaid the \$25 million note that was issued as part of the financing of its 2001 acquisition of C-F Insurance Company.

On August 2, 2004, White Mountains invested \$195 million in Symetra, a newly formed acquisition company which purchased Safeco Life for approximately \$1.35 billion. In addition to the 2.0 million common shares of Symetra that Sirius purchased, the Company also received warrants to acquire an additional 1.1 million shares of Symetra, at an exercise price of \$100 per share.

On June 29, 2004, Berkshire exercised all of its warrants to purchase 1,724,200 Common Shares of White Mountains for \$294.0 million. Berkshire bought the warrants in connection with the financing of White Mountains' acquisition of OneBeacon in 2001. The warrants were exercisable at any time until May 2008 and callable by the Company on or after May 31, 2005. In consideration for the early exercise of the warrants, Berkshire and the Company agreed to reduce the exercise price by approximately 2%.

On April 16, 2004, White Mountains completed the Sirius Acquisition for SEK 3.27 billion (approximately \$427.5 million based upon the foreign exchange spot rate at the date of acquisition) which included \$10.5 million of expenses incurred in connection with the acquisition.

On March 31, 2004, White Mountains completed the acquisition of the Sierra Group from Sierra Health Services, Inc. White Mountains paid \$76.2 million for the Sierra Group, which included \$14.2 million in cash and a \$62.0 million purchase note.

For the nine months ended September 30, 2004, White Mountains declared and paid a total of \$22.7 million in dividends to holders of preferred stock with a face value of \$320.0 million.

For the nine months ended September 30, 2004, White Mountains paid a total of \$20.6 million in interest under the Senior Notes.

In March 2004, the Company declared and paid an annual dividend of \$9.1 million to its common shareholders.

During the nine months ended September 30, 2004, OneBeacon Insurance Group LLC (OneBeacon's parent) declared and paid a total of \$165.0 million in cash dividends to Fund American, its immediate parent company. Also during the nine months ended September 30, 2004, WMU paid a total of \$55.0 million of dividends to its immediate parent, White Mountains Re. On March 31, 2004, OneBeacon distributed Folksamerica up to Fund American.

During the nine months ended September 30, 2004, the Company issued a total of 600 Common Shares to its employees through the exercise of Options during the period and, as a result, the Company received cash proceeds of \$0.1 million in connection with these Option exercises. In addition, during the first quarter of 2004, White Mountains issued 27,772 Common Shares to employees of OneBeacon in connection with OneBeacon's employee stock ownership plan. OneBeacon paid \$13.2 million to the Company in consideration for these Common Shares.

During the first quarter of 2004, White Mountains made payments amounting to \$126.6 million, in cash or by deferral into certain non-qualified compensation plans of the Company or its subsidiaries, to participants in its long-term incentive compensation plans. These payments were made with respect to 168,329 performance shares at payout levels ranging from 93% to 200% of target.

For the nine months ended September 30, 2003

On May 19, 2003, Fund American issued the Senior Notes for net proceeds of \$693.4 million. Using proceeds from the Senior Notes, Fund American repaid the entire \$614.9 million of term loans outstanding under its previous bank facility. In addition, on May 27, 2003, using the remaining \$78.5 million in proceeds from the Senior Notes and cash on hand, Fund American repaid the entire \$125.0 million of revolving loans outstanding under its previous bank facility. In connection with the repayment of its previous bank facility, on May 20, 2003, Fund American paid an aggregate \$56.4 million to unwind all of its existing interest rate swap agreements.

For the nine months ended September 30, 2003, White Mountains made scheduled principal amortization payments of \$6.5 million on its previous bank facility prior to the repayment and paid a total of \$22.5 million in interest under its previous bank facility, including \$10.6 million paid under the interest rate swap agreements.

For the nine months ended September 30, 2003, White Mountains declared and paid a total of \$22.7 million in dividends to holders of preferred stock with a face value of \$320.0 million.

In March 2003, the Company declared and paid an annual dividend of \$8.3 million to its common shareholders.

During the nine months ended September 30, 2003, OneBeacon declared and paid a total of \$202.6 million in cash dividends to Fund American, its immediate parent company. Also during the nine months ended September 30, 2003, WMU paid a total of \$30.0 million of dividends to its immediate parent, White Mountains Re, and WM Advisors paid a total of \$10.0 million in dividends to Fund American.

During the nine months ended September 30, 2003, the Company issued a total of 6,316 Common Shares to its employees through the exercise of Options during the period and, as a result, the Company received cash proceeds of \$.8 million in connection with these Option exercises.

During the first quarter of 2003, White Mountains made payments with respect to 39,500 performance shares (relating to the 2000-2002 performance period) at a 200% payout level, amounting to \$25.7 million, to its participants in cash or by deferral into certain non-qualified compensation plans of the Company or its subsidiaries. In the second quarter of 2003, White Mountains made payments with respect to an additional 33,075 performance shares, amounting to \$13.1 million in cash or by deferral into certain non-qualified compensation plans of the Company. The payments on these additional performance shares in the second quarter represented accelerated payments to certain non-employee directors of the Company for performance periods originally scheduled to end on December 31, 2003, 2004 and 2005.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to the Company's 2003 Annual Report on Form 10-K for a complete discussion regarding White Mountains' critical accounting policies and estimates.

FORWARD-LOOKING STATEMENTS

The information contained in this report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this report which address activities, events or developments which White Mountains expects or anticipates will or may occur in the future are forward-looking statements. The words "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':

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

These statements are based on certain assumptions and analyses made by White Mountains in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However,

whether actual results and developments will conform with its expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- the failure of acquisitions to enhance shareholder value;
- claims arising from catastrophic events, such as hurricanes, earthquakes, floods or terrorist attacks;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other insurers and reinsurers;
- changes in domestic or foreign laws or regulations applicable to White Mountains, its competitors or its clients;
- an economic downturn or other economic conditions adversely affecting its financial position;
- loss reserves established subsequently proving to have been inadequate; and
- other factors, most of which are beyond White Mountains' control.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the Company's 2003 Annual Report on Form 10-K, and in particular Item 7A—"Quantitative and Qualitative Disclosures About Market Risk". That information is hereby supplemented as follows:

Foreign Currency Exchange Rates

White Mountains' foreign assets and liabilities are valued using period-end exchange rates and its foreign revenues and expenses are valued using average exchange rates. Foreign currency exchange rate risk is the risk that White Mountains will incur losses due to adverse changes in foreign currency exchange rates.

As a result of the Sirius Acquisition during the second quarter of 2004, White Mountains has a higher concentration of assets, liabilities, revenues and expenses denominated in foreign currencies than in prior periods. The functional currency of Sirius is the Swedish Krona. Assuming a hypothetical 10% increase or decrease in the rate of exchange from the Swedish Krona to the U.S. Dollar as of September 30, 2004, the carrying value of White Mountains' net assets denominated in Swedish Kronor would have respectively increased or decreased by approximately \$48 million.

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-14 of the Exchange Act) as of the end of the period covered by this report. Based on that

evaluation, the PEO and PFO have concluded that White Mountains' disclosure controls and procedures are adequate and effective.

There have been no significant changes in White Mountains' internal controls, or in factors that could significantly affect internal controls, subsequent to their most recent evaluation of such controls.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Refer to the Company's 2003 Annual Report on Form 10-K, and in particular Item 3 "Legal Proceedings" for a brief description of non-routine legal proceedings. Damages sought by the claimants do not exceed 10% of the Company's current assets.

On May 15, 2002, The Robert Plan Corporation and several of its subsidiaries filed a lawsuit against the Company, certain of its subsidiaries and several individuals employed by the subsidiaries. The suit alleges that the defendants misappropriated confidential information of the plaintiffs and used such information to enter into the New York automobile assigned risk business in direct competition with the plaintiffs. The plaintiffs have reduced their damages demand to approximately \$66 million, from \$120 million, which they allege represents two years of their lost profits in the subject business. White Mountains, its named subsidiaries and employees do not believe they engaged in any improper or actionable conduct. White Mountains and its subsidiaries have no reason to believe they have any liability to The Robert Plan Corporation and intend to vigorously defend the lawsuit. In addition, OneBeacon has brought a counterclaim against the plaintiffs that it believes to be meritorious. OneBeacon is seeking compensatory damages of \$8.8 million as a result of the breach by the plaintiffs of the LAD servicing contract that OneBeacon had entered into with them. The trial for this matter is currently set for March 2005.

On January 30, 2001, an action was filed in Los Angeles on behalf of Sierra National Life Insurance Holdings, Inc. ("Sierra Holdings", which is not related to the Sierra Group, as previously defined), a dissolved corporation in which White Mountains holds an interest, against Credit Lyonnais, S.A. and other parties who were the successful bidders for the assets of Executive Life Insurance Company ("ELIC"), a California insurer, in the 1991 sale of those assets conducted by the California Commissioner of Insurance. Sierra Holdings alleges that defendants' acquisition violated both federal and state law and that, but for defendants' wrongful acts, it would have been chosen to purchase ELIC's assets. Credit Lyonnais, S.A. and certain of the other defendants pleaded guilty to criminal charges associated with their acquisition of ELIC. The trial for this matter is currently set for February 2005.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote by Security Holders

None.

Item 5. Other Information

Member proposals (other than those proposals to nominate persons as directors) relating to the Company's Annual Meeting to be held in 2005 must be received in writing by the Secretary of the

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10	—	Credit Agreement, dated as of August 26, 2004, among the Company and Fund American, as the borrowers, the several lenders from time to time parties hereto, JP Morgan Chase Bank, as Syndication Agent, and Bank of America, NA as Administrative Agent.
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.

* Not included as an exhibit as the information is contained elsewhere within this report. See Note 7 of the Notes to Consolidated Financial Statements.

(b) Reports on Form 8-K

On August 5, 2004, the Company filed a Form 8-K (Item 12) which served to furnish information regarding its press release announcing its results for the three and six month periods ended June 30, 2004.

On August 12, 2004 the Company filed a Form 8-K (Item 2) which served to furnish information regarding its press release announcing that the investor group led by White Mountains and Berkshire completed its previously announced acquisition of the life and investments business of Safeco Corporation.

On August 30, 2004, the Company filed a Form 8-K (Item 5.02) which served to furnish information regarding its press release announcing the election of Edith E. Holiday on August 26, 2004 to the Board of Directors.

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: November 2, 2004

By: /s/ J. BRIAN PALMER

J. Brian Palmer
Chief Accounting Officer

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\$400,000,000

CREDIT AGREEMENT,

dated as of August 26, 2004,

among

WHITE MOUNTAINS INSURANCE GROUP, LTD.,

and

FUND AMERICAN COMPANIES, INC.,

as the Borrowers,

**The Several Lenders
from Time to Time Parties Hereto,**

**JP MORGAN CHASE BANK,
as Syndication Agent,**

and

**BANK OF AMERICA, N.A.,
as Administrative Agent**

CUSIP Number

**BANC OF AMERICA SECURITIES LLC AND J.P. MORGAN SECURITIES INC.,
as Joint Lead Arrangers and Co-Book Runners,**

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F	Form of Legal Opinion of Robert Seelig, Esq.
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H	Assignment and Assumption

CREDIT AGREEMENT, dated as of August 26, 2004 among (i) WHITE MOUNTAINS INSURANCE GROUP, LTD. ("White Mountains"), a company existing under the laws of Bermuda, (ii) FUND AMERICAN COMPANIES, INC., a Delaware corporation ("Fund American", together with White Mountains, the "Borrowers"), (iii) the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), (iv) JP MORGAN CHASE BANK, as syndication agent (the "Syndication Agent") and (v) BANK OF AMERICA, N.A., as administrative agent (in such capacity, the "Administrative Agent").

SECTION 1 DEFINITIONS

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

"Administrative Agent": as defined in the preamble hereto.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on *Schedule 10.2*, or such other address or account as the Administrative Agent may from time to time notify the Borrowers and the Lenders.

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

"Agent-Related Persons" the Administrative Agent, together with its Affiliates (including, Bank of America, N.A. in its capacity as the Administrative Agent and Banc of America Securities LLC in its capacity as one of the Lead Arrangers), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

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

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

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

"Applicable Margin": the rate per annum set forth below which corresponds with the higher of (i) the most current senior unsecured debt rating issued by S&P and by Moody's with respect to

White Mountains and (ii) the most current senior unsecured debt rating issued by S&P and by Moody's with respect to Fund American.

Level	Rating	Applicable Margin
I	³ A-/A3	0.400%
II	³ BBB+/Baa1	0.500%
III	³ BBB/Baa2	0.600%
IV	³ BBB-/Baa3	0.800%
V	< BBB-/Baa3	1.000%

Changes in the Applicable Margin shall become effective on the date on which S&P and/or Moody's changes such rating. The following criteria shall be utilized in determining the Applicable Margin: (i) in the event that there is a split rating of one level between Moody's and S&P, with respect to a Borrower, the higher level rating shall apply to such Borrower, (ii) in the event of a split rating of more than one level between Moody's and S&P with respect to a Borrower, the rating level that is one level above the lower rating shall apply to such Borrower, (iii) if a Borrower is rated by only one of the aforementioned rating agencies, that rating shall apply to such Borrower, (iv) if a Borrower is not rated by either of the aforementioned rating agencies, the rating of the other Borrower shall be used to determine the Applicable Margin and (v) if neither Borrower is rated by one of the aforementioned rating agencies the Applicable Margin shall be that corresponding to Level V.

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

"Assignment and Assumption" means an Assignment and Assumption substantially in the form of *Exhibit H*.

"Attorney Costs" means and includes all reasonable fees, expenses and disbursements of any law firm or other external counsel.

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

"Base Rate": for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus $\frac{1}{2}$ of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. as its "prime rate." The "prime rate" is a rate set by Bank of America, N.A. based upon various factors including Bank of America N.A.'s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America, N.A. shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loans": Loans for which the applicable rate of interest is based upon the Base Rate.

"Benefitted Lender": as defined in Section 10.7.

"Berkshire Hathaway": Berkshire Hathaway Inc., or an affiliate.

"Berkshire Preferred Stock": the \$300,000,000 aggregate liquidation preference amount of non-voting preferred stock issued by Fund American to Berkshire Hathaway pursuant to the Certificate of Designation, as amended, supplemented or otherwise modified from time to time.

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrowers": as defined in the preamble hereto.

"Borrowing Date": any Business Day specified by a Borrower as a date on which such Borrower requests the relevant Lenders to make Loans hereunder.

"Borrowing Request": as defined in Section 2.2 hereto.

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

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

"Capital and Surplus": as to any Insurance Subsidiary, as of any date, the total amount shown on line 35, page 3, column 1 of the Annual Statement of such Insurance Subsidiary, or an amount determined in a consistent manner for any date other than one as of which an Annual Statement is prepared (or any successor line, page or column that contains the same information).

