

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

FEBRUARY 20, 2001

Date of Report (Date of earliest event reported)

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

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

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

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

ITEM 5. OTHER EVENTS.

White Mountains Insurance Group, Ltd. (the "Registrant") announced today that it has amended its previously filed definitive Stock Purchase Agreement with London-based CGNU plc to purchase its U.S. property and casualty operations ("CGU"). In connection with the amendment to the Stock Purchase Agreement, the Registrant has modified the terms of its financing including a reduction in the aggregate principal amount of the facilities to \$875 million.

The Stock Purchase Agreement and the press release dated September 25, 2000 were previously filed as Exhibits 99 (a) and 99 (b), respectively, to the Form 8-K dated September 25, 2000. Amendment No.1 to the Stock Purchase Agreement, the Registrant's press release dated October 19, 2000, the Convertible Preferred Stock Term Sheet, the Berkshire Hathaway Preferred Stock and Warrants Term Sheet, the Senior Secured Credit Facilities Commitment and the Amendment to the Senior Secured Credit Facilities Commitment were previously filed as Exhibits 99(c), 99(d), 99(e), 99(f), 99(g) and 99(h), respectively, to the Form 8-K dated October 19, 2000.

Amendment No. 2 to the Stock Purchase Agreement, the summary of the terms and conditions of the modified Lehman financing commitment and the Registrant's press release dated February 20, 2001 are attached herewith as Exhibits 99(i), 99(j) and 99(k), respectively, and are incorporated by reference in their entirety.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

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

EXHIBIT NO. -----	DESCRIPTION -----
99 (i)	Amendment No. 2 dated February 20, 2001 to the Stock Purchase Agreement among CGU International Holdings Luxembourg S.A., CGU Holdings LLC, CGNU PLC, White Mountains Insurance Group, Ltd., Tack Holding Corp. and Tack Acquisition Corp. dated as of September 24, 2000.
99 (j)	Summary of the terms and conditions of the modified Lehman financing commitment dated February 19, 2001.
99 (k)	Text of press release issued by White Mountains Insurance Group, Ltd., dated February 20, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

Dated: February 20, 2001

By: /s/ Michael S. Paquette

Michael S. Paquette
Senior Vice President and
Controller

AMENDMENT NO. 2 dated as of February 20, 2001 (this "Amendment"), to the Stock Purchase Agreement, dated as of September 24, 2000, as amended by Amendment No. 1 thereto dated as of October 15, 2000 (as amended, the "Purchase Agreement"), among CGU International Holdings Luxembourg S.A., a Luxembourg corporation ("CGUIHL"), CGU Holdings LLC, a Delaware limited liability company ("CGULLC"), CGNU plc, a company incorporated under the laws of England and Wales ("CGNU"), White Mountains Insurance Group, Ltd., a company existing under the laws of Bermuda ("Buyer"), TACK Holding Corp., a Delaware corporation ("Holdco"), and TACK Acquisition Corp., a Delaware corporation ("Newco").

WHEREAS, the parties hereto are parties to the Purchase Agreement;

WHEREAS, the parties have agreed to certain pre-closing adjustments, including among others the contributions or payments by CGNU or Sellers described herein, changes to the Holdco Notes (as defined in the Purchase Agreement), the related purchase of certain reinsurance as described herein and the other matters described herein, all in the context of the current position of the Company and its Subsidiaries; and

WHEREAS, the parties desire to amend the Purchase Agreement as provided herein.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained herein, the parties agree as follows:

1. The following Sections 4.17, 4.18 and 4.19 are hereby inserted in the Purchase Agreement immediately following Section 4.16:

"SECTION 4.17. CERTAIN TRANSACTIONS. (a) At or immediately prior to the Closing, Sellers shall contribute to the Company, in cash, (i) \$20,000,000, which is an amount equal to the reinsurance deposit paid by Buyer to National Indemnity Company to purchase an option to purchase reinsurance with respect to certain of the Company's operations in connection with the transactions contemplated hereby pursuant to a reinsurance placement slip and attached facsimile memorandum dated July 18, 2000 from National Indemnity Company to Buyer, and (ii) \$30,000,000, which is an amount approximately equal to the out of pocket expenses incurred by Buyer and its Subsidiaries in connection with the transactions contemplated by this Agreement. If and when such contributions are made, the Company shall deliver to Sellers a receipt for such contributions in form reasonably satisfactory to Sellers.

(b) At or immediately prior to the Closing, Sellers shall contribute to the Company, in cash, \$44.2 million, which amount equals the sum of (i) \$24.8 million, which is an amount approximately equal to the amount of management incentive expenses incurred by the Company in connection with the transactions contemplated by this Agreement, (ii) \$11.3 million, which is an estimate of the amount to be accrued by the Company in 2001 for a cost of living adjustment for existing retirees under the Company's defined benefit pension plan, and (iii) \$8.1 million, which is an amount approximately equal to the amount of additional benefits accrued by the Company under the CGU Supplemental Pension and Savings Plan in 2000. If and when such contribution is made, the Company shall deliver to Sellers a receipt for such contribution in form reasonably satisfactory to Sellers.

(c) At or immediately prior to the Closing, CGNU shall contribute to the Company, in cash, \$20,000,000, which is an amount approximately equal to the amount of gain received by CGU International Insurance plc upon settlement of a currency option contract purchased by it to hedge currency exposure of CGNU and its affiliates in connection with the transactions contemplated hereby. If and when such contribution is made, the Company shall deliver to CGNU a receipt for such contribution in form reasonably satisfactory to CGNU.