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

"Cash Collateralize": means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Issuing Lender and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the Issuing Lender (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings.

"Certificate of Designation": That certain Certificate of Designation of Series A Preferred Stock of TACK Acquisition Corp. (n/k/a Fund American), dated May 31, 2001.

"Change of Control": means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), other than (i) Berkshire Hathaway, (ii) Franklin Mutual or (iii) John J. Byrne or any Related Person with respect to John J. Byrne (together with, in the case of clauses (i), (ii) and (iii), their Affiliates) of Capital Stock representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of White Mountains, (b) the occupation, within a period of two years, of a majority of the seats (other than vacant seats) on the board of directors of White Mountains by Persons who were neither (i) nominated by the board of directors of White Mountains nor (ii) appointed by directors so nominated or (c) neither Fund American nor, if applicable, its successors shall be a Subsidiary of White Mountains. For the avoidance of doubt, none of the Capital Stock held by the entities listed in clauses (a)(i), (a)(ii)

and (a)(iii), nor the Capital Stock held by any of their Affiliates, shall be included when determining whether any Person or group has met the 30% threshold set forth in clause (a).

"Closing Date": August 26, 2004.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Borrowers within the meaning of Section 4001 (a) (14) of ERISA or that is treated as a single employer with the Borrowers under Section 414 of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer of White Mountains substantially in the form of Exhibit A.

"Conditional Common Equity": convertible preferred stock which will convert to common equity upon shareholder approval (provided that such shareholder approval is obtained within the period required by the terms thereof).

"Consolidated Capitalization": as at any date, the sum of (a) Consolidated Net Worth plus (b) Total Consolidated Debt plus (c) the amounts in respect of Trust Preferred Securities, Mandatory Convertible Securities, Mandatory Redeemable Securities and any other preferred stock that would, in conformity with GAAP, be reflected on a consolidated balance sheet of White Mountains and its consolidated Subsidiaries prepared as of such date and are not already included in (a) or (b) above.

"Consolidated Net Income": for any period, the consolidated net income (or loss) of White Mountains and its consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; *provided*, that in calculating Consolidated Net Income for any period, there shall be excluded the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of White Mountains or is merged into or consolidated with White Mountains or any of its Subsidiaries.

"Consolidated Net Worth": as at any date, the sum of all amounts that would, in conformity with GAAP, but excluding the effects of SFAS 115, be included on a consolidated balance sheet of White Mountains and its consolidated Subsidiaries under stockholders' equity at such date, plus minority interests in Subsidiaries, as determined in accordance with GAAP. Consolidated Net Worth shall in any event include the amount of the Berkshire Preferred Stock so long as it is outstanding (such amount being the amount that would be reflected on a consolidated balance sheet of White Mountains and its consolidated Subsidiaries in accordance with GAAP).

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

"Debt": indebtedness for borrowed money.

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

"Default": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Defaulting Lender": any Lender that defaults in its obligation to make any Loan hereunder, so long as such default is continuing.

"Demand Requirement": as defined in Section 2.21(b) hereto.

"Department": with respect to any Insurance Subsidiary, the insurance commissioner or other Governmental Authority of such Insurance Subsidiary's jurisdiction of domicile with which such Insurance Subsidiary is required to file its Annual Statement.

"Dollars" and *"\$"*: lawful currency of the United States of America.

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

"Eligible Assignee": as defined in Section 10.7(g) hereto.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Loans": Loans for which the applicable rate of interest is based upon the Eurodollar Rate.

"Eurodollar Rate" means for any Interest Period with respect to a Eurodollar Rate Loan:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America, N.A. and with a term equivalent to such Interest Period would be offered by Bank of America N.A.'s London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"Existing Credit Agreement". that certain Credit Agreement, dated as of September 5, 2003, among the Borrowers, the several banks and other financial institutions or entities from time to time parties thereto, Bank One, NA, as syndication agent and Fleet National Bank, as administrative agent;

"Event of Default": any of the events specified in Section 8, *provided* that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Facility Fee Rate": the rate per annum set forth below which corresponds with the higher of (i) the most current senior unsecured debt rating issued by S&P and by Moody's with respect to White Mountains and (ii) the most current senior unsecured debt rating issued by S&P and by Moody's with respect to Fund American.

Level	Rating	Facility Fee
I	³ A-/A3	0.100%
II	³ BBB+/Baa1	0.125%
III	³ BBB/Baa2	0.150%
IV	³ BBB-/Baa3	0.200%
V	< BBB-/Baa3	0.375%

Changes in the Facility Fee Rate shall become effective on the date on which S&P and/or Moody's changes such rating. The following criteria shall be utilized in determining the Facility Fee Rate (i) in the event that there is a split rating of one level between Moody's and S&P with respect to a Borrower the higher level rating shall apply to such Borrower, (ii) in the event of a split rating of more than one level between Moody's and S&P with respect to a Borrower, the rating level that is one level above the lower rating shall apply to such Borrower, (iii) if a Borrower is rated by only one of the aforementioned rating agencies, that rating shall apply to such Borrower, (iv) if a Borrower is not rated by either of the aforementioned rating agencies, the rating of the other Borrower shall be used to determine the Facility Fee Rate and (v) if neither Borrower is rated by one of the aforementioned rating agencies the Facility Fee Rate shall be that corresponding to Level V.

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

"Fee Letters" means, collectively, (a) the commitment letter, dated July 27, 2004, among the Borrowers, the Administrative Agent, the Syndication Agent and the Joint Lead Arrangers, (b) the arrangement fee letter, dated July 27, 2004 among the Borrowers and the Joint Lead Arrangers and (c) the agent's fee letter, dated July 27, 2004, among the Borrowers and the Administrative Agent.

"Folksamerica": Folksamerica Reinsurance Company, a New York corporation.

"Franklin Mutual": any investment fund managed by Franklin Mutual Advisers LLC (or any successor thereto) or any of its Affiliates.

"Fund American": as defined in the preamble hereto.

"Fund American Guaranty": as defined in Section 2.21(b).

"Fund American Guaranty Limitations": as defined in Section 4.4.

"Fundamental Change": any of (a) White Mountains consolidating or amalgamating with or merging into any other Person, (b) White Mountains failing to preserve, renew and keep, in full force and effect, its corporate existence, (c) White Mountains, directly or indirectly through one or

more of its Subsidiaries, conveying or transferring the properties and assets of White Mountains and its Subsidiaries (taken as a whole for White Mountains and its Subsidiaries) substantially as an entirety (other than to White Mountains or one or more of its Subsidiaries), or (d) White Mountains liquidating, winding up or dissolving itself, other than, in the case of clauses (a) through (d), any such transaction or transactions the sole purpose of which is to change the domicile of White Mountains (in any such redomiciliation (x) the surviving, amalgamated or transferee entity shall expressly assume, by an agreement reasonably satisfactory to the Administrative Agent, the obligations of White Mountains to be performed or observed hereunder and deliver to the Administrative Agent such corporate authority documents and legal opinions as the Administrative Agent shall reasonably request, (y) the surviving, amalgamated or transferee entity shall succeed to, and be substituted for, and may exercise every right and power of, White Mountains under this Agreement with the same effect as if such surviving, amalgamated or transferee entity had been named as White Mountains herein and (z) the surviving, amalgamated or transferee entity shall be organized under the laws of the United States of America, any state thereof, the District of Columbia or Bermuda).

"Funding Office": the office specified from time to time by the Administrative Agent as its funding office by notice to the Borrowers and the Lenders.

"GAAP": generally accepted accounting principles in the United States of America as in effect from time to time, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof.

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

"Granting Lender": as defined in Section 10.7(h).

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

Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by White Mountains in good faith.

"*Guarantor*": as defined in Section 2.21 hereto.

"*Guaranty*": as defined in Section 2.21 hereto.

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

"*Hedge Agreements*": all interest rate swaps, caps or collar agreements or similar arrangements entered into by the Borrowers or their Subsidiaries providing for protection against fluctuations in interest rates or currency exchange rates or otherwise providing for the exchange of nominal interest obligations, either generally or under specific contingencies.

"*Indebtedness*": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation and (j) for the purposes of Section 8(e) only, all obligations of such Person in respect of Hedge Agreements entered into in the ordinary course of business and not for speculative purposes. For the avoidance of doubt, Indebtedness shall include Surplus Debentures and shall in any event exclude the Berkshire Preferred Stock so long as it is outstanding.

"*Indemnified Liabilities*": as defined in Section 10.6.

"*Indemnitee*": as defined in Section 10.6.

"*Insolvency*": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"*Insolvent*": pertaining to a condition of Insolvency.

"*Insurance Regulations*": any law, regulation, rule, directive or order applicable to an insurance company.

"*Insurance Regulator*": any Person charged with the administration, oversight or enforcement of any Insurance Regulation.

"*Insurance Subsidiary*": any Subsidiary which is required to be licensed by any Department as an insurer or reinsurer and each direct or indirect Subsidiary of such Subsidiary.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date": (a) as to any Base Rate Loan, the first day of each January, April, July and October, (b) as to any Eurodollar Loan having an Interest Period of three months or shorter, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Loan (other than a Base Rate Loan), the date of any repayment or prepayment made in respect thereof.

"Interest Period": as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months (or, unless unavailable to any Lender, nine or twelve months) thereafter, as selected by the relevant Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months (or, unless unavailable to any Lender, nine or twelve months) thereafter, as selected by the relevant Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; *provided* that, all of the foregoing provisions relating to Interest Periods are subject to the following:

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

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

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

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

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

"Issuing Lender": Bank of America, N.A. and any other Lender from time to time designated by the Borrowers as an Issuing Lender, with the consent of such Lender and the Administrative Agent.

"Joint Lead Arrangers": Banc of America Securities LLC and J.P. Morgan Securities, Inc.

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

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

"L/C Commitment": \$50,000,000, as the same may be reduced from time to time pursuant to Section 2.7.

"L/C Fee Payment Date": the first day of each January, April, July and October and the last day of the Revolving Credit Commitment Period.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate amount available to be drawn under all outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.5. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.03. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

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

"Lenders": as defined in the preamble hereto.

"Letters of Credit": as defined in Section 3.1(a).

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

"Lien": any mortgage, pledge, security interest, encumbrance, charge or security interest of any kind.

"Loan": any loan made by any Lender pursuant to this Agreement, including any Swing Line Loan made by the Swing Line Lender.

"Loan Documents": this Agreement, the Applications and the Notes.

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

"Mandatory Convertible Securities": equity securities or subordinated debt securities (which debt securities, if issued by a Borrower, will include subordination to the obligations of such Borrower hereunder), issued by White Mountains or one of its Subsidiaries which (i) are not (w) Mandatory Redeemable Securities or (x) Conditional Common Equity and (ii) provide, pursuant to the terms thereof, that the issuer of such securities (or an affiliate of such issuer) may cause (without the payment of additional cash consideration by the issuer thereof) the conversion of such securities to equity securities of White Mountains or one of its Subsidiaries upon the occurrence of a certain date or of certain events.

"Mandatory Redeemable Securities": debt or equity securities (other than Conditional Common Equity, so long as such Conditional Common Equity may not be required, by the holder thereof, to be repurchased or redeemed during the period provided for shareholder approval of conversion pursuant to the terms of such Conditional Common Equity) issued by White Mountains or one of its Subsidiaries which provide, pursuant to the terms thereof, that such securities must be repurchased or redeemed, or the holder of such securities may require the issuer of such securities to repurchase or redeem such securities, upon the occurrence of a certain date or of certain events.

"Material Adverse Effect": a material adverse effect on (i) the business, assets, property or financial condition of the Borrowers and their Subsidiaries taken as a whole, or (ii) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of the Administrative Agent and the Lenders hereunder or thereunder.

"Material Insurance Subsidiary": OneBeacon, Folksamerica, Sirius and any new Insurance Subsidiary acquired or formed after the Closing Date having Capital and Surplus of \$250,000,000 or more.

"Moody's": Moody's Investors Service, Inc. (or any successor thereto).

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

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

"Non-Excluded Taxes": as defined in Section 2.16(a).

"Non-U.S. Lender": as defined in Section 2.16(d).

"Note": any promissory note evidencing any Loan.

"OneBeacon": OneBeacon Insurance Company, a Pennsylvania corporation.

"OneBeacon Insurance Group": OneBeacon Insurance Group LLC, a Delaware limited liability company and, for purposes of Section 6.1(b), the grouping of Subsidiaries of OneBeacon Insurance Group identified by NAIC Group Code 1129 (or any successor grouping equivalent thereto).

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant": as defined in Section 10.7(d).

"Payment Office": the office specified from time to time by the Administrative Agent as its payment office by notice to the Borrowers and the Lenders.

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

"Permitted Liens": (i) any Lien upon Property to secure any part of the cost of development, construction, alteration, repair or improvement of such Property, or Debt incurred to finance such cost; (ii) any extension, renewal or replacement, in whole or in part, of any Lien referred to in the

foregoing clause (i); (iii) any Lien relating to a sale and leaseback transaction; (iv) any Lien in favor of a Borrower or any Subsidiary granted by a Borrower or any Subsidiary in order to secure any intercompany obligations; (v) mechanic's, materialmen's, carriers' or other like Liens arising in the ordinary course of business (including construction of facilities) in respect of obligations which are not due or which are being contested in good faith; (vi) any Lien arising in connection with any legal proceeding which is being contested; (vii) Liens for taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; (viii) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Debt and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (ix) pledges or deposits under workers' compensation laws, unemployment insurance laws or similar social security legislation; (x) any deposit to secure performance of letters of credit, bids, leases, statutory obligations, surety and appeal bonds, performance bonds or other obligations of a like nature in the ordinary course of business; (xi) any interest or title of a lessor under any lease entered into in the ordinary course of business; (xii) Liens on assets of any Insurance Subsidiary securing (a) short-term (i.e. with a maturity of less than one year when issued, *provided that* such Debt may include an option to extend for up to an additional one year period) Debt incurred to provide short-term liquidity to facilitate claims payments in the event of catastrophe, (b) Debt incurred in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Debt) and letters of credit issued for the account of any such Subsidiary in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Debt) or (c) insurance-related obligations (that do not constitute Debt); and (xiii) Liens securing the obligations hereunder.

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

"Plan": at a particular time, any employee pension benefit plan that is subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which either of the Borrowers or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Principal Business": means (a) a business of the type engaged in by the Borrowers and their Subsidiaries on the date of the Agreement, (b) any other insurance, insurance services or insurance related business and (c) any business reasonably incident to any of the foregoing.

"Property": any property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"Qualified Mandatory Redeemable Securities": Mandatory Redeemable Securities that, pursuant to the terms thereof, must be redeemed or repurchased, or may be required to be redeemed or repurchased at the option of the holder of such securities (other than upon the occurrence of one or more events or conditions other than the occurrence of a certain date), not sooner than the Revolving Credit Termination Date.

"Quarterly Statement": the quarterly statutory financial statement of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation, which statement shall be in the form required by such Insurance Subsidiary's jurisdiction of incorporation or, if no specific form is so required, in the form of financial statements permitted by such Department to

be used for filing quarterly statutory financial statements and shall contain the type of information permitted or required by such Department to be disclosed therein, together with all exhibits or schedules filed therewith.

"*Refunded Swing Line Loans*": as defined in Section 2.4.

"*Refunding Date*": as defined in Section 2.4.

"*Register*": as defined in Section 10.7(c).

"*Regulation U*": Regulation U of the Board as in effect from time to time.

"*Reimbursement Obligation*": the obligation of the Borrowers to reimburse an Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit issued by such Issuing Lender for the account of the Borrowers.

"*Reorganization*": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"*Reportable Event*": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived.

"*Requirement of Law*": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person (excluding, in the case of Section 2.15(a)(i), any of the foregoing relating to the Administrative Agent or any Lender), and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"*Responsible Officer*": as to any Borrower or Insurance Subsidiary the chief executive officer, president, chief financial officer, treasurer, chief accounting officer, any vice president or any managing director of such Borrower or any Insurance Subsidiary, as the context requires.

"*Revolving Credit Commitment*": as to any Lender, the obligation of such Lender, if any, to make Revolving Credit Loans and participate in Swing Line Loans and Letters of Credit, in an aggregate principal or face amount not to exceed the amount set forth under the heading "Revolving Credit Commitment" opposite such Lender's name on *Schedule 1* to this Agreement, or, as the case may be, in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of the Total Revolving Credit Commitments on the date of this Agreement is \$400,000,000, subject to decreases pursuant to Section 2.7.

"*Revolving Credit Commitment Period*": the period from and including the Closing Date to the Revolving Credit Termination Date.

"*Revolving Credit Loans*": as defined in Section 2.1.

"*Revolving Credit Percentage*": as to any Lender at any time, the percentage which such Lender's Revolving Credit Commitment then constitutes of the Total Revolving Credit Commitments (or, at any time after the Revolving Credit Commitments shall have expired or terminated, the percentage which the aggregate amount of such Lender's Revolving Extensions of Credit then outstanding constitutes of the amount of the Total Revolving Extensions of Credit then outstanding).

"*Revolving Credit Termination Date*": August 26, 2009.

"*Revolving Extensions of Credit*": as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then

outstanding, (b) the principal amount equal to such Lender's Revolving Credit Percentage of the L/C Obligations then outstanding and (c) the principal amount equal to such Lender's Revolving Credit Percentage of the aggregate principal amount of Swing Line Loans then outstanding.

"S&P": Standard & Poor's Rating Services (or any successor thereto).

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

"SEC": the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

"SFAS": Statements of Financial Accounting Standards adopted by the Financial Accounting Standards Board.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Sirius" means Sirius International Insurance Corporation, a Swedish corporation

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

"Surplus Debentures": as to any Insurance Subsidiary, debt securities of such Insurance Subsidiary the proceeds of which are permitted to be included, in whole or in part, as Capital and Surplus of such Insurance Subsidiary as approved and permitted by the applicable Department.

"Swing Line Commitment": the obligation of the Swing Line Lender to make Swing Line Loans pursuant to Section 2.4 in an aggregate principal amount at any one time outstanding not to exceed \$10,000,000.

"Swing Line Lender": Bank of America, N.A., in its capacity as the Lender of Swing Line Loans.

"Swing Line Loans": as defined in Section 2.3.

"Swing Line Participation Amount": as defined in Section 2.4(c).

"Syndication Agent": as defined in the preamble hereto.

"Total Consolidated Debt": at any date, the sum, without duplication, of (a) all amounts that would, in conformity with GAAP, be reflected and classified as debt on a consolidated balance sheet of White Mountains and its consolidated Subsidiaries prepared as of such date, (b) Indebtedness represented by (i) Trust Preferred Securities or Qualified Mandatory Redeemable Securities (in each case, owned by Persons other than White Mountains or any of its consolidated Subsidiaries) but only to the extent that such securities (other than Mandatory Convertible Securities) exceed 15% of Consolidated Capitalization or (ii) Mandatory Redeemable Securities (owned by Persons other than White Mountains or any of its consolidated Subsidiaries) other than Qualified Mandatory Redeemable Securities and (c) Indebtedness represented by Mandatory Convertible Securities (owned by Persons other than White Mountains or any of its consolidated

Subsidiaries) but only to the extent that such Mandatory Convertible Securities plus Trust Preferred Securities and Qualified Mandatory Redeemable Securities (in each case, owned by Persons other than White Mountains or any of its consolidated Subsidiaries) exceed 25% of Consolidated Capitalization, provided, that in the event that the notes related to the Mandatory Convertible Securities remain outstanding following the exercise of forward purchase contracts related to such Mandatory Convertible Securities, then such outstanding notes will be included in Total Consolidated Debt thereafter. Total Consolidated Debt shall not, in any event, include (a) Hedge Agreements entered into in the ordinary course of business for non-speculative purposes, (b) Indebtedness of the type described in Sections 7.2(b) and (c), (c) Conditional Common Equity, (d) any amounts in respect of Berkshire Preferred Stock, or (e) any other amounts in respect of Trust Preferred Securities, Mandatory Redeemable Securities or Mandatory Convertible Securities.

"Total Revolving Credit Commitments": at any time, the aggregate amount of the Revolving Credit Commitments then in effect.

"Total Revolving Extensions of Credit": at any time, the aggregate amount of the Revolving Extensions of Credit of the Lenders outstanding at such time.

"Transferee": a Participant or an assignee of any Lender's rights and obligations under this Agreement pursuant to an Assignment and Assumption.

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

"Type": as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

"White Mountains": as defined in the preamble hereto.

"White Mountains Guaranty": as defined in Section 2.21(a).

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

- (a) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Borrowers or their Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP or SAP, as the case may be.
- (b) References herein to particular pages, columns, lines or sections of any Person's Annual Statement shall be deemed, where appropriate, to be references to the corresponding page, column, line or section of such Person's Quarterly Statement, or if no such corresponding page, column, line or section exists or if any report form changes, then to the corresponding item referenced thereby.
- (c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

- (d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.
- (e) The word "or" is not exclusive and the words "include", "includes" or "including" shall be deemed to be followed by the phrase "without limitation".
- (f) References to "preferred stock" includes Capital Stock designated as preferred stock, preference shares, preferred shares or any similar term.

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

SECTION 2 AMOUNT AND TERMS OF COMMITMENTS

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

(b) Each Borrower shall repay all outstanding Revolving Credit Loans made to such Borrower on the Revolving Credit Termination Date.

2.2 *Procedure for Revolving Credit Borrowing.* A Borrower may borrow under the Revolving Credit Commitments on any Business Day during the Revolving Credit Commitment Period, provided that such Borrowers shall give the Administrative Agent a borrowing request in the form of Exhibit B hereto (hereinafter, a "Borrowing Request") (which Borrowing Request must be received by the Administrative Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) on the requested Borrowing Date, in the case of Base Rate Loans, provided that requests for Base Rate Loans not received prior to 11:00 A.M., New York City time on the requested Borrowing Date shall be deemed received on the following Business Day), and must specify (i) the amount and Type of Revolving Credit Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the length of the initial Interest Period therefor. Each borrowing of Revolving Credit Loans under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, \$1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Credit Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; provided, that the Swing Line Lender may request, on behalf of any Borrower, borrowings of Base Rate Loans under the Revolving Credit Commitments in other amounts pursuant to Section 2.4. Upon receipt of any such notice from a Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make its Revolving Credit

Percentage of the amount of each borrowing of Revolving Credit Loans available to the Administrative Agent for the account of such Borrower at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by such Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to such Borrower by the Administrative Agent in like funds as received by the Administrative Agent.

2.3 *Swing Line Commitment.* (a) Subject to the terms and conditions hereof, the Swing Line Lender agrees that, during the Revolving Credit Commitment Period, it will make available to the Borrowers in the form of swing line loans ("*Swing Line Loans*") a portion of the credit otherwise available to the Borrowers under the Revolving Credit Commitments; *provided* that (i) the aggregate principal amount of Swing Line Loans outstanding at any time shall not exceed the Swing Line Commitment then in effect (notwithstanding that the Swing Line Loans outstanding at any time, when aggregated with the Swing Line Lender's other outstanding Revolving Credit Loans hereunder, may exceed the Swing Line Commitment then in effect or such Swing Line Lender's Revolving Credit Commitment then in effect) and (ii) the Borrowers shall not request, and the Swing Line Lender shall not make, any Swing Line Loan if, after giving effect to the making of such Swing Line Loan, the aggregate amount of the Available Revolving Credit Commitments would be less than zero. During the Revolving Credit Commitment Period, the Borrowers may use the Swing Line Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swing Line Loans shall be Base Rate Loans only.

(b) The Borrowers shall repay all outstanding Swing Line Loans on the Revolving Credit Termination Date. Each payment in respect of Swing Line Loans shall be made to the Swing Line Lender.

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

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

such request, inform such Lender of the aggregate amount of Swing Line Loans outstanding on the date of such request.

(c) If prior to the time a Revolving Credit Loan would have otherwise been made pursuant to Section 2.4(b), one of the events described in Section 8(f) shall have occurred and be continuing with respect to the Borrowers, or if for any other reason, as determined by the Swing Line Lender in its sole discretion, Revolving Credit Loans may not be made as contemplated by Section 2.4(b), each Lender shall, on the date such Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.4(b) (the "*Refunding Date*"), purchase for cash an undivided participating interest in the then outstanding Swing Line Loans by paying to the Swing Line Lender an amount (the "*Swing Line Participation Amount*") equal to (i) such Lender's Revolving Credit Percentage *times* (ii) the sum of the aggregate principal amount of Swing Line Loans then outstanding which were to have been repaid with such Revolving Credit Loans.

(d) Whenever, at any time after the Swing Line Lender has received from any Lender such Lender's Swing Line Participation Amount, the Swing Line Lender receives any payment on account of the Swing Line Loans, the Swing Line Lender will distribute to such Lender its Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's *pro rata* portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swing Line Loans then due); *provided, however*, that in the event that such payment received by the Swing Line Lender is required to be returned, such Lender will return to the Swing Line Lender any portion thereof previously distributed to it by the Swing Line Lender.

(e) Each Lender's obligation to make the Loans referred to in Section 2.4(b) and to purchase participating interests pursuant to Section 2.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Lender or the Borrowers may have against the Swing Line Lender, the Borrowers or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5; (iii) any adverse change in the condition (financial or otherwise) of the Borrowers; (iv) any breach of this Agreement or any other Loan Document by the Borrowers or any Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.5 *Repayment of Loans; Evidence of Debt.* (a) Each of the Borrowers hereby unconditionally promise to pay to the Administrative Agent for the account of the appropriate Lender (i) the then unpaid principal amount on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8) of each Revolving Credit Loan of such Lender made to such Borrower and (ii) the then unpaid principal amount on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8) of each Swing Line Loan of such Swing Line Lender made to such Borrower. Each of the Borrowers hereby further agrees to pay interest to the Administrative Agent for the account of the appropriate Lender on the unpaid principal amount of the Loans made to it from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.11.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of each Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of each Borrower, shall maintain the Register pursuant to Section 10.7(c), and a subaccount therein for each Lender, in which shall be recorded (i) the amount

of each Loan to such Borrower made hereunder and any Note evidencing such Loan, the Type of such Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from such Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from or for the account of such Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.5(b) shall, to the extent permitted by applicable law, be *prima facie* evidence of the existence and amounts of the obligations of each Borrower therein recorded; *provided, however*, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of any Borrower to repay (with applicable interest) the Loans made to it by such Lender in accordance with the terms of this Agreement.

(e) Each of the Borrowers agrees that, upon the request to the Administrative Agent by any Lender, it will execute and deliver to such Lender a promissory note of such Borrower evidencing any Revolving Credit Loans or Swing Line Loans, as the case may be, made by such Lender to such Borrower, substantially in the forms of *Exhibit C-1* or *C-2*, respectively, with appropriate insertions as to date and principal amount.

2.6 *Facility Fee, etc.* (a) Fund American agrees to pay to the Administrative Agent for the account of each Lender a facility fee for the period from and including the Closing Date to the last day of the Revolving Credit Commitment Period, computed at the Facility Fee Rate on the average daily amount of the Revolving Credit Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the first Business Day of each January, April, July and October and on the Revolving Credit Termination Date, commencing on the first of such dates to occur after the Closing Date.

(b) The Borrowers agree to pay to the Joint Lead Arrangers the fees in the amounts and on the dates from time to time agreed to in writing by the Borrowers and the Joint Lead Arrangers.

(c) The Borrowers agree to pay to the Administrative Agent the fees in the amounts and on the dates from time to time agreed to in writing by the Borrowers and the Administrative Agent.

2.7 *Termination or Reduction of Revolving Credit Commitments.* White Mountains shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the aggregate amount of the Revolving Credit Commitments; *provided* that no such termination or reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans and Swing Line Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Total Revolving Credit Commitments; *provided, further*, that a notice of termination of the Revolving Credit Commitments delivered by White Mountains may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by White Mountains (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any such reduction shall be in an amount equal to \$1,000,000, or a whole multiple thereof, and shall reduce permanently the Revolving Credit Commitments then in effect.

2.8 *Prepayments.* (a) A Borrower may at any time and from time to time prepay the Loans made to such Borrower, in whole or in part, without premium or penalty, upon notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and at least one Business Day prior thereto in the case of Base Rate Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Base Rate Loans; *provided*, that (i) if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, such Borrower shall also pay any amounts owing pursuant to

Section 2.17 and (ii) no prior notice is required for the prepayment of Swing Line Loans; *provided, further*, that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Credit Commitments as contemplated by Section 2.7, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.7. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Base Rate Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Loans shall be in an aggregate principal amount of \$1,000,000 or a whole multiple thereof. Partial prepayments of Swing Line Loans shall be in an aggregate principal amount of \$100,000 or a whole multiple thereof.

(b) If for any reason the Total Revolving Extensions of Credit at any time exceed the Total Revolving Credit Commitments then in effect, the Borrowers shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; *provided, however*, that the Borrowers shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.08(b) unless after the prepayment in full of the Loans and Swing Line Loans the Total Revolving Extensions of Credit exceed the Total Revolving Credit Commitments then in effect.