(d) At or immediately prior to the Closing, CGNU shall contribute to the Company, in cash, \$12,000,000, which is an amount approximately equal to the amount of management fees that CGNU has collected or will collect from the Company with respect to the period from January 1, 2000 through the Closing. If and when such contribution is made, the Company shall deliver to CGNU a receipt for such contribution in form reasonably satisfactory to CGNU.

(e) At or immediately prior to the Closing, CGNU shall contribute to the Company, in cash, \$67,600,000, which is an amount approximately equal to the amount of a dividend that Pilot could declare and pay following the consummation of the transactions contemplated by Section 4.15(a) and prior to the consummation of the transactions contemplated by Section 4.7(a). If and when such contribution is made, the Company shall deliver to CGNU a receipt for such contribution in form reasonably satisfactory to CGNU.

(f) At or immediately prior to the Closing, CGNU shall contribute to the Company, in cash, \$6,200,000, which is an amount approximately equal to the amount expected to be paid by the Company to CGNU at the Closing in connection with the CGU Integration Incentive Plan, as described in Section 4.9 of the Disclosure Schedule. If and when such contribution is made, the Company shall deliver to CGNU a receipt for such contribution in form reasonably satisfactory to CGNU.

(g) (i) Notwithstanding the provisions of Sections 4.17(a), (b), (c), (d), (e) and (f), CGNU or Sellers, as the case may be, may choose to not make one or more of the contributions specified in such Sections (each contribution specified in any of such Sections, a "Specified Contribution"); PROVIDED, that if any Specified Contribution is not made, in whole or in part, then Sellers shall subscribe for and purchase for cash, at or prior to the Closing, additional shares of Common Stock of the Company, in respect of and in proportion to the shares of Common Stock in the Company held by each of them at that time, at a price per share equal to the Subscription Price (as defined below), such that the aggregate subscription price equals the aggregate amount of the Specified Contributions that CGNU or Sellers, as the case may be, did not make, such additional shares being not redeemable.

(ii) If any shares of Common Stock are subscribed for and purchased pursuant to this Section 4.17(g), then, for all purposes of this Agreement, (A) the term "CGULLC Shares" shall be deemed to include any shares subscribed for and purchased by CGULLC and the number of CGULLC Shares specified in Section 2.1 shall be adjusted accordingly, (B) the term "CGUIHL Shares" shall be deemed to include any shares subscribed for and purchased by CGUIHL and the number of CGUIHL Shares specified in Section 2.1 shall be adjusted accordingly, (C) the term "Shares" shall be deemed to include all shares so subscribed for and purchased by Sellers and (D) for the avoidance of doubt, there shall be no adjustment to the Purchase Price as a result of this Section 4.17(g). The "Subscription Price" shall mean a price per share in cash equal to (x) the Purchase Price to be paid at the Closing divided by (y) 16,021.

(h) For the avoidance of doubt, the amounts of the Specified Contributions will not be adjusted in the event that any amount by reference to which any such Specified Contribution was determined is actually higher or lower than the amount of the Specified Contribution (for example, the Specified Contribution under Section 4.17(d) shall be \$12,000,000 notwithstanding whether the amount of management fees collected during the period described is greater or less than such amount).

SECTION 4.18. CERTAIN CAPITAL CONTRIBUTIONS BY BUYER. Immediately prior to the Closing, Buyer shall contribute to Holdco and Holdco shall contribute to Newco, in addition to the \$250 million in cash (prior to receipt of proceeds of the Buyer Financing) to be contributed by Buyer to Holdco and by Holdco to Newco as originally described in the commitment letters for the Financings, as amended as of October 16, 2000, \$125 million in cash. Buyer, Holdco and Newco hereby agree that all of the cash described in the immediately preceding sentence, together with the proceeds of the Buyer Financing (all of which shall be contributed to Newco as described in the commitment letters for the Buyer Financing), shall be available to pay the Purchase Price or to be retained by Newco or contributed to the Company

for use in connection with the transactions contemplated hereby, and shall be so shown in all related regulatory approval filings.

SECTION 4.19. CERTAIN REINSURANCE MATTERS. (a) Buyer, Holdco and Newco have requested, and Sellers have agreed, that the obligations of Buyer, Holdco and Newco to effect the purchase and sale of the Shares and the other actions to be taken at the Closing shall be subject to the condition that Buyer, Holdco and Newco be indemnified and guaranteed, effective as of the Closing Date, against an amount of adverse development in the reserves for losses and loss adjustment expenses of the Company and its Subsidiaries, and that such indemnity and guarantee be accomplished by the Company and its Subsidiaries obtaining the Reinsurance (as defined below). Accordingly, prior to the Closing, CGNU and Sellers shall use their commercially reasonable efforts to cause the Company to seek to obtain, in each case effective as of immediately prior to the Closing: (i) reinsurance on substantially the terms described in the Reinsurance Option Term Sheet dated August 16, 2000, between National Indemnity Company and the Company, with such changes therein as have prior to February 20, 2001 been approved by Buyer or as are approved by Buyer after such date, such approval not to be unreasonably withheld (the "Discontinued Operations Reinsurance"); and (ii) excess of loss reinsurance for accident years 2000 and prior (relating to certain continuing operations) with a limit of \$550 million to \$600 million and otherwise as described below and as set forth on Section 4.19 of the Disclosure Schedule (the "Continuing Operations Reinsurance," and collectively with the Discontinued Operations Reinsurance, the "Reinsurance").