2.9 *Conversion and Continuation Options.* (a) A Borrower may elect from time to time to convert Eurodollar Loans made to such Borrower to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election. A Borrower may elect from time to time to convert Base Rate Loans made to such Borrower to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), *provided* that no Base Rate Loan may be converted into a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have determined in its or their sole discretion not to permit such conversions or (ii) after the date that is one month prior to the Revolving Credit Termination Date. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof.

(b) A Borrower may elect to continue any Eurodollar Loan made to such Borrower as such upon the expiration of the then current Interest Period with respect thereto by giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, *provided* that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have, determined in its or their sole discretion not to permit such continuations or (ii) after the date that is one month prior to the Revolving Credit Termination Date, and *provided, further*, that if such Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso, such Loans shall be converted automatically to Base Rate Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof.

2.10 *Maximum Number of Eurodollar Loans.* Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that no more than ten Eurodollar Loans shall be outstanding at any one time.

2.11 *Interest Rates and Payment Dates.* (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Base Rate Loan shall bear interest at a rate per annum equal to the Base Rate.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum that is equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section *plus 2%* or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans *plus 2%*, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any facility fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans *plus 2%*, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (after as well as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, *provided* that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

2.12 *Computation of Interest and Fees.* (a) Interest, fees and commissions payable pursuant hereto shall be calculated on the basis of a 365-day (or 366-day, as the case may be) year for the actual days elapsed, except that, with respect to Eurodollar Loans, the interest thereon shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrowers and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrowers and the Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrowers and the Lenders in the absence of manifest error.

2.13 *Inability to Determine Interest Rate.* If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrowers) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrowers and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrowers have the right to convert Loans to Eurodollar Loans.

2.14 *Pro Rata Treatment and Payments.* (a) Each borrowing, other than borrowings of Swing Line Loans, by the Borrowers from the Lenders hereunder, each payment by the Borrowers on account of any facility fee or Letter of Credit fee, and any reduction of the Revolving Credit Commitments of

the Lenders, shall be made pro rata according to the respective Revolving Credit Percentages of the relevant Lenders.

(b) Each payment (including each prepayment) by the Borrowers on account of principal of and interest on the Revolving Credit Loans of the Borrowers shall be made *pro rata* according to the respective outstanding principal amounts of the Revolving Credit Loans of the Borrowers then held by the Lenders. Each payment in respect of Reimbursement Obligations in respect of any Letter of Credit shall be made to the relevant Issuing Lender.

(c) The application of any payment of Loans shall be made, *first*, to Base Rate Loans and, *second*, to Eurodollar Loans. Each payment of the Eurodollar Loans shall be accompanied by accrued interest to the date of such payment on the amount paid.

(d) All payments (including prepayments) to be made by the Borrowers hereunder, whether on account of principal, interest, fees or otherwise, shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the relevant Lenders, at the Payment Office, in Dollars and in immediately available funds. Any payment made by the Borrowers after 12:00 Noon, New York City time, on any Business Day shall be deemed to have been made on the next following Business Day. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless a Borrower or any Lender has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that such Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that such Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if such Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to such Borrower to the date such amount is recovered by the Administrative Agent (the "*Compensation Period*") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Revolving Credit Percentage of the Loan included in the applicable borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor

upon such Borrower, and such Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Revolving Credit Commitment or to prejudice any rights which the Administrative Agent or the Borrowers may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or such Borrower with respect to any amount owing under this subsection (e) shall be conclusive, absent manifest error.

(f) The obligations of the Lenders hereunder to make Loans and to fund participations in Letters of Credit and Swing Line Loans are several and not joint. The failure of any Lender to make any Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or purchase its participation.

2.15 *Requirements of Law.* (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.16 and changes in the overall net income tax of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans to a Borrower or issuing or participating in Letters of Credit issued at the request of a Borrower, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, such Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the relevant Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the relevant Borrower (with a copy to the Administrative Agent) of a written request therefor, such Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) In addition to, and without duplication of, amounts which may become payable from time to time pursuant to paragraphs (a) and (b) of this Section 2.15, each Borrower agrees to pay to each Lender which requests compensation under this paragraph (c) by notice to such Borrower, on the last day of each Interest Period with respect to any Eurodollar Loan made by such Lender to such Borrower, at any time when such Lender shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or, at any time when such Lender may be required by the Board of Governors of the Federal Reserve System or by any other Governmental Authority, whether within the United States or in another relevant jurisdiction, to maintain reserves against any other category of liabilities which includes deposits by reference to which the Eurodollar Rate is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Lender which includes any such Eurodollar Loans), an additional amount (determined by such Lender's calculation or, if an accurate calculation is impracticable, reasonable estimate using such reasonable means of allocation as such Lender shall determine) equal to the actual costs, if any, incurred by such Lender during such Interest Period as a result of the applicability of the foregoing reserves to such Eurodollar Loans.

(d) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to a Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. No Lender shall be entitled to compensation under this Section 2.15 from a Borrower for any costs incurred or reductions suffered more than 180 days prior to the date that such Lender notifies such Borrower of the circumstances giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided that if a change of law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. The obligations of the Borrowers pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.16 *Taxes.* (a) Except as required by law, all payments made by the Borrowers under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise and doing business taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("*Non-Excluded Taxes*") or any Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; *provided, however*, that no Borrower shall be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement or designates a new lending office, except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office or assignment, to receive additional amounts from the relevant Borrower with respect to such Non-Excluded Taxes pursuant to this Section 2.16(a).

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by either of the Borrowers, as soon as practicable thereafter the relevant Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an official receipt received by such Borrower showing payment thereof (or other evidence of such payment reasonably satisfactory to the Administrative Agent). If the relevant Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, such Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this Section 2.16 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(d) Each Lender (or Transferee) that is not (i) a citizen or resident of the United States of America, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or (iii) an estate or trust that is subject to U.S. federal income taxation regardless of the source of its income (a "Non-U.S. Lender") shall deliver to the Borrowers and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI (or other applicable form), or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of *Exhibit D* and a Form W-8BEN (or other applicable form), or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrowers under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall, as soon as reasonably practicable, notify the Borrowers at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrowers (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to such Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by such Borrower, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrowers as will permit such payments to be made without withholding or at a reduced rate, *provided* that such Lender is legally entitled to complete, execute and deliver such documentation.

2.17 *Indemnity.* Each Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender sustains or incurs as a consequence of (a) default by such Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after such Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by such Borrower in making any prepayment after such Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making by such Borrower

of a prepayment or conversion of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto; *provided* that any request for indemnification made by a Lender pursuant to this Section 2.17 shall be made within six months of the incurrence of the loss or expense requested to be indemnified. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to a Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.18 *Illegality.* Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be canceled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan to a Borrower occurs on a day which is not the last day of the then current Interest Period with respect thereto, such Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.17.

2.19 *Change of Lending Office.* Each Lender agrees that, upon the occurrence of any event that it knows to give rise to the operation of Section 2.15, 2.16(a) or 2.18 with respect to such Lender, it will use all commercially reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, or to assign its rights and obligations hereunder with respect to such Loans to another of its offices, branches or affiliates with the object of avoiding the consequences of such event, or to assign its rights and obligations hereunder with respect to such Loans to another of its offices, branches or affiliates, with the object of avoiding the consequences of such event; *provided*, that such designation is made on terms that, in the reasonable sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of the Borrowers or the rights of any Lender pursuant to Section 2.15, 2.16(a) or 2.18.

2.20 *Replacement of Lenders under Certain Circumstances.* The Borrowers shall be permitted to replace any Lender (a) that requests reimbursement for amounts owing pursuant to Section 2.15, (b) with respect to which any Borrower is required to pay any amounts under Section 2.16 or 2.18 or (c) that defaults in its obligation to make Loans hereunder, with a replacement financial institution or other entity; *provided* that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.19 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.15 or 2.16, (iv) the replacement financial institution or other entity shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) each Borrower shall be liable to such replaced Lender under Section 2.17 (as though Section 2.17 were applicable) if any Eurodollar Loan to such Borrower owing to such replaced Lender shall be purchased other than on the last day of the

Interest Period relating thereto, (vi) the replacement financial institution or other entity, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender and replacement Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.7 (including, without limitation, obtaining the consents provided for therein) (provided that the Borrowers shall be obligated to pay the registration and processing fee referred to therein), (viii) the Borrowers shall pay all additional amounts (if any) required pursuant to Section 2.15, 2.16 or 2.18, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrowers, the Administrative Agent or any other Lender shall have against the replaced Lender.

2.21 *Guaranty of Payment and Performance.*

(a) *Guaranty by White Mountains of Fund American's Obligations.* White Mountains (being referred to herein in its capacity as guarantor as a "Guarantor") hereby guarantees (such guaranty being hereinafter referred to as the "White Mountains Guaranty") to the Lenders and the Administrative Agent the full and punctual payment when due (whether at stated maturity, by required pre-payment, by acceleration or otherwise) of all of the obligations of Fund American hereunder and under the other Loan Documents (including the principal of the Loans advanced to Fund American, all Reimbursement Obligations of Fund American in respect of Letters of Credit, and all interest, fees, expenses, indemnities and other amounts payable by Fund American hereunder), including all such which would become due but for the operation of the automatic stay pursuant to §362(a) of the Federal Bankruptcy Code and the operation of §502(b) of the Federal Bankruptcy Code. The White Mountains Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of all such obligations of Fund American hereunder and under the other Loan Documents, and not of their collectibility only and is in no way conditioned upon any requirement that the Administrative Agent or any Lender first attempt to collect any of Fund American's obligations from Fund American or resort to any other means of obtaining payment. Should an Event of Default occur with respect to the payment or performance of any such obligations of Fund American, the obligations of White Mountains under the White Mountains Guaranty with respect to such obligations in default shall, upon demand by the Administrative Agent, become immediately due and payable to the Administrative Agent, for the benefit of the Lenders and the Administrative Agent, without demand or notice of any nature, all of which are expressly waived by White Mountains. Payments by White Mountains in respect of the White Mountains Guaranty may be required by the Administrative Agent on any number of occasions. All payments by White Mountains in respect of the White Mountains Guaranty shall be made to the Administrative Agent, in the manner and at the place of payment specified hereunder, for the account of the Lenders and the Administrative Agent.

(b) *Guaranty by Fund American of White Mountains' Obligations.* Fund American (being referred to herein in its capacity as guarantor as a "Guarantor" and together with White Mountains, in its capacity as a guarantor, as the "Guarantors") hereby guarantees (such guaranty being hereinafter referred to as the "Fund American Guaranty" and together with the White Mountains Guaranty as the "Guarantees" and individually as a "Guaranty") to the Lenders and the Administrative Agent the full and punctual payment when due (whether at stated maturity, by required pre-payment, by acceleration or otherwise) of all of the principal of the Loans advanced to White Mountains, all Reimbursement Obligations of White Mountains in respect of Letters of Credit and all interest payable by White Mountains hereunder, including all such which would become due but for the operation of the automatic stay pursuant to §362(a) of the Federal Bankruptcy Code and the operation of §502(b) of the Federal Bankruptcy Code. The Fund American Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of all of White Mountains' obligations, *provided that*, unless (a) White Mountains is the subject of a voluntary or involuntary proceeding under federal or state bankruptcy, insolvency or similar law or (b) demand first being made

on White Mountains is not otherwise required by the terms of the Certificate of Designation, Fund American's obligations in respect of the Fund American Guaranty are conditioned on demand having been made on White Mountains for the payment of White Mountains' obligations (the "Demand Requirement"). Payments by Fund American in respect of the Fund American Guaranty may be required by the Administrative Agent on any number of occasions. All payments by Fund American in respect of the Fund American Guaranty shall be made to the Administrative Agent, in the manner and at the place of payment specified hereunder, for the account of the Lenders and the Administrative Agent.

(c) *Agreement to Pay Enforcement Costs, etc.* Each of the Guarantors further agrees, as the principal obligor and not as a guarantor only, to pay to the Administrative Agent, on demand, all costs and expenses (including court costs and legal expenses) incurred or expended by the Administrative Agent or any Lender in connection with its Guaranty and the enforcement thereof, together with interest on amounts recoverable under this Section 2.21(c) from the time when such amounts become due until payment, whether before or after judgment, at the rate of interest for overdue principal set forth in this Agreement, *provided that* if such interest exceeds the maximum amount permitted to be paid under applicable law, then such interest shall be reduced to such maximum permitted amount.

(d) *Waivers by Guarantors; Lenders' Freedom to Act.* Subject to the Demand Requirement, to the fullest extent permitted by applicable law, each of the Guarantors agrees that the obligations that it has guaranteed hereunder will be paid and performed strictly in accordance with their respective terms, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent or any Lender with respect thereto. Subject to the Demand Requirement, to the fullest extent permitted by applicable law, each of the Guarantors waives promptness, diligences, presentment, demand, protest, notice of acceptance, notice of any obligations incurred and all other notices of any kind, all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of either of the Borrowers or any other entity or other person primarily or secondarily liable with respect to any of the obligations, and all suretyship defenses generally. Without limiting the generality of the foregoing, but subject to the Demand Requirement, each of the Guarantors agrees to the provisions of any instrument evidencing or otherwise executed in connection with any obligation and agrees, to the fullest extent permitted by applicable law, that its obligations in respect of its Guaranty shall not be released or discharged, in whole or in part, or otherwise affected by (i) the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any right or remedy against the Company or any other entity or other person primarily or secondarily liable with respect to any of the obligations; (ii) any extensions, compromise, refinancing, consolidation or renewals of any obligation; (iii) any change in the time, place or manner of payment of any of the obligations or any rescissions, waivers, compromise, refinancing, consolidation or other amendments or modifications of any of the terms or provisions of this Agreement or the other Loan Documents or any other agreement evidencing or otherwise executed in connection with any of the obligations, (iv) the addition, substitution or release of any entity or other person primarily or secondarily liable for any obligation; (v) the adequacy of any rights which the Administrative Agent or any Lender may have against any means of obtaining repayment of any of the obligations; or (vi) any other act or omission which might in any manner or to any extent vary the risk of either of the Guarantors or otherwise operate as a release or discharge of either of the Guarantors, all of which may be done without notice to either of the Guarantors. Subject to the Demand Requirement, to the fullest extent permitted by law, each of the Guarantors hereby expressly waives any and all rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law which would otherwise prevent the Administrative Agent or any Lender from bringing any action, including any claim for a deficiency, or exercising any other right or remedy (including any right of set-off), against either of the Guarantors before or after the Administrative Agent's or such Lender's commencement or completion of any foreclosure action,

whether judicially, by exercise of power of sale or otherwise, or (B) any other law which in any other way would otherwise require any election of remedies by the Administrative Agent or any Lender.

(e) *Unenforceability of Obligations Against the Borrowers.* If for any reason either of the Borrowers has no legal existence or is under no legal obligation to discharge any of its obligations under this Agreement or under the other Loan Documents guaranteed by a Guarantor, or if any of such obligations have become irrecoverable from either of the Borrowers by reason of such Borrower's insolvency bankruptcy or reorganization or by other operation of law or for any other reason, the Guarantees shall, to the fullest extent permitted by applicable law, nevertheless be binding on each of the Guarantors to the same extent as if the affected Guarantor at all times had been the principal obligor on all such obligations subject to the Demand Requirement. In the event that acceleration of the time for payment of any of the guaranteed obligations of the Borrowers under this Agreement or the other Loan Documents is stayed upon the insolvency, bankruptcy or reorganization of either the Borrowers, or for any other reason, all such obligations otherwise subject to acceleration under the terms of this Agreement and the other Loan Documents or any other agreement evidencing or otherwise executed in connection with any such obligation shall, subject to the Demand Requirement, be immediately due and payable by the applicable Guarantor

(f) *Subrogation.* Until the final payment and performance in full of all of the obligations of the Borrowers under this Agreement and the other Loan Documents, neither of the Guarantors shall exercise any rights against the Borrowers arising as a result of payment by such Guarantor in respect of its Guaranty, by way of subrogation, reimbursement, restitution, contribution or otherwise, and will not prove any claim in competition with the Administrative Agent or any Lender in respect of any payment hereunder in any bankruptcy, insolvency or reorganization case or proceedings of any nature and such Guarantor will not claim any setoff, recoupment or counterclaim against the applicable Borrower in respect of any liability of such Guarantor to the applicable Borrower.

(g) *Provisions Supplemental.* The provisions of this Section 2.21 shall be supplemental to and not in derogation of any other rights and remedies of the Lenders and the Administrative Agent under this Agreement, the other Loan Documents and any separate subordination agreement which the Administrative Agent may at any time and from time to time enter into with either of the Guarantors for the benefit of the Lenders and the Administrative Agent.

(h) *Further Assurances.* Each of the Guarantors agrees that it will from time to time, at the request of the Administrative Agent, do all such things and execute all such documents as the Administrative Agent may reasonably request to give full effect to the Guarantee of such Guarantor and to preserve the rights and powers of the Lenders and the Administrative Agent in respect of such Guarantee. Each of the Guarantors acknowledges and confirms that it has established its own adequate means of obtaining from the applicable Borrower on a continuing basis all information desired by such Guarantor concerning the financial condition of the applicable Borrower and that such Guarantor will look to the applicable Borrower and not to the Administrative Agent or any Lender in order for such Guarantor to keep adequately informed of changes in the applicable Borrower's financial condition.

(i) *Successors and Assigns.* The Guarantee of each Guarantor shall be binding upon such Guarantor, its successors and assigns, and shall inure to the benefit of the Administrative Agent and the Lenders and their respective successors, permitted transferees and permitted assigns. Without limiting the generality of the foregoing sentence, each Lender may, to the extent permitted by Section 10.7, assign or otherwise transfer this Agreement, the other Loan Documents or any other agreement or note held by it evidencing or otherwise executed in connection with the guaranteed obligations, or sell participations in any interest therein, to any other entity or other person, and such other entity or other person shall, to the extent provided by Section 10.7, thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to such Lender herein, all in accordance with Section 10.7 of this Agreement.

SECTION 3 LETTERS OF CREDIT

3.1 *L/C Commitment.* (a) Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.3, agrees to issue letters of credit ("*Letters of Credit*") for the account of either of the Borrowers on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by the Issuing Lender; *provided*, that the Issuing Lender shall not issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Credit Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is five Business Days prior to the Revolving Credit Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above). The Letters of Credit issued pursuant to the Existing Credit Agreement shall be deemed to be Letters of Credit hereunder.

(b) No Issuing Lender shall at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

3.2 *Procedure for Issuance and Amendment of Letter of Credit.* (a) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of either of the Borrowers delivered to the Issuing Lender (with a copy to the Administrative Agent) in the form of a Application, appropriately completed and signed by a Responsible Officer of the relevant Borrower. Such Application must be received by the Issuing Lender and the Administrative Agent not later than 11:00 a.m. at least two Business Days (or such later date and time as the Administrative Agent and the Issuing Lender may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Application shall specify in form and detail satisfactory to the Issuing Lender: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the Issuing Lender may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Application shall specify in form and detail satisfactory to the Issuing Lender (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the Issuing Lender may reasonably require. Additionally, the relevant Borrower shall furnish to the Issuing Lender and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the Issuing Lender or the Administrative Agent may reasonably require.

(b) Promptly after receipt of any Application, the Issuing Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Application from the relevant Borrower and, if not, the Issuing Lender will provide the Administrative Agent with a copy thereof. Unless the Issuing Lender has received written notice from any Lender or the Administrative Agent, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Section 5 shall not then be satisfied, then, subject to the terms and conditions hereof, the Issuing Lender shall, on the requested date, issue a Letter of Credit for the account of the relevant Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the Issuing Lender's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees

to, purchase from the Issuing Lender a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Revolving Credit Percentage times the amount of such Letter of Credit.

(c) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the Issuing Lender will also deliver to the relevant Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

3.3 *Drawings and Reimbursements; Funding of Participations.* (a) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the Issuing Lender shall notify the relevant Borrower and the Administrative Agent thereof. Such Borrower shall reimburse the Issuing Lender, through the Administrative Agent, for the amount of any drawing under a Letter of Credit not later than 1:00 p.m., New York City time, on the date that such drawing is made (if such Borrower has received notice from the Issuing Lender of such drawing prior to 10:00 a.m., New York City time, on such date) or, if such Borrower has not received notice of such drawing prior to such time on such date, then not later than 1:00 p.m., New York City time, on (i) the Business Day that such Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that such Borrower receives such notice, if such notice is not received prior to 10:00 a.m., New York City time, on the day of such receipt (the date on which such reimbursement by such Borrower is due pursuant to this sentence being referred to herein as the "*Requested Reimbursement Date*"). If such Borrower fails to so reimburse the Issuing Lender by such time, the Administrative Agent shall promptly notify each Lender of the Requested Reimbursement Date, the amount of the unreimbursed drawing (the "*Unreimbursed Amount*"), and the amount of such Lender's Revolving Credit Percentage thereof. In such event, such Borrower shall be deemed to have requested a borrowing of Base Rate Loans to be disbursed on the Requested Reimbursement Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples, and notice periods, specified in Section 2.2 for the principal amount of Base Rate Loans. Such Base Rate Loans may from time to time be converted to Eurodollar Loans, as determined by such Borrower and notified to the Administrative Agent in accordance with Section 2.9, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date. Any notice given by the Issuing Lender or the Administrative Agent pursuant to this Section 3.3(a) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(b) Each Lender (including the Lender acting as Issuing Lender) shall upon any notice pursuant to Section 3.3(a) make funds available to the Administrative Agent for the account of the Issuing Lender at the Administrative Agent's Office in an amount equal to its Revolving Credit Percentage of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 3.3(a), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to such Borrower in such amount. The Administrative Agent shall remit the funds so received to the Issuing Lender.

(c) If any drawing is made under a Letter of Credit and is not reimbursed or refinanced on the date such drawing is made, for any reason, such Borrower shall be deemed to have incurred from the Issuing Lender an L/C Borrowing in the amount of the Unreimbursed Amount that is not so reimbursed or refinanced, which L/C Borrowing (i) shall bear interest at the rate applicable to Base Rate Loans from and including the date that such drawing is paid by the Issuing Bank to but excluding the earlier of the date that such Unreimbursed Amount is so reimbursed or refinanced or the date that is the next Business Day following the Requested Reimbursement Date and, if not so reimbursed or refinanced on or prior to the date that is the next Business Day following the Requested Reimbursement Date, then, from and after the date that is the next Business Day following the Requested Reimbursement Date to but excluding the date so reimbursed or refinanced, the rate

applicable to Base Rate Loans plus 2% and (ii) shall, on and after the date that is the next Business Day following the Requested Reimbursement Date, be due and payable on demand. In such event, each Lender's payment to the Administrative Agent for the account of the Issuing Lender pursuant to Section 3.3(b) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 3.3.

(d) Until each Lender funds its Loan or L/C Advance pursuant to this Section 3.3 to reimburse the Issuing Lender for any amount drawn under any Letter of Credit, interest in respect of such Lender's Revolving Credit Percentage of such amount shall be solely for the account of the Issuing Lender.

(e) Each Lender's obligation to make Loans or L/C Advances to reimburse the Issuing Lender for amounts drawn under Letters of Credit, as contemplated by this Section 3.3, shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Issuing Lender, such Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; *provided, however*, that each Lender's obligation to make Loans pursuant to this Section 3.3 is subject to the conditions set forth in Section 5.2 (other than delivery by the relevant Borrower of a Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the relevant Borrower to reimburse the Issuing Lender for the amount of any payment made by the Issuing Lender under any Letter of Credit, together with interest as provided herein.

(f) If any Lender fails to make available to the Administrative Agent for the account of the Issuing Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 3.3 by the time specified in Section 3.3(b), the Issuing Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Issuing Lender at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the Issuing Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (f) shall be conclusive absent manifest error.

3.4 *Repayment of Participations.* (a) At any time after the Issuing Lender has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 3.3(b), if the Administrative Agent receives for the account of the Issuing Lender any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the relevant Borrower or otherwise, including proceeds of cash collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Revolving Credit Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(b) If any payment received by the Administrative Agent for the account of the Issuing Lender pursuant to Section 3.3(b) is required to be returned under any of the circumstances described in Section 10.8 (including pursuant to any settlement entered into by the Issuing Lender in its discretion), each Lender shall pay to the Administrative Agent for the account of the Issuing Lender its Revolving Credit Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

3.5 *Obligations Absolute.* The obligation of the relevant Borrower to reimburse the Issuing Lender for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be

absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that either of the Borrowers or any of their Subsidiaries may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the Issuing Lender under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, either of the Borrowers or any of their Subsidiaries.

3.6 Role of Issuing Lender. Each Lender and the Borrowers agree that, in paying any drawing under a Letter of Credit, the Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the Issuing Lender, any Agent-Related Person nor any of the respective correspondents, participants or assignees of the Issuing Lender shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Majority Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Application. The Borrowers hereby assume all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrowers' pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the Issuing Lender, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of the Issuing Lender, shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 3.5; provided, however, that anything in such clauses to the contrary notwithstanding, the Borrowers may have a claim against the Issuing Lender, and the Issuing Lender may be liable to the Borrowers, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrowers which the Borrowers prove were caused by the Issuing Lender's willful misconduct or gross negligence or the Issuing Lender's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the

Issuing Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.7 *Cash Collateral.* Upon the request of the Administrative Agent, if, as of the Revolving Credit Termination Date, any Letter of Credit for any reason remains outstanding and partially or wholly undrawn, the relevant Borrower shall immediately Cash Collateralize the then outstanding amount of all L/C Obligations (in an amount equal to such outstanding amount determined as of the Revolving Credit Termination Date). Sections 2.8 and 8 set forth certain additional requirements to deliver Cash Collateral hereunder. To the extent that the Borrowers are required to Cash Collateralize L/C Obligations, each of the Borrowers hereby grants to the Administrative Agent, for the benefit of the Issuing Lender and the Lenders, a security interest in all cash, deposit accounts and all balances therein and all proceeds of the foregoing. Such cash collateral shall be maintained in blocked, interest bearing deposit accounts with the Administrative Agent

3.8 *Applicability of ISP98 and UCP.* Unless otherwise expressly agreed by the Issuing Lender and the relevant Borrower when a Letter of Credit is issued, (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

3.9 *Fees and Other Charges.* (a) Each Borrower will pay to the Administrative Agent, for the account of the Lenders, a fee on the daily amount available to be drawn under all outstanding Letters of Credit issued for its account at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans, to be shared ratably among the Lenders in accordance with their respective Revolving Credit Percentages and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, each Borrower shall pay to the relevant Issuing Lender for its own account a fronting fee on the average daily amount available to be drawn under all outstanding Letters of Credit issued by such Issuing Lender for such Borrower's account at a rate to be agreed upon by the Borrowers and such Issuing Lender, payable quarterly in arrears on each L/C Fee Payment Date after the date of issuance of such Letter of Credit (unless otherwise agreed in writing by the Issuing Lender and the Borrower). For purposes of computing the average daily amount available to be drawn under the Letters of Credit, the amount of such Letters of Credit shall be determined in accordance with Section 1.3

(b) In addition to the foregoing fees, each Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit issued for the account of such Borrower.

3.10 *Conflict with Issuer Documents.* In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

SECTION 4 REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Borrowers hereby jointly and severally represent and warrant to the Administrative Agent and each Lender that:

4.1 *Financial Condition.* The audited consolidated balance sheet of White Mountains and its consolidated Subsidiaries, as at December 31, 2003 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on by and accompanied by unqualified reports from PricewaterhouseCoopers LLP, present fairly in all material respects the consolidated financial condition of White Mountains and its consolidated Subsidiaries, as at such date, and the consolidated results of their operations and their consolidated cash flows for such fiscal year then ended in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). The unaudited consolidated balance sheet of White Mountains and its consolidated Subsidiaries, as of and for the fiscal quarters ended March 31, 2004 and June 30, 2004, and the related unaudited consolidated statements of income and cash flows for such fiscal quarters ended on such dates, present fairly in all material respects the consolidated financial condition of White Mountains and its consolidated Subsidiaries as at such dates, and the consolidated results of their operations and their consolidated cash flows for the fiscal quarters then ended in accordance with GAAP applied consistently throughout the periods involved (except (x) as approved by the aforementioned firms of accountants and disclosed therein or (y) for normal year-end audit adjustments and the absence of footnotes).

4.2 *No Change.* Up to and including the Closing Date, since December 31, 2003 there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

4.3 *Corporate Existence; Compliance with Law.* Each of the Borrowers and their Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, except to the extent that the failure of the Subsidiaries (other than Fund American) to be so organized, validly existing and in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (b) has the corporate or other power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged,, except to the extent that the failure to have such power, authority and legal right could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification, except to the extent failure to so qualify or be in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law, including, without limitation, with respect to environmental laws, except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. The Guaranty by Fund American pursuant to Section 2.21 hereof of the outstanding principal amount of any Loans that have been advanced to White Mountains plus all Reimbursement Obligations of White Mountains in respect of Letters of Credit that have been issued for the account of White Mountains plus all accrued interest payable thereon by White Mountains hereunder is not prohibited by Section 4 of the Certificate of Designation.