(b) The Continuing Operations Reinsurance shall be with such third party reinsurer and have such terms and conditions as shall be reasonably satisfactory to Buyer; PROVIDED, that the premium or other cost of the Continuing Operations Reinsurance shall not exceed the amount set forth in Section 4.19 of the Disclosure Schedule; PROVIDED, FURTHER, that Buyer may not assert that the terms and conditions of any such Continuing Operations Reinsurance are not reasonably satisfactory to it solely based on the premium or other cost thereof if such premium or other cost does not exceed the amount shown in Section 4.19 of the Disclosure Schedule. All costs of the Continuing Operations Reinsurance shall be paid by the Company and/or its Subsidiaries, as Sellers' designees. Buyer, Holdco and Newco shall use their reasonable best efforts to assist the Company and its Subsidiaries in obtaining quotes for and arranging the Continuing Operations Reinsurance.

(c) Notwithstanding the first sentence of Section 4.19(b), if the Company and its Subsidiaries receive a firm offer from a third party reinsurer to provide the Continuing Operations Reinsurance that Buyer prefers the Company and its Subsidiaries to accept over other possible transactions and that would be sufficient to obtain the Financings or any alternative financings

and otherwise to permit the consummation of the transactions contemplated hereby (such Continuing Operations Reinsurance, a "Preferred Transaction"), then CGNU and Sellers shall use their commercially reasonable efforts to cause the Company and its Subsidiaries to enter into such Preferred Transaction, in order to effectuate the indemnity and guaranty referred to in Section 4.19(a). If such Preferred Transaction cannot be effected, then the provisions of the first sentence of Section 4.19(b) shall again apply."

2. Section 4.16 of the Purchase Agreement is hereby amended by replacing the text of paragraph (a)(ii) thereof in its entirety with the words "[Intentionally omitted]."

3. Section 3.2(j) of the Purchase Agreement is hereby amended by deleting the second sentence thereof and replacing it with the following two sentences:

"The Financings, together with available cash of Newco, Holdco and Buyer, available cash of the Company (after giving effect to the Preclosing Transactions, the Restructuring Transactions and the payment of \$369 million of dividends to the Company during the period from January 1, 2000 through January 8, 2001 and assuming the representation made by CGNU and Sellers in the last two sentences of Section 3.1(b) is true), the Holdco Notes and the funds provided by the transactions described in Section 4.17 of this Agreement, are sufficient, subject to the satisfaction of the conditions of the Financings, to provide the funds required by Newco to pay the Purchase Price hereunder, to repay in full the outstanding principal and interest on the Term Note, to purchase the Continuing Operations Reinsurance and to pay all fees and expenses required to be paid by Newco, Holdco or Buyer in connection with the transactions contemplated by this Agreement. The representation and warranty made in the immediately preceding sentence shall be deemed made as of February 20, 2001 and as of the Closing Date."

4. Section 10.1(b) of the Purchase Agreement is hereby amended by deleting the phrase "March 31" and replacing it with the phrase "April 13".

5. Section 1.1 of the Purchase Agreement is hereby amended by adding to the list of other defined terms in the appropriate alphabetical order (1) the terms "Continuing Operations Reinsurance", "Discontinued Operations Reinsurance" and "Reinsurance", which shall each cross-refer to Section 4.19(a) of the Purchase Agreement, (2) the term "Preferred Transaction", which shall cross-refer to Section 4.19(c) of the Purchase Agreement, and (3) the terms "Specified Contributions" and "Subscription Price", which shall each cross-refer to Section 4.17(g) of the Purchase Agreement.

6. Buyer, Newco and Holdco represent and warrant to CGNU and Sellers that (i) they have obtained all consents, if

any, to this Amendment required to be obtained under the Financings, (ii) they have provided a complete copy of the commitment letter supplement dated February 19, 2001 which is referred to in Section 3.2(j) of the Disclosure Schedule to CGNU and Sellers and (iii) the commitments to provide the Financings, as described in Section 3.2(j) of the Disclosure Schedule, remain in full force and effect as of the date hereof.

7. Exhibit G to the Purchase Agreement is hereby amended and restated in its entirety to read as set forth in Annex A hereto.

8. Section 4.9 of the Disclosure Schedule is hereby amended by amending and restating the final sentence of the first paragraph under the caption "Management Services and Fee; Intergroup Charges" to read as follows:

"Fees will be charged on a pro rata basis in accordance with past practice through the Closing Date and paid at the Closing and then trued up in accordance with past practice through the Closing Date following the Closing, with any outstanding amounts settled as promptly after the Closing as practicable."

9. Section 4.9 of the Disclosure Schedule is hereby further amended by adding, after item 6. under the heading "Reinsurance arrangements," the following:

"7. Immediately prior to the Closing, the Stop Loss Reinsurance Agreement, as amended, between Curepool and CGU Insurance Company (on behalf of itself and the other Insurance Subsidiaries referenced therein), a complete copy of which has previously been provided to Buyer, will be commuted and terminated in consideration of the payment by Curepool to CGU Insurance Company of \$170 million."

10. Buyer, Holdco and Newco each hereby consent to (i) the sale of the Insurance Subsidiaries' surety business and (ii) certain amendments to the charters of those Insurance Subsidiaries that are domiciled in New York as required by the New York Insurance Department in connection with its review of the Reinsurance (Pooling) Agreement dated as of January 1, 1999 by and among certain of the Insurance Subsidiaries, in each case as previously disclosed to Buyer.