4.4 *Corporate Power; Authorization; Enforceable Obligations.* Each of the Borrowers has the corporate or other power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and to borrow hereunder. Each of the Borrowers has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any

Governmental Authority or any other Person is required in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except consents, authorizations, filings and notices described in *Schedule 4.4*, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and except to the extent failure to obtain any consents, authorizations, filings, and notices could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Loan Document has been duly executed and delivered on behalf of each Borrower that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Borrower that is a party thereto, enforceable against each such Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and except that, pursuant to the terms of the Berkshire Preferred Stock, the Fund American Guaranty is subject to limitations on the amount that may be guaranteed by Fund American hereunder (the "*Fund American Guaranty Limitations*")

4.5 *No Legal Bar.* Subject to compliance with the Fund American Guaranty Limitations, the execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of the Borrowers or any of their Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation, except to the extent such violation or Lien could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.6 *No Material Litigation.* No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrowers, threatened by or against the Borrowers or any of their Subsidiaries or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

4.7 *Ownership of Property; Liens.* Each of the Borrowers and their Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3, except to the extent such defects in title could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.8 *Intellectual Property.* Each of the Borrowers and each of their Subsidiaries owns, or is licensed to use, all Intellectual Property material to the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor do the Borrowers know of any valid basis for any such claim, other than claims that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. The use of Intellectual Property by the Borrowers and their Subsidiaries does not infringe on the rights of any Person in any material respect, except for infringements that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.9 *Taxes.* Each of the Borrowers and their Subsidiaries has filed or caused to be filed all material Federal, state and other tax returns that are required to be filed (taking into account any applicable extensions) and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority and, to the knowledge of the Borrower, no tax Lien has been filed, and no claim is being asserted, with respect to any such tax, fee

or other charge, except (i) any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Borrowers or their Subsidiaries, as the case may be, and (ii) any amount the failure of which to pay could not reasonably be expected to result in a Material Adverse Effect.

4.10 *Federal Regulations.* No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrowers will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

4.11 *ERISA.* Except as could not reasonably be expected to result in a Material Adverse Effect, neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by an amount which, could reasonably be expected to result in a Material Adverse Effect. Neither the Borrowers nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability to the Borrowers under ERISA. Except as could not reasonably be expected to result in a Material Adverse Effect, no such Multiemployer Plan is in Reorganization or Insolvent.

4.12 *Investment Company Act; Other Regulations.* Neither of the Borrowers is an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Neither of the Borrowers is subject to regulation under any Requirement of Law (other than Regulation X of the Board and the Certificate of Designation) which limits its ability to incur Indebtedness hereunder.

4.13 *Use of Proceeds.* The proceeds of the Loans and the Letters of Credit shall not be used for purposes other than working capital and general corporate purposes of the Borrowers and their respective Subsidiaries, including, without limitation, (a) investments in or acquisitions of businesses or entities, provided that the aggregate principal amount of Loans outstanding at any time that are used to finance investments or acquisitions, other than investments in or acquisitions of businesses or entities engaged in a Principal Business, shall not exceed \$50,000,000, (b) refinancings of outstanding indebtedness, if any, of the Borrowers under the Existing Credit Agreement (and any existing letters of credit under such facility may become Letters of Credit hereunder) and (c) payment of fees and expenses in connection with this Agreement.

4.14 *Accuracy of Information, etc.* No statement or information contained in any document, certificate or statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of either of the Borrowers for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, taken as a whole contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrowers

to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

4.15 *Insurance Regulatory Matters.* No License of any Insurance Subsidiary, the loss of which could reasonably be expected to have a Material Adverse Effect, is the subject of a proceeding for suspension or revocation. To the knowledge of the Borrowers, there is no sustainable basis for such suspension or revocation, and no such suspension or revocation has been threatened by any Governmental Authority.

4.16 *Indebtedness and Liens.* As of the Closing Date, (i) no Subsidiary (other than Fund American) of either of the Borrowers had outstanding any Indebtedness that was created, incurred or assumed after June 30, 2004, except Indebtedness that would have been permitted by Section 7.2 (without giving effect to the Indebtedness permitted by Section 7.2(a)) if created, incurred or assumed by such Subsidiary on the Closing Date and (ii) there does not exist (a) any Lien that was created, incurred or assumed after June 30, 2004, upon any stock or indebtedness of any Subsidiary to secure any Debt of the Borrowers or any of their Subsidiaries or any other person (other than the obligations hereunder) or (b) any Lien that was created, incurred or assumed after June 30, 2004, upon any other Property, to secure any Debt of the Borrowers or any of their Subsidiaries or any other person (other than the obligations hereunder), except, in the case of (a) or (b), Liens that would have been permitted by Section 7.3 hereof (without giving effect to the Liens that would have been permitted by Section 7.3(a)(x)) if so created, incurred or assumed on the Closing Date.

SECTION 5 CONDITIONS PRECEDENT

5.1 *Conditions to Closing.* The occurrence of the Closing Date is subject to the satisfaction (or waiver) on such date of the following conditions precedent:

(a) The Administrative Agent (or its counsel) shall have received from each party to this Agreement (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include a telecopy transmission of a signed signature page of this Agreement) that the party has signed a counterpart of this Agreement.

(b) *Fees.* The Lenders, the Joint Lead Arrangers, the Syndication Agent, the Issuing Lender and the Administrative Agent shall have received all fees required to be paid by Fund American on or prior to the Closing Date, and all out-of-pocket expenses required to be paid by the Borrowers hereunder for which invoices have been presented (including reasonable fees, disbursements and other charges of Bingham McCutchen LLP, counsel to the Administrative Agent).

(c) *Closing Certificate.* The Administrative Agent shall have received a certificate of each of the Borrowers, dated the Closing Date, substantially in the form of *Exhibit E*, with appropriate insertions and attachments.

(d) *Legal Opinions.* The Administrative Agent shall have received (i) the legal opinion of Robert Seelig, Esquire counsel to the Borrowers, substantially in the form of *Exhibit F* and (ii) the legal opinion of Conyers Dill & Pearman, Bermuda counsel to White Mountains, substantially in the form of *Exhibit G*.

(e) *Termination of Existing Credit Facility.* The Administrative Agent shall have received evidence (including, without limitation, payoff letters), satisfactory to the Administrative Agent in its reasonable discretion, that the Borrowers shall have terminated the Existing Credit Agreement.

(f) *No Material Adverse Effect.* The Administrative Agent shall be reasonably satisfied that no event or condition has occurred since December 31, 2003 that could reasonably be expected to have a Material Adverse Effect.

5.2 *Conditions to Closing and Each Extension of Credit.* The occurrence of the Closing Date and the agreement of each Lender to make any extension of credit requested to be made by it hereunder on any date (including, without limitation, its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) *Representations and Warranties.* Each of the representations and warranties made by either of the Borrowers in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent that they expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(b) *No Default.* No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) *Borrowing Request.* Except as provided in Section 3.3, the Administrative Agent shall have received a Borrowing Request or, as applicable, an Application.

Each borrowing by and issuance of a Letter of Credit on behalf of a Borrower hereunder shall constitute a representation and warranty by such Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 (a) and (b) have been satisfied.

SECTION 6 AFFIRMATIVE COVENANTS

The Borrowers hereby jointly and severally agree that, from and after the Closing Date and so long as the Commitments remain in effect, any Letter of Credit remains outstanding, there exist any unpaid Reimbursement Obligations or any principal or interest on any Loan or any fee payable hereunder is owing to any Lender or the Administrative Agent hereunder, each of the Borrowers shall and shall cause each of their Subsidiaries to:

6.1 *Financial Statements.* Furnish to the Administrative Agent (either electronically or with sufficient copies for distribution by the Administrative Agent to each Lender):

(a) (i) as soon as available, but in any event within 95 days after the end of each fiscal year of White Mountains subsequent to the Closing Date, a copy of the audited consolidated balance sheet of White Mountains and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by PricewaterhouseCoopers LLP or other independent certified public accountants of nationally recognized standing; and (ii) as soon as available, but in any event not later than 50 days after the end of each of the first three fiscal quarters of each fiscal year of White Mountains subsequent to the Closing Date, the unaudited consolidated balance sheet of White Mountains and its consolidated Subsidiaries as at the end of such fiscal quarter and the related unaudited consolidated statements of income and of cash flows for such fiscal quarter and the portion of the fiscal year through the end of such fiscal quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer of White Mountains as being fairly stated in all material respects in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes); all such financial statements, together with notes to such financial statements, to fairly present in all material respects the financial condition and income and cash flows of the subject thereof as at the dates and for the periods covered thereby in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except

(x) as approved by such accountants or officer, as the case may be, and disclosed therein or (y) in the case of unaudited financial statements, subject to normal year-end adjustments and the absence of footnotes);

(b) to the extent such a report is required by law to be prepared, as soon as available but not later than 85 days after the end of each fiscal year of (or such later date as may be allowed by the applicable Governmental Authority), (i) OneBeacon Insurance Group LLC, copies of the unaudited combined Annual Statement of OneBeacon Insurance Group, certified by a Responsible Officer of OneBeacon Insurance Group LLC, and (ii) a Material Insurance Subsidiary, copies of the unaudited Annual Statement of such Material Insurance Subsidiary, certified by a Responsible Officer of such Material Insurance Subsidiary; all such statements to be prepared in accordance with SAP consistently applied throughout the periods reflected therein and, if required by the applicable Governmental Authority, audited and certified by independent certified public accountants of recognized national standing (it being understood that delivery of audited statements shall be made within 10 days following the delivery of such statements to the applicable Governmental Authority);

(c) to the extent such statement is required by law to be prepared, as soon as available but not later than 70 days after the end of each of the first three fiscal quarters of each fiscal year (or such later date as may be allowed by the applicable Governmental Authority) of a Material Insurance Subsidiary, copies of the Quarterly Statement of such Material Insurance Subsidiary, certified by a Responsible Officer of such Material Insurance Subsidiary, all such statements to be prepared in accordance with SAP consistently applied throughout the period reflected herein;

(d) within 15 days after being delivered to any Material Insurance Subsidiary subsequent to the Closing Date, any final Report on Examination issued by the applicable Department or the NAIC that results in material adjustments to the financial statements referred to in paragraphs (b) or (c) above;

(e) to the extent such a statement is required by law to be prepared, within 10 days following the delivery to the applicable Department, a copy of each "Statement of Actuarial Opinion" and "Management Discussion and Analysis" for a Material Insurance Subsidiary which is provided to the applicable Department as to the adequacy of loss reserves of such Material Insurance Subsidiary, such opinion to be in the format prescribed by the insurance code of the state of domicile of such Material Insurance Subsidiary; and

(f) promptly after either of the Borrower's receipt thereof, copies of any management letters submitted to the board of directors (or the audit committee of the board of directors) of either of the Borrowers by independent accountants in connection with the annual audit of either of the Borrowers or any of their Subsidiaries.

6.2 *Certificates; Other Information.* Furnish to the Administrative Agent (either electronically or with sufficient copies for distribution by the Administrative Agent to each Lender) or, in the case of clause (d), to the relevant Lender:

(a) concurrently with the delivery of the audited financial statements referred to in Section 6.1(a)(i), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default (it being understood that such certificate may be limited in scope and qualified in accordance with customary practices of the accounting profession), except as specified in such certificate;

(b) concurrently with the delivery of any financial statements pursuant to Section 6.1(a), (i) a certificate of a Responsible Officer of White Mountains stating such Responsible Officer has obtained no knowledge of any continuing Default or Event of Default except as specified in such certificate (ii) a Compliance Certificate containing all information and calculations necessary for determining compliance by White Mountains with Section 7.1 as of the last day of the fiscal quarter or fiscal year of

White Mountains and (iii) a certificate of Fund American stating that, to the extent that any Loans to White Mountains were outstanding as of the last day of such fiscal quarter or year or any Letter of Credit was issued for the account of White Mountains and outstanding as of the last day of such fiscal quarter or year, the Guaranty by Fund American pursuant to Section 2.21 hereof of the principal amount of such Loans outstanding as of such date plus all Reimbursement Obligations as of such date of White Mountains in respect of any such Letter of Credit plus all interest accrued and payable by White Mountains as of such date with respect thereto was not prohibited pursuant to Section 4 of the Certificate of Designation (and, if the principal amount of such Loans outstanding as of such last day plus all such Reimbursement Obligations as of such last day exceeded \$50 million, such certificate shall be accompanied by a calculation of the additional amount of White Mountains indebtedness that could have been guaranteed by Fund American as of such last day pursuant to Section 4 of the Certificate of Designation).

(c) within 10 days after the same are filed with the SEC, all reports and filings on Forms 10-K, 10-Q and 8-K that the Borrowers may make to, or file with, the SEC; and

(d) promptly, such additional financial and other information as the Administrative Agent or any Lender may from time to time reasonably request.

(e) The Borrowers hereby acknowledge that (a) unless otherwise directed by a Borrower, the Administrative Agent and/or the Joint Lead Arrangers will make available to the Lenders and the Issuing Bank materials and/or information provided by or on behalf of the Borrowers hereunder (collectively, "*Borrower Materials*") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "*Platform*") and (b) certain of the Lenders may be "public-side" Lenders (*i.e.*, Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "*Public Lender*"). Each of the Borrowers hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrowers shall be deemed to have authorized the Administrative Agent, the Joint Lead Arrangers, the Issuing Bank and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Borrowers or their securities for purposes of United States Federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Joint Lead Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

6.3 *Payment of Obligations.* Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature (other than Indebtedness), except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrowers or their Subsidiaries, as the case may be; *provided*, that the Borrowers may, in the ordinary course of business, extend payments on those payables if beneficial to the operation of their businesses.

6.4 *Conduct of Business and Maintenance of Existence, etc.* (a)(i) With respect to each Subsidiary of White Mountains, preserve, renew and keep in full force and effect its corporate existence and (ii) with respect to White Mountains and each of its Subsidiaries, take all reasonable action to maintain all licenses, permits, rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise would not be a Fundamental Change and except, in the case of clause (i) above and clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and

Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5 *Maintenance of Property; Insurance.* (a) Keep all Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies (other than with the Borrowers or their Subsidiaries) insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business (it being understood that, to the extent consistent with prudent business practices of Persons carrying on a similar business in a similar location, a program of self-insurance for first and other loss layers may be utilized).

6.6 *Inspection of Property; Books and Records; Discussions.* (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP (or SAP as applicable) and all Requirements of Law shall be made of all material dealings and transactions in relation to its business and activities and (b) upon reasonable prior notice, permit representatives of the Administrative Agent (who may be accompanied by representatives of other Lenders) and, during the continuance of an Event of Default, any Lender to (x) visit and inspect any of its properties, (y) during the continuance of an Event of Default, conduct reasonable examinations of (and, with the consent of the Borrowers, such consent not to be reasonably withheld, make abstracts from) any of its books and records at any reasonable time and as often as may reasonably be requested and (z) discuss the business, operations, properties and financial and other condition of the Borrowers with officers and employees of the Borrowers. It is understood that (i) any information obtained by the Administrative Agent or any Lender in any visit or inspection pursuant to this Section shall be subject to the confidentiality requirements of Section 10.15, (ii) the Borrowers may impose, with respect to any Lender or any Affiliate of any Lender reasonably deemed by the Borrowers to be engaged significantly in a business which is directly competitive with any material business of the Borrowers and their Subsidiaries, reasonable restrictions on access to proprietary information of the Borrowers and their Subsidiaries and (iii) the Lenders will coordinate their visits through the Administrative Agent with a view to preventing the visits provided for by this Section from becoming unreasonably burdensome to the Borrowers and their Subsidiaries.

6.7 *Notices.* Give notice to the Administrative Agent (it being agreed that the Administrative Agent shall, upon receipt of such notice, notify each Lender thereof) of the following within the time periods specified:

(a) Promptly after any Responsible Officer of a Borrower obtains knowledge thereof, the occurrence of any Default or Event of Default;

(b) Within five days after any Responsible Officer of a Borrower obtains knowledge thereof, the occurrence of:

(i) default or event of default under any Contractual Obligation of the Borrowers or any of their Subsidiaries or litigation, investigation or proceeding which may exist at any time between the Borrowers or any of their Subsidiaries and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect; and

(ii) (A) any litigation or proceeding affecting the Borrowers or any of their Subsidiaries (other than claims-related litigation involving an Insurance Subsidiary) in which (x) the amount involved is \$50,000,000 or more and not covered by insurance or (y) in which injunctive or similar relief is sought that could reasonably be expected to have a Material Adverse Effect and (B) any

claims-related litigation affecting any Insurance Subsidiary which could reasonably be expected to have a Material Adverse Effect; and

(c) As soon as possible and, in any event, within 30 days after a Responsible Officer of the Borrowers obtains knowledge thereof: (A) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (B) the institution of proceedings or the taking of any other action by the PBGC or the Borrowers or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrowers or the relevant Subsidiary proposes to take with respect thereto.

6.8 *Taxes.* Pay, discharge, or otherwise satisfy before the same shall become overdue, all taxes, assessments and other governmental charges imposed upon it and its real estate, sales and activities, or any part thereof, or upon the income or profits therefrom, other than where failure to pay such taxes could not reasonably be expected to result in a Material Adverse Effect; *provided* that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Borrowers and their Subsidiaries, as the case may be.

6.9 *Further Assurances.* Each of the Borrowers will, and will cause each of their Subsidiaries to, cooperate with the Lenders and the Administrative Agent and execute such further *instruments* and documents as the Lenders or the Administrative Agent shall reasonably request to give effect to the transactions contemplated by this Agreement and the other Loan Documents.

SECTION 7 NEGATIVE COVENANTS

The Borrowers hereby jointly and severally agree that, from and after the Closing Date and so long as the Revolving Credit Commitments remain in effect, any Letter of Credit remains outstanding, there exist any unpaid Reimbursement Obligations or any principal or interest on any Loan or any fee payable hereunder is owing to any Lender or the Administrative Agent hereunder:

7.1 *Financial Condition Covenants.*

(a) *Maintenance of Consolidated Net Worth.* White Mountains shall not permit its Consolidated Net Worth, as of the end of any fiscal quarter subsequent to June 30, 2004, to be less than the sum of (i) \$2,150,000,000 plus (ii) 50% of positive Consolidated Net Income for each fiscal quarter ending after June 30, 2004.

(b) *Maintenance of Total Consolidated Debt to Consolidated Capitalization.* White Mountains shall not permit the ratio, as of the end of any fiscal quarter ending after June 30, 2004, of its Total Consolidated Debt to Consolidated Capitalization to exceed thirty-five percent (35%).

7.2 *Limitation on Indebtedness and Issuance of Preferred Stock.* The Borrowers will not permit any of their Subsidiaries (other than Fund American) to create, incur or assume or suffer to exist any Indebtedness or issue any preferred stock, except:

(a) Indebtedness and preferred stock outstanding as of the Closing Date and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof, other than by the amount of any necessary pre-payment premiums, unpaid accrued interest and other costs of refinancing, or any shortening of the final maturity of any principal amount thereof to a date prior to the Revolving Credit Termination Date).

(b) Indebtedness or preferred stock of any Insurance Subsidiary incurred or issued in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary and letters of credit issued for the account of any Insurance Subsidiary in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary.

(c) short-term (i.e. with a maturity of less than one year when issued, *provided that* such Indebtedness may include an option to extend for up to an additional one year period) Indebtedness of any Insurance Subsidiary incurred to provide short-term liquidity to facilitate claims payment in the event of catastrophes.

(d) Indebtedness or preferred stock of a Subsidiary acquired after the Closing Date or a corporation merged into or consolidated with a Subsidiary after the Closing Date and Indebtedness assumed in connection with the acquisition of assets, which Indebtedness, in each case, exists at the time of such acquisition, merger or consolidation and is not created in contemplation of such event, as well as any refinancings, refunds, renewals or extensions of such Indebtedness (without increase in the principal amount thereof other than by the amount of any necessary pre-payment premiums, unpaid accrued interest and other costs of refinancing).

(e) Indebtedness or preferred stock owing or issued by a Subsidiary to any Subsidiary or to any Borrower.

(f) Guarantees of Obligations made by a Subsidiary in respect of obligations of a Subsidiary (other than Fund American).

(g) other Indebtedness or preferred stock, provided that at the time such Indebtedness or preferred stock is incurred or issued, the aggregate principal amount or liquidation preference of such Indebtedness or preferred stock when added to all other Indebtedness and preferred stock incurred or issued pursuant to this clause (g) and then outstanding, does not exceed 15% of the Consolidated Net Worth of White Mountains.

7.3 Limitation on Liens. The Borrowers will not, and will not permit any of their Subsidiaries to, create, incur, assume or suffer to exist (i) any Lien upon any stock or indebtedness of any Subsidiary, whether owned on the date of this Agreement or hereafter acquired, to secure any Debt of the Borrowers or any of their Subsidiaries or any other person (other than the obligations hereunder) or (ii) any Lien upon any other Property, whether owned or leased on the date of this Agreement, or thereafter acquired, to secure any Debt of the Borrowers or any of their Subsidiaries or any other person (other than the obligations hereunder), except:

(a) (x) any Lien existing on the date of this Agreement or (y) any Lien upon stock or indebtedness or other Property of any Person existing at the time such Person becomes a Subsidiary or existing upon stock or indebtedness of a Subsidiary or any other Property at the time of acquisition of such stock or indebtedness or other Property (*provided* that such Lien was not created in connection with the acquisition of such Person or such Property), and any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any such Lien in clauses (x) or (y) above; *provided, however*, that the principal amount of Debt secured by such Lien shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement; and *provided, further*, that such Lien shall be limited to all or such part of the stock or indebtedness or other Property which secured the Lien so extended, renewed or replaced;

(b) any Permitted Liens; and

(c) any Lien upon any Property if the aggregate amount of all Debt then outstanding secured by such Lien and all other Liens permitted pursuant to this clause (c) does not exceed 10% of the total consolidated stockholders' equity (including preferred stock) of White Mountains as shown on the audited consolidated balance sheet contained in the latest annual report to stockholders of White Mountains; *provided* that Debt secured by Liens permitted by clauses (a) and (b) shall not be included in the amount of such secured Debt.

7.4 *Limitation on Changes in Fiscal Periods.* Neither of the Borrowers shall permit its fiscal year to end on a day other than December 31 or change its method of determining fiscal quarters.

7.5 *Limitation on Lines of Business.* Neither of the Borrowers shall engage to any extent that is material for such Borrower and its Subsidiaries, taken as a whole, in any business, either directly or through any Subsidiary, other than a Principal Business.

7.6 *Certain Limitations.* Fund American will not amend or modify (or consent to any amendment or modification to) the Certificate of Designation if such amendment or modification would result in the terms of the Certificate of Designation, as amended or modified, prohibiting the Guaranty by Fund American pursuant to Section 2.21(b) hereof of (a) the outstanding principal amount of any Loan that has been advanced to White Mountains and is outstanding at the time of such amendment or modification, (b) the Reimbursement Obligations at such time of White Mountains in respect of any Letter of Credit that has been issued for the account of White Mountains and is outstanding at such time or (c) any interest accrued and payable by White Mountains as of such time with regard thereto.

SECTION 8 EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Borrowers shall fail to pay any principal of any Loan made to the Borrowers or Reimbursement Obligation owing by the Borrowers when due in accordance with the terms hereof; or the Borrowers shall fail to pay any interest on any Loan made to the Borrowers or Reimbursement Obligation owing to the Borrowers, or any other amount payable by the Borrowers hereunder or under any other Loan Document, within three Business Days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) Any representation or warranty made or deemed made by either of the Borrowers herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(c) Either of the Borrowers shall default in the observance or performance of any agreement contained in Section 6.4(a)(i) (with respect to the Borrowers only), Section 6.4(a)(ii), Section 6.7(a) or Section 7; or

(d) Either of the Borrowers shall default in the observance or performance of any other agreement, covenant, term or condition contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section) and such default shall continue unremedied for a period of 30 days; or

(e) The Borrowers or any of their Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans and Reimbursement Obligations) on the scheduled or original due date with respect thereto (after giving effect to any applicable grace periods); or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, the effect of which default is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to or mandatory offer to purchase by the obligor thereunder as a result of the occurrence of such default thereunder or (in the case of any such

Indebtedness constituting a Guarantee Obligation) to become payable; *provided*, that a default described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate \$25,000,000; or

(f) (i) The Borrowers or any of their Material Insurance Subsidiaries shall voluntarily commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrowers or any of their Material Insurance Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrowers or any of their Material Insurance Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) the Borrowers or any of their Material Insurance Subsidiaries shall take any corporate action to authorize or effect any of the acts set forth in clause (i), or (ii), above; or (iv) the Borrowers or any of their Material Insurance Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) Any person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrowers or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Majority Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA or, (v) the Borrowers or any Commonly Controlled Entity shall, or in the reasonable opinion of the Majority Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan and in each case in clauses (i) through (v) above, such event or condition, together with all other such events or conditions for which liability to the Borrowers is reasonably expected to occur, if any, could, in the reasonable judgment of the Majority Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against the Borrowers or any of their Subsidiaries involving for the Borrowers and their Subsidiaries taken as a whole a liability (to the extent not paid or fully covered by insurance above applicable deductions) of \$25,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 45 days from the entry thereof; or

(i) The guarantees, set forth in Section 2.21 herein, shall cease, for any reason (other than as provided in Section 10.16) to be in full force and effect or either of the Borrowers or any Affiliate of either of the Borrowers shall so assert in writing; or

(j) a Change of Control; or

(k) Any License of any Insurance Subsidiary (i) shall be revoked by the Governmental Authority which issued such License, or any action (administrative or judicial) to revoke such License shall have been commenced against such Insurance Subsidiary and shall not have been dismissed within thirty

days after the commencement thereof, (ii) shall be suspended by such Governmental Authority for a period in excess of thirty days or (iii) shall not be reissued or renewed by such Governmental Authority upon the expiration thereof following application for such reissuance or renewal of such Insurance Subsidiary, which, in the case of each clause (i), (ii) and (iii) above, could reasonably be expected to have a Material Adverse Effect; or

(l) a Fundamental Change;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to either of the Borrowers, automatically the Revolving Credit Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrowers declare the Revolving Credit Commitments to be terminated forthwith, whereupon the Revolving Credit Commitments shall immediately terminate; and (ii) with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrowers, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. In the case of any Letter of Credit issued for the account of a Borrower with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, such Borrower shall at such time Cash Collateralize such L/C Obligations in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Such cash collateral shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrowers hereunder and under the other Loan Documents. After (a) all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrowers hereunder and under the other Loan Documents shall have been paid in full or (b) all Defaults and Events of Default hereunder and under the other Loan Document shall have been cured or waived, the balance, if any, in such cash collateral account shall be returned to the applicable Borrower (or such other Person as may be lawfully entitled thereto).

SECTION 9 THE ADMINISTRATIVE AGENT

9.1 *Appointment* (a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with

reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) The Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Section 9 with respect to any acts taken or omissions suffered by the Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this Section 9 and in the definition of "Agent-Related Person" included the Issuing Lender with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the Issuing Lender; *provided that* nothing in this Agreement shall be construed to excuse the Issuing Lender from any liability to the Borrowers for damages caused by the gross negligence or willful misconduct of the Issuing Lender or any Agent-Related Person.

9.2 *Delegation of Duties.* The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

9.3 *Liability of Administrative Agent.* No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by either of the Borrowers or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of either of the Borrowers or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrowers or any Affiliate thereof.

9.4 *Reliance by Administrative Agent.* (a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrowers), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 10.7 and all actions required by such Section in connection with such transfer shall have been taken. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take

any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 5.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

9.5 *Notice of Default.* The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default unless the Administrative Agent shall have received written notice from a Lender or a Borrower referring to this Agreement, describing such Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default as may be directed by the Majority Lenders in accordance with Section 8; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable or in the best interest of the Lenders.

9.6 *Credit Decision; Disclosure of Information by Administrative Agent.* Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Borrowers or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrowers and their Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrowers hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrowers. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Borrowers or any of their Affiliates which may come into the possession of any Agent-Related Person.

9.7 *Indemnification of Administrative Agent.* Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of the Borrowers and without limiting the obligation of the Borrowers), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct, provided, however, that

no action taken in accordance with the directions of the Majority Lenders (or such greater percentage of Lenders as may be required hereunder) shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrowers. The undertaking in this Section shall survive termination of the Total Revolving Credit Commitments, the payment of all other Obligations and the resignation of the Administrative Agent.

9.8 *Administrative Agent in its Individual Capacity.* Bank of America, N.A. and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrowers and their respective Affiliates as though Bank of America, N.A. were not the Administrative Agent or the Issuing Lender hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding the Borrowers or their Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrowers or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America, N.A. shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or the Issuing Lender, and the terms "Lender" and "Lenders" include Bank of America, N.A. in its individual capacity.

9.9 *Successor Administrative Agent.* The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders and the Borrowers; provided that any such resignation by Bank of America shall also constitute its resignation as Issuing Lender and Swing Line Lender, so long as a successor Issuing Lender and a successor Swing Line Lender (each consented to by the Borrowers, such consent not to be unreasonably withheld) is appointed. If the Administrative Agent resigns under this Agreement, the Majority Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders, which successor administrative agent shall be consented to by the Borrowers at all times other than during the continuance of an Event of Default under Section 8(a) or 8(f) (which consent of the Borrowers shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrowers, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent, Issuing Lender and Swing Line Lender and the respective terms "Administrative Agent," "Issuing Lender" and "Swing Line Lender" shall mean such successor administrative agent, Letter of Credit issuer and swing line lender, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated and the retiring Issuing Lender's and Swing Line Lender's rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring Issuing Lender or Swing Line Lender or any other Lender, other than the obligation of the successor Issuing Lender to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring Issuing Lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 9 and Sections 10.5 and 10.6 shall inure to its benefit as to any actions taken or omitted

to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Lenders appoint a successor agent as provided for above.