11. Section 8.4 of the Purchase Agreement is hereby amended by deleting the words "the provisions of Section 8.1(b)(iii) and".

12. Section 3.1(e) of the Disclosure Schedule is hereby amended by (i) amending and restating the first item to read as follows:

"1. Under a Stockholders Agreement dated August 6, 1993, as amended, relating to the A.W.G. Dewar, Inc. insurance agency

("Dewar"), certain individual stockholders of the agency have the right to sell the shares of Dewar common stock owned by them to the Company, and the right to require the Company to sell to them the shares of Dewar common stock owned by the Company, in each case at a specified calculated value if a Change in Control (as defined) with respect to the Company occurs."

and (ii) renumbering the second item as no. 2.

13. The following paragraph (y) is hereby inserted in the Purchase Agreement immediately following Section 3.1(x):

"(y) DIVIDENDS. The Insurance Subsidiaries declared an aggregate of \$369 million of dividends to the Company between September 24, 2000 and December 31, 2000, of which \$334 million was paid during such period and \$35 million was paid during the period September 24, 2000 to January 8, 2001. The representation and warranty made in the immediately preceding sentence shall be deemed made as of February 20, 2001 and as of the Closing Date."

14. The following paragraphs (h) and (i) are hereby inserted in the Purchase Agreement following Section 6.2(g):

"(h) SPECIFIED CONTRIBUTIONS. The Company shall have received from CGNU and/or Sellers the aggregate amount of cash required to be contributed or paid to the Company pursuant to Section 4.17.

(i) CONTINUING OPERATIONS REINSURANCE. The Insurance Subsidiaries shall have obtained the Continuing Operations Reinsurance."

15. Section 4.19 is hereby added to the Disclosure Schedule in the form attached as Annex B hereto.

16. The last sentence of Section 2.1 of the Purchase Agreement is hereby amended by replacing the figure "\$1,960,434,000" with the figure "\$1,910,434,000" and replacing the figure "\$210,000,000" with the figure "\$260,000,000".

17. Section 3.2(j) of the Disclosure Schedule is hereby amended by amending and restating the first bullet point under the heading "NEWCO FINANCING" to read as follows:

"- \$875 million of senior credit facilities to be provided pursuant to the commitment letter dated September 24, 2000, as amended by the letter agreement dated October 15, 2000, and as supplemented by the commitment letter supplement dated February 19, 2001, among Buyer, Lehman Brothers Inc. and Lehman Commercial Paper Inc. previously provided to CGNU and Sellers."

18. Except as expressly amended hereby, the Purchase Agreement remains in full force and effect in accordance with its terms.

19. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

20. This Amendment may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

CGNU PLC

By _____
Name:
Title:

CGU INTERNATIONAL HOLDINGS
LUXEMBOURG S.A.

By _____
Name:
Title:

CGU HOLDINGS LLC

By _____
Name:
Title:

WHITE MOUNTAINS INSURANCE GROUP, LTD.

By _____
Name:
Title:

TACK HOLDING CORP.

By _____
Name:
Title:

TACK ACQUISITION CORP.

By _____
Name:
Title:

SECTION 4.19: CONTINUING OPERATIONS REINSURANCE

The premium or other cost of the Continuing Operations Reinsurance shall not exceed \$350 million and the amount of such premium or other cost to be funded from sources other than the Insurance Subsidiaries shall not exceed \$155 million.

CGNU, Sellers, Buyer, Holdco and Newco shall keep, and shall cause their respective Subsidiaries to keep, the provisions of this Section 4.19 confidential except as may required by applicable law or regulatory requirements.

Term Sheet for Holco Notes

Issuer: Holdco (TACK Holding Corp)

Holders: Sellers, pro rata to their pre-closing equity interest in the Company

Security: Subordinated Note

Subordination: Subordinated to senior debt of Holdco

Principal Amount: \$260 million

Maturity: Eighteen months from Closing Date

Interest Rate: 50 basis points over the rate from time to time in effect under the Lehman Senior Bank Loan, payable upon maturity

Settlement: Principal and interest to be settled at maturity in cash. However, Buyer (White Mountains Insurance Group, Ltd.) shall have the option (unless an event of default shall have occurred and be continuing, and subject to "Vote" below) to purchase the Holdco Notes at maturity for a purchase price equal to the principal amount thereof plus accrued interest, such purchase price to be paid by delivery of shares of common stock of Buyer. Such settlement shall only be permitted if such common stock shall be validly issued, fully paid and nonassessable, and free and clear of all liens. If purchased for shares of Buyer common stock, such common stock shall be valued for such purpose at \$245 per share.

In no event, however, will Sellers receive an aggregate amount of common stock of Buyer that would require Sellers or any parent of any of them to file a request for approval of acquisition of control with any U.S. insurance regulator; to the extent such limit would be exceeded, the purchase option may not be exercised for the applicable portion of the Holdco Notes and the remaining amount must be settled in cash. However, Sellers will use their commercially reasonable efforts to file and seek approval of disclaimers of control; if all necessary disclaimers are approved, the full amount may be purchased for common stock.

Stockholder Protections: If purchased for Buyer common stock as described above, Sellers shall not be entitled to any governance rights. However, Sellers will be entitled to 3 demand and (subject to normal cutbacks) unlimited piggyback registration rights under a customary registration rights agreement to be entered into in such event between Buyer and Sellers, the form of which will be an exhibit to an option agreement reflecting the Buyer purchase option to be entered into concurrently with issuance of the Holdco Notes. Buyer will pay the registration expenses in connection with any such demand and piggyback rights other than any underwriting discounts and commissions. Such registration rights may be exercised at any time after settlement.

Vote: Purchase of the Holdco Notes for Buyer common stock would require approval of the shareholders of Buyer under the NYSE rules Shareholder approval of issuance of Buyer common stock upon purchase of the Holdco Notes will not be a condition precedent to Closing under the Agreement.

Anti-Dilution: Customary anti-dilution protection.

Events of Default: Failure to pay when due; bankruptcy events; cross-acceleration to other debt.

Other: Holdco Notes are freely transferable (subject to applicable law).

TACK ACQUISITION CORP.

\$875,000,000 CREDIT FACILITIES

SUMMARY OF TERMS AND CONDITIONS

February 19, 2001

White Mountains Insurance Group, Ltd., a company incorporated in Bermuda ("WHITE MOUNTAINS"), together with certain other investors (the "INVESTOR GROUP"), has formed Tack Holding Corp., a Delaware corporation (the "PARENT"), which in turn formed Tack Acquisition Corp., a Delaware corporation ("ACQUISITION CO."), which will acquire (the "ACQUISITION") the U.S. property and casualty insurance business (the "ACQUIRED ASSETS") of CGNU plc, a company incorporated in England and Wales (the "SELLER"). The Acquisition will be consummated pursuant to the Stock Purchase Agreement, dated as of September 24, 2000, as amended by Amendment No.1 to the Stock Purchase Agreement, dated as of October 15, 2000, and Amendment No.2 to the Stock Purchase Agreement, dated as of February 19, 2001 (the "STOCK PURCHASE AGREEMENT"), among White Mountains, the Parent, Acquisition Co., CGU International Holdings Luxembourg S.A., a Luxembourg corporation ("CGU LUXEMBOURG"), CGU Holdings LLC, a Delaware limited liability company ("CGU DELAWARE") and the Seller. The Acquisition will be accomplished as described in Annex II to this Summary of Terms and Conditions; certain terms defined in such Annex II are used herein with the meanings given therein.

In that connection, credit facilities in an aggregate principal amount of \$875,000,000 are being established, as described below. The Credit Facilities described below include a Tranche C Term Loan Facility; it is anticipated that the Tranche C Term Loans may be refinanced with the proceeds of a capital markets transaction entered into by the Borrower or the Parent, and to the extent the Tranche C Term Loans have not been refinanced before the date which is six months after the Closing Date, the holder thereof has the right to exchange the Tranche C Term Loans for the Exchange Notes described below.

I. PARTIES

Borrowers: Acquisition Co. (the "BORROWER").

Guarantors: The Parent, and each subsidiary of the Borrower other than any insurance company subsidiary and other than A.W.G. Dewar (the "GUARANTORS"; the Borrower and the Guarantors,

collectively, the "CREDIT PARTIES"). The Exchange Notes, if issued, shall be guaranteed by the Guarantors on a PARI PASSU basis with the Credit Facilities.

Sole Advisor, Sole Lead Arranger and Sole Book Manager: Lehman Brothers Inc. ("LBI" or, in such capacity, the "ARRANGER").

Syndication Agent: A bank or other financial institution to be determined (in such capacity, the "SYNDICATION AGENT").

Documentation Agents: Banks or other financial institutions to be determined (in such capacities, the "DOCUMENTATION AGENTS").

Administrative Agent: Lehman Commercial Paper Inc. ("LCPI", or, in such capacity, the "ADMINISTRATIVE AGENT").

Co-Arranger: To be determined.

Lenders: A syndicate of banks, financial institutions and other entities arranged by the Arranger (collectively, the "LENDERS").

II. TYPES AND AMOUNTS OF CREDIT FACILITIES

1. TERM LOAN FACILITIES

Types and Amounts of Facilities: Term Loan Facilities (the "TERM LOAN FACILITIES") in an aggregate amount of \$725,000,000 as follows:

TRANCHE A TERM LOAN FACILITY: A five-year tranche A term loan facility (the "TRANCHE A TERM LOAN FACILITY") in an aggregate principal amount equal to \$250,000,000 (the loans thereunder, the "TRANCHE A TERM LOANS"). The Tranche A Term Loans shall be repayable in installments in amounts equal to the percentage set forth below multiplied by the aggregate principal amount of the Tranche A Term Loans borrowed on the Closing Date for each year following the Closing Date (as defined below):

YEAR	AMOUNT
Year 1	15%
Year 2	17.5%
Year 3	20%
Year 4	22.5%
Year 5	25%

The foregoing amounts payable in each year will be payable in equal quarterly installments during such year; PROVIDED, that (i) principal payments shall commence on March 31, 2002 and the entire principal amount payable for Year 1 shall be payable on March 31, 2002 and (ii) if, having used its best efforts to obtain regulatory approvals required to permit quarterly payment of dividends by its insurance company subsidiaries, the Borrower does not obtain such approvals for payments prior to June 30, 2002, principal payments in respect of the Tranche A Term Loans scheduled to be made on June 30, 2002, September 30, 2002, December 31, 2002 and March 31, 2003 shall be made on March 31, 2003.