9.10 *Administrative Agent May File Proofs of Claim.* In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to either of the Borrowers, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on either of the Borrowers) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.5, 3.9 and 10.5) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.5, 3.9 and 10.5.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations of the Borrowers hereunder or under any of the other Loan Documents or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.11 *Guarantee and Collateral Matters.* The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Total Revolving Credit Commitments and payment in full of all obligations of the Borrowers hereunder or under any of the other Loan Documents (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to Section 10.1, if approved, authorized or ratified in writing by the Majority Lenders; and

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.3, and

(c) to effect any release of guarantee obligations contemplated by Section 10.16.

9.12 *Other Agents; Arrangers and Managers.* None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 10 MISCELLANEOUS

10.1 *Amendments, Etc.:* No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrowers therefrom, shall be effective unless in writing signed by the Majority Lenders and the Borrowers and delivered to the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no such amendment, waiver or consent shall:

- (a) extend the expiration date of or increase the Revolving Credit Commitment of any Lender (or reinstate any Revolving Credit Commitment terminated pursuant to Section 8) without the written consent of such Lender;
- (b) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest or fees payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;
- (c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or, subject to clause (v) of the second proviso to this Section 10.1, any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; *provided, however*, that only the consent of the Majority Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrowers to pay interest or Letter of Credit Fees at the Default Rate;
- (d) change Section 2.14 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender directly affected thereby; or
- (e) change any provision of this Section 10.1 or the percentage in the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;
- (f) amend, modify or waive any provision of Section 2.3 or 2.4 without the written consent of the Swing Line Lender;
- (g) amend, modify or waive any provision of Section 3 without the consent of the Issuing Lender;
- (h) amend, modify or waive the provisions of the definition of Interest Period regarding nine or twelve month Interest Periods for Eurodollar Loans without the consent of each relevant Lender;
- (i) consent to the assignment or transfer by either of the Borrowers of any of its rights and obligations under this Agreement and the other Loan Documents; or
- (j) release either of the Borrowers from their guarantee obligations under the Guarantees except as provided in Section 10.16, without the consent of all Lenders;

and, *provided further*, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Lender in addition to the Lenders required above, modify the rights or duties of the Issuing Lender under this Agreement or any Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, modify the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, modify the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) Section 10.7(h) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (v) the Fee Letters may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Revolving Credit Commitment of such Lender may not be increased or extended without the consent of such Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrowers, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Borrowers, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section; *provided*, that delivery of an executed signature page of any such instrument by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

For the avoidance of doubt, this Agreement may be amended (or amended and restated) with the written consent of the Majority Lenders, the Administrative Agent and the Borrowers party to each relevant Loan Document (x) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Loans, the L/C Obligations and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Majority Lenders.

10.2 *Notices* (a) *General*. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission). All such written notices shall be mailed certified or registered mail, faxed or delivered to the applicable address, facsimile number or (subject to subsection (b) below) electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to either of the Borrowers, the Administrative Agent, the Issuing Lender or the Swing Line Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on *Schedule 10.2* or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties (with a copy of any notice to a Borrower also being delivered to the other Borrower); and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile

number, electronic mail address or telephone number as shall be designated by such party in a notice to the Borrowers, the Administrative Agent, the Issuing Lender and the Swing Line Lender.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) *Electronic Communications.* Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, *provided* that the foregoing shall not apply to notices to any Lender pursuant to Section 2 if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or any Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, *provided* that approval of such procedures may be limited to particular notices or communications.

(c) *Effectiveness of Facsimile Documents and Signatures.* Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on the Borrowers, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; *provided, however*, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(d) *Reliance by Administrative Agent and Lenders.* The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic notices requesting Revolving Credit Loans or Swing Line Loans) purportedly given by or on behalf of the Borrowers even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. Each of the Borrowers shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of either of the Borrowers; *provided* that the foregoing shall not apply to losses, costs, expenses and liabilities caused by the gross negligence or willful misconduct of the relevant Lender or any Agent-Related Person. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.3 *No Waiver; Cumulative Remedies.* No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 *Survival of Representations and Warranties.* All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on

their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any extension of credit, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.5 *Attorney Costs and Expenses.* The Borrowers agree (a) to pay or reimburse the Administrative Agent and the Lead Arranger for all reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Lender for all reasonable out-of-pocket costs and expenses (which may include, to the extent reasonably incurred, all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts) incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the obligations of the Borrowers hereunder or under any of the other Loan Documents and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. All amounts due under this Section 10.5 shall be payable not later than 30 days following written demand. The agreements in this Section shall survive the termination of the Total Revolving Credit Commitments and repayment of all other Obligations.

10.6 *Indemnification by the Borrowers.* Whether or not the transactions contemplated hereby are consummated, the Borrowers shall indemnify and hold harmless each Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents, shareholders and attorneys-in-fact (collectively the "*Indemnitees*") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, settlement payments and causes of action of any kind or nature whatsoever and reasonable related out-of-pocket costs and expenses which may at any time be imposed on, incurred, suffered, sustained, required to be paid by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Revolving Credit Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrowers or any Subsidiary, or any Environmental Liability related in any way to the Borrowers or any of their Subsidiaries, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "*Indemnified Liabilities*"), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, settlement payments, causes of action or costs or expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. In all such litigation, or the preparation therefor, the Indemnitees shall be entitled to select counsel to the Indemnitees. To the extent reasonably practicable and not disadvantageous to any

Indemnitee (as reasonably determined by the relevant Indemnitee), it is anticipated that a single counsel selected by the affected Lenders will be used. No Indemnitee shall be liable to the Borrowers for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability to the Borrowers for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date); *provided* that this sentence shall not, as to any Indemnitee, apply to the extent such Indemnitee is found by a final non-appealable judgment of a court to have acted with willful misconduct or gross negligence. All amounts due under this Section 10.6 shall be payable not later than 30 days following written demand. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Total Revolving Credit Commitments and the repayment, satisfaction or discharge of all the other obligations of the Borrowers hereunder.

10.7 *Successors and Assigns; Participations and Assignments.* (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrowers may not assign or otherwise transfer any of their rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section, or (iv) to an SPC in accordance with the provisions of subsection (h) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); *provided* that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender with respect to a Lender, the aggregate amount of the Revolving Credit Commitment (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrowers otherwise consent (each such consent not to be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Revolving Credit Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Swing Line Loans; (iii) any assignment of a Revolving Credit Commitment must be approved by the Administrative Agent, the Issuing Lender and the Swing Line Lender unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee) (such approval not to be unreasonably withheld); and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible

Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17, 2.18, 10.5 and 10.6 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrowers (at their expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "*Register*"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or other substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register.

(d) Any Lender may at any time, without the consent of, or notice to, the Borrowers or the Administrative Agent, sell participations to any Person (other than a natural person or either of the Borrowers or any of the Borrowers' Affiliates or Subsidiaries) (each, a "*Participant*") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it; *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.1 that directly affects such Participant. Subject to subsection (e) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 2.18 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were a Lender, *provided* such Participant agrees to be subject to Section 10.8.

(e) A Participant shall not be entitled to receive any greater payment under Section 2.15, 2.16, 2.17 or 2.18 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrowers' prior written consent. A Participant that would be a Non-U.S. Lender if it were a

Lender shall not be entitled to the benefits of Section 2.16 unless the Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 2.16(d) as though it were a Lender.

(f) Notwithstanding anything to the contrary contained herein, any Lender may, with notice to, but without prior consent of the Borrowers and the Administrative Agent, at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank (*provided* that notice to the Borrowers and the Administrative Agent shall not be required in the case of a pledge or assignment to secure obligations to a Federal Reserve Bank); *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute, or permit the substitution of, any such pledgee or assignee for such Lender as a party hereto.

(g) As used herein, the following terms have the following meanings:

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; *provided that* such Affiliate is a financial institution having a senior unsecured debt rating of not less than "A-", or its equivalent, by S&P; and (c) any other Person (other than a natural person) approved by (i) the Administrative Agent, the Issuing Lender and the Swing Line Lender, and (ii) unless an Event of Default has occurred and is continuing, the Borrowers (each such approval not to be unreasonably withheld or delayed); *provided* that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrowers or any of the Borrowers' Affiliates or Subsidiaries.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may, with notice to, but without prior consent of the Borrowers and the Administrative Agent grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrowers (an "SPC") the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and, if it fails to do so, to make such payment to the Administrative Agent as is required under Section 2.14(e)(ii). Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrowers under this Agreement (including its obligations under Section 2.15), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Loan by an SPC hereunder shall utilize the Revolving Credit Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrowers and the Administrative Agent and with the payment of a processing fee of \$3,500, assign all or any portion of its right to receive payment with respect to any Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC.

(i) Notwithstanding anything to the contrary contained herein, if at any time Bank of America, N.A. assigns all of its Revolving Credit Commitment and Loans pursuant to subsection (b) above, Bank of America, N.A. may, (i) upon 30 days' notice to the Borrowers and the Lenders, resign as Issuing Lender, so long as a successor Issuing Lender (consented to by the Borrowers, such consent not to be unreasonably withheld) has been appointed and/or (ii) upon 30 days' notice to the Borrowers, resign as Swing Line Lender, so long as a successor Swing Line Lender (consented to by the Borrowers, such consent not to be unreasonably withheld) has been appointed. In the event of any such resignation as Issuing Lender or Swing Line Lender, the Borrowers shall be entitled to appoint from among the Lenders a successor Issuing Lender or Swing Line Lender hereunder; *provided, however*, that no failure by the Borrowers to appoint any such successor shall affect the resignation of Bank of America, N.A. as Issuing Lender or Swing Line Lender, as the case may be. If Bank of America, N.A. resigns as Issuing Lender, it shall retain all the rights and obligations of the Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Lender and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 3.3. If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.4.

10.8 *Adjustments; Set-off.* (a) Except to the extent that this Agreement provides for a payment to be allocated to a particular Lender, if any Lender (a "Benefitted Lender") shall at any time receive any payment of all or part of the obligations under the Credit Agreement or the other Loan Documents, owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's obligations under the Credit Agreement or the other Loan Documents, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's obligations under the Credit Agreement or the other Loan Documents, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; *provided, however*, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrowers, any such notice being expressly waived by the Borrowers to the extent permitted by applicable law, upon any amount becoming due and payable by a Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of such Borrower. Each Lender agrees promptly to notify the Borrowers, as the case may be, and the Administrative Agent after any such setoff and application made by such Lender, *provided* that the failure to give such notice shall not affect the validity of such setoff and application.

10.9 *Counterparts.* This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart

hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrowers and the Administrative Agent.

10.10 *Severability* Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.11 *Integration*. This Agreement, the other Loan Documents and the Fee Letters represent the entire agreement of the Borrowers the Administrative Agent, the Joint Lead Arrangers, the Syndication Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Joint Lead Arrangers, the Administrative Agent, the Syndication Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein, in the other Loan Documents or in the Fee Letters. The Borrower agrees that its obligations under the Fee Letter shall survive the execution and delivery of this Agreement.

10.12 **GOVERNING LAW** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.13 *Submission To Jurisdiction; Waivers*. Each of the Borrowers hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrowers, as the case may be, at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.14 *Acknowledgments*. Each of the Borrowers hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrowers arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Administrative Agent and the Lenders, on one hand, and

the Borrowers, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Syndication Agent, the Administrative Agent and the Lenders or among the Borrowers and the Lenders.

10.15 *Confidentiality.* Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to either of the Borrowers and its obligations, (g) with the consent of the Borrowers or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrowers. For purposes of this Section, "Information" means all information received from either of the Borrowers or any of its Subsidiaries relating to either of the Borrowers or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by a Borrower or any Subsidiary, *provided* that, in the case of information received from a Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.16 *Release of Guarantee Obligations.* Notwithstanding anything to the contrary contained herein or any other Loan Document, when all obligations of a Borrower hereunder and under the other Loan Documents that are guaranteed by a Guarantor have been paid in full, all Revolving Credit Commitments have terminated, there exist no unpaid Reimbursement Obligations expired and no Letter of Credit issued for the account of such Borrower shall be outstanding, upon request of the Borrowers, the Administrative Agent shall (without notice to, or vote or consent of, any Lender) take such actions as shall be required to release all guarantee obligations of such Guarantor under any Loan Document, including, without limitation, its Guarantee. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of such Borrower or such Guarantor, or upon or as a result of the appointment of a receiver, intervener or conservator of, or trustee or similar officer for, such Borrower or such Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

10.17 *Accounting Changes.* In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants,

standards or terms in this Agreement, then the Borrowers and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrowers' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrowers, the Administrative Agent and the Majority Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, applicable Insurance Regulators, the NAIC or, if applicable, the SEC.

10.18 WAIVERS OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.19 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of the Borrowers and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrowers in accordance with the Act.

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

FUND AMERICAN COMPANIES, INC.

By:

Name:
Title:

By:

Name:

Title:

BANK OF AMERICA, N.A., individually and
as Administrative Agent

By:

Name:
Title:

By:

Name:

Title:

By:

Name:

Title:

By:

Name:

Title:

By:

Name:

Title:

HSBC BANK USA

By:

Name:

Title:

By:

Name:

Title:

MELLON BANK, N.A.

By:

Name:

Title:

By:

Name:

Title:

By:

Name:

Title:

By:

Name:

Title:

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

I, Raymond Barrette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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)) for the registrant and 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) 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
 - c) 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 quarter in the case of an annual report on Form 10-K) 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 officers 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 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.

November 2, 2004

/s/ RAYMOND BARRETTE

President and Chief Executive Officer
(Principal Executive Officer)

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[Exhibit 31.1](#)

[PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO RULE 13a - 14\(a\) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED](#)

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

I, David T. Foy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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)) for the registrant and 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) 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
 - c) 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 quarter in the case of an annual report on Form 10-K) 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 officers 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 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.

November 2, 2004

/s/ DAVID T. FOY

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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[Exhibit 31.2](#)

[PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO RULE 13a - 14\(a\) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED](#)

**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 of White Mountains Insurance Group, Ltd. (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond Barrette, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ RAYMOND BARRETTE

President and Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2004

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[Exhibit 32.1](#)

[PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)

**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 of White Mountains Insurance Group, Ltd. (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David T. Foy, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ DAVID T. FOY

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: November 2, 2004

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[Exhibit 32.2](#)

[PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)