TRANCHE B TERM LOAN FACILITY. A six-year tranche B term loan facility (the "TRANCHE B TERM LOAN FACILITY") in an aggregate principal amount equal to \$200,000,000 (the loans thereunder, the "TRANCHE B TERM LOANS"). The Tranche B Term Loans shall be repayable in installments in amounts equal to the percentage set forth below multiplied by the aggregate principal amount of the Tranche B Term Loans borrowed on the Closing Date for each year following the Closing Date:

YEAR	AMOUNT
Year 1	1%
Year 2	1%
Year 3	1%
Year 4	1%
Year 5	1%
Year 6	95%

The foregoing amounts payable in each year will be payable in equal quarterly installments during such year; PROVIDED, that (i) principal payments shall commence on March 31, 2002 and the entire principal amount payable for Year 1 shall be payable on March 31, 2002 and (ii) if, having used its best efforts to obtain regulatory approvals required to permit quarterly payment of dividends by its insurance company subsidiaries, the Borrower does not obtain such approvals for payments prior to June 30, 2002, principal payments in respect of the Tranche B Term Loans scheduled to be made on June 30, 2002, September 30, 2002, December 31, 2002 and March 31, 2003 shall be made on March 31, 2003.

TRANCHE C TERM LOAN FACILITY. A tranche C term loan facility (the "TRANCHE C TERM LOAN FACILITY") in an aggregate principal amount equal to \$275,000,000 with a maturity date (the "TRANCHE C TERM LOAN FACILITY MATURITY DATE") of the earlier of (i) seven years after the Closing Date and (ii) the date which

is six months prior to the date of mandatory redemption of the Berkshire Preferred Stock (as defined below) (the loans thereunder, the "TRANCHE C TERM LOANS", and, together with the Tranche A Term Loans and the Tranche B Term Loans, the "TERM LOANS"). The Tranche C Term Loans shall be repayable in one payment on the Tranche C Term Loan Facility Maturity Date.

Exchange of Tranche C
Term Loans for Exchange
Notes:

The holder of the Tranche C Term Loans shall have the right, at any time on or after the date which is six months after the Closing Date, upon two weeks prior written notice to White Mountains and the Borrower, to exchange all or any portion of the Tranche C Term Loans for notes (the "EXCHANGE NOTES") in an aggregate principal amount equal to the principal amount of the Tranche C Term Loans so exchanged. The Exchange Notes shall be subject to the terms and conditions set forth in Annex III to this Term Sheet (the "EXCHANGE NOTE TERM SHEET").

Availability:

The Term Loans shall be made in a single drawing on the Closing Date.

Purpose:

The proceeds of the Term Loans shall be used to finance the Acquisition, to repay certain existing indebtedness of CGU and its subsidiaries, to pay related fees and expenses and for general corporate purposes.

2. REVOLVING CREDIT FACILITY

Type and Amount
of Facility:

Five-year revolving credit facility (the "REVOLVING CREDIT FACILITY"; together with the Term Loan Facility, the "CREDIT FACILITIES") in the amount of \$150,000,000 (the loans thereunder, the "REVOLVING CREDIT LOANS"; together with the Term Loans, the "LOANS").

Availability:

The Revolving Credit Facility shall be available on a revolving basis during the period commencing on the Closing Date and ending on the fifth anniversary thereof (the "REVOLVING CREDIT TERMINATION DATE").

Optional Commitment
Increase:

The aggregate amount of the Revolving Credit Facility may, at any time during the period commencing on the Closing Date and ending on the date that is one year after the Closing Date, be increased, at the request of the Borrower, by the amount of up to \$50,000,000 without the approval of any Lender so long as the commitments of any Lender are not increased without such Lender's consent, PROVIDED that the Borrower shall have provided additional lenders to make available the additional

commitments. Procedures pursuant to which the Borrower shall provide lenders to make available the additional commitments shall be set forth in the Credit Documentation. The Revolving Credit Facility as so increased shall be available on the same terms and conditions as set forth herein. If the Revolving Credit Facility is so increased, White Mountains may borrow up to \$50,000,000 thereof and up to \$10,000,000 of the portion of the Revolving Credit Facility available for the issuance of Letters of Credit shall be available to White Mountains, PROVIDED that the Borrower shall guarantee any borrowing made by White Mountains, and PROVIDED FURTHER that the Lenders will request repayment from White Mountains with respect to borrowings made by White Mountains prior to making a demand for repayment from any or all Guarantors.

Letters of Credit

A portion of the Revolving Credit Facility not in excess of \$25,000,000 shall be available for the issuance of letters of credit (the "LETTERS OF CREDIT") by a Lender to be agreed upon (in such capacity, the "ISSUING LENDER"). No Letter of Credit shall have an expiration date after the earlier of (a) one year after the date of issuance and (b) five business days prior to the Revolving Credit Termination Date, PROVIDED that any Letter of Credit with a one-year tenor may provide for the automatic renewal thereof (in the absence of notice to the contrary from the Issuing Lender) for additional one-year periods (which shall in no event extend beyond the date referred to in clause (b) above).

Drawings under any Letter of Credit shall be reimbursed by the Borrower (whether with its own funds or with the proceeds of Revolving Credit Loans) on the next business day. To the extent that the Borrower does not so reimburse the Issuing Lender, the Lenders under the Revolving Credit Facility shall be irrevocably and unconditionally obligated to reimburse the Issuing Lender on a PRO RATA basis.

Swing Line Loans:

A portion of the Revolving Credit Facility not in excess of \$10,000,000 shall be available to the Borrower for swing line loans (the "SWING LINE LOANS") from LCPI (in such capacity, the "SWING LINE LENDER") on same-day notice. Any Swing Line Loans will reduce availability under the Revolving Credit Facility on a dollar-for-dollar basis. Each Lender under the Revolving Credit Facility shall acquire, under certain circumstances, an irrevocable and unconditional PRO RATA participation in each Swing Line Loan.

Purpose:

The proceeds of the Revolving Credit Loans shall be used to finance the Acquisition, to repay certain existing indebtedness of CGU and its subsidiaries, to pay related fees and expenses and for working capital and general corporate purposes of the

Borrower and its subsidiaries in the ordinary course of business.

III. CERTAIN PAYMENT PROVISIONS

Fees and Interest

Rates: As set forth on Annex I.

Optional Prepayments

and Commitment

Reductions:

Loans may be prepaid and commitments may be reduced by the Borrower in minimum amounts to be agreed upon. The Borrower may optionally prepay the Tranche C Term Loans (i) with the proceeds of equity at any time and (ii) other than with the proceeds of equity during the period commencing on the Closing Date and ending on the date which is six months after the Closing Date, in each case without simultaneously prepaying the other Term Loans, provided that any such prepayment shall not reduce the principal amount of the Tranche C Term Loans to any amount between \$0 and \$150,000,000 unless the Arranger determines that a bond transaction in such reduced amount can be successfully completed; all other optional prepayments of the Term Loans shall be applied ratably to the Tranche A Term Loan Facility, the Tranche B Term Loan Facility and the Tranche C Term Loan Facility. Optional prepayments of the Tranche A Term Loans and the Tranche B Term Loans shall be applied to the Tranche A Term Loans and the Tranche B Term Loans ratably and to the installments thereof as follows: FIRST, to the next installment thereof due after the date of such prepayment, and, SECOND, to the remaining installments thereof ratably in accordance with the then outstanding amounts thereof and may not be reborrowed. Notwithstanding the foregoing, so long as any Tranche A Term Loans are outstanding, each holder of Tranche B Term Loans and, after the date that is six months after the Closing Date in the case of any prepayment other than with the proceeds of equity, Tranche C Term Loans shall have the right to refuse all or any portion of such prepayment allocable to its Tranche B Term Loans or Tranche C Term Loans, as the case may be, and the amount so refused will be applied to prepay the Tranche A Term Loans.

Prepayment Fee:

Each optional prepayment in respect of the Tranche B Term Loans on or prior to the date that is eighteen months after the Closing Date shall be accompanied by a prepayment fee equal to (i) if such prepayment is made prior to the first anniversary of the Closing Date, 1.5% of the principal amount of such prepayment and (ii) if such prepayment is made on or after the first anniversary of the Closing Date and prior to the date that is eighteen months after the Closing Date, 0.5% of the principal

amount of such prepayment. Any prepayment of the Tranche B Term Loans upon the refinancing thereof (whether with proceeds of equity or indebtedness) or upon the occurrence of a change of control shall be deemed to be an optional prepayment.

**Mandatory Prepayments
and Commitment
Reductions:**

The following amounts shall be applied to prepay the Term Loans and reduce the Revolving Credit Facility:

(a) 50% of the net proceeds, above a \$5,000,000 threshold amount, of any sale or issuance of equity by the Parent (with exceptions to be agreed upon, including exceptions (i) permitting proceeds of equity to be used to prepay the Tranche C Term Loans and the Seller Note and up to \$300,000,000 contributed by White Mountains to the Borrower pursuant to the warrant agreement to repay the Berkshire Preferred Stock and (ii) exempting from mandatory prepayment requirements \$20,000,000 of the proceeds of preferred stock issued by the Parent and sold to a third party in connection with the transactions contemplated hereby);

(b) 100% of the net proceeds of any capital markets transaction entered into by the Parent or the Borrower for the purpose of repaying the Tranche C Term Loans; and

(c) 100% of the net proceeds, above a \$10,000,000 threshold amount, of any sale or other disposition by assets by the Borrower or any of its non-insurance company subsidiaries (with exceptions to be agreed upon, including exceptions permitting disposition of portfolio investments and the reinvestment of the proceeds thereof in other portfolio investments).

All such amounts shall be applied, FIRST, to the prepayment of the Term Loans and, SECOND, to the permanent reduction of the Revolving Credit Facility; PROVIDED, that the Revolving Credit Facility shall not be reduced to less than \$100,000,000 pursuant to the foregoing mandatory prepayment and commitment reduction provisions. Each such prepayment of Term Loans with the proceeds of a capital markets transaction referred to in paragraph (b) above shall be applied to the Tranche C Term Loans and any outstanding Exchange Notes ratably; each other such prepayment shall be applied to the Tranche A Term Loans, the Tranche B Term Loans and the Tranche C Term Loans ratably and to make an offer to ratably redeem the Exchange Notes. Each such prepayment of the Term Loans made with the proceeds of asset sales shall be applied to the installments thereof ratably in accordance with the then outstanding amounts thereof and may not be reborrowed; and each other such

prepayment of Term Loans shall be applied, FIRST, to the next installment thereof due after the date of such prepayment, and, SECOND, to the remaining installments thereof ratably in accordance with the then outstanding amounts thereof and may not be reborrowed. Notwithstanding the foregoing, so long as any Tranche A Term Loans are outstanding, each holder of Tranche B Term Loans and, after the date that is six months after the Closing Date, Tranche C Term Loans shall have the right to refuse all or any portion of such prepayment allocable to its Tranche B Term Loans or Tranche C Term Loans, as the case may be, and the amount so refused will be applied to prepay the Tranche A Term Loans. The Revolving Credit Loans shall be prepaid and the Letters of Credit shall be cash collateralized or replaced to the extent such extensions of credit exceed the amount of the Revolving Credit Facility.

IV. COLLATERAL

The obligations of the Borrower and each Guarantor in respect of the Credit Facilities shall be secured by a perfected first priority security interest in the capital stock of each of its non-insurance company subsidiaries (other than A.W.G. Dewar) and each of its first-tier insurance company subsidiaries (including the capital stock of the Borrower, which will be pledged by the Parent) and substantially all of its other intangible assets (it being understood that the Parent and its subsidiaries (other than insurance company subsidiaries) will not have any material tangible assets). Not more than 65% of the capital stock of any foreign subsidiaries will be required to be pledged. The Exchange Notes, if issued, shall, at the option of the holder thereof, be secured equally and ratably with the Credit Facilities.

V. CERTAIN CONDITIONS

Initial Conditions:

The availability of the Credit Facilities shall be conditioned upon satisfaction of, among other things, the following conditions precedent (the date upon which all such conditions precedent shall be satisfied, the "CLOSING DATE") on or before April 13, 2001 (which date shall be extended to June 30, 2001 if the only condition to the consummation of the Acquisition as set forth in the Stock Purchase Agreement that has not been met on April 13, 2001 is the receipt of all required governmental approvals) (with references to the Borrower and its subsidiaries in this paragraph being deemed to refer to and include the Acquired Assets after giving effect to the Acquisition):

(a) Each Credit Party shall have executed and delivered customary definitive financing documentation with respect to the Credit Facilities, which shall be reasonably satisfactory to all parties thereto and shall reflect the terms and conditions set forth herein and such other terms and conditions, consistent with the terms and conditions set forth herein, as shall be reasonably acceptable to all parties thereto (the "CREDIT DOCUMENTATION").

(b) White Mountains shall have received commitments from (i) the Investor Group to purchase for cash an amount consistent with the Sources and Uses Table attached as Annex I-B (the "SOURCES AND USES TABLE") of equity securities of White Mountains and (ii) Berkshire Hathaway to purchase no less than an amount consistent with the Sources and Uses Table of preferred stock of the Borrower (with a separate warrant to purchase White Mountains common stock)(the "BERKSHIRE PREFERRED STOCK"). The Parent shall have received at least an amount consistent with the Sources and Uses Table in cash and marketable securities from the issuance of its equity securities to White Mountains and/or the Investor Group. The Borrower shall have received at least an amount consistent with the Sources and Uses Table in cash and marketable securities from the issuance of its equity securities to the Parent. CGU shall have received as dividends from its subsidiaries cash in an amount consistent with the Sources and Uses Table, and such cash shall be available for use to pay a portion of the purchase price of the Acquisition or for the other uses set forth in the Sources and Uses Table.

(c) The Acquisition shall have been consummated in accordance with the Stock Purchase Agreement (without any material waiver or other modification of any material provision thereof unless such waiver or other modification has been approved by the Administrative Agent), and as described in Annex II hereto. After giving effect to the consummation of the Acquisition, the Borrower shall have no material indebtedness other than indebtedness under the Credit Facilities, the Seller Note (which constitutes indebtedness of the Parent), approximately \$30,000,000 of existing indebtedness of CGU and indebtedness of Folksamerica in respect of a promissory note in the original principal amount of approximately \$21,000,000 (which is currently carried on the books of Folksamerica at an outstanding principal amount of approximately \$0).

(d) The Lenders, the Administrative Agent and the Arranger shall have received all fees required to be paid on or before the Closing Date, and the Administrative Agent shall have received

reimbursement of all out-of-pocket expenses of the Arranger and the Administrative Agent payable by the Borrower in connection with the Credit Facilities.

(e) All governmental and third party approvals required for the financing contemplated hereby and the creation of the security interests contemplated hereby, and, to the extent required by the Stock Purchase Agreement, all governmental and third party approvals required for the Acquisition and the continuing operations of the Borrower and its subsidiaries, shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose materially adverse conditions on the Acquisition or the financing thereof.

(f) The Lenders shall have received (i) audited consolidated financial statements of White Mountains and CGU for the two most recent fiscal years for which such financial statements are available and (ii) unaudited interim consolidated financial statements of White Mountains and CGU for each fiscal quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available. All such financial statements shall be in reasonable detail, shall be prepared in accordance with generally acceptable accounting principles and shall be certified by an appropriate financial officer or accountants, as applicable.

(g) The Lenders shall have received a PRO FORMA consolidated balance sheet of the Borrower as at the date of the most recent consolidated balance sheet delivered pursuant to paragraph (f) above, adjusted to give effect to the consummation of the Acquisition and the financings and other transactions contemplated hereby as if such transactions had occurred on such date. Such PRO FORMA consolidated balance sheet shall be prepared in reasonable detail and in accordance with customary standards. Such PRO FORMA balance sheet shall reflect (i) an increase in reserves of at least \$800,000,000 at December 31, 2000 for 1999 and prior accident years, (ii) an aggregate unassigned surplus of dividend paying first-tier insurance company subsidiaries of the Borrower of at least \$950,000,000 (PROVIDED, that such amount may be reduced to not less than \$900,000,000 if the Credit Facilities are reduced by the same amount, and additional equity in the same amount is made available to the Borrower) and (iii) the net cost of the reinsurance arrangements described in paragraph (l) below.

(h) The Lenders shall have received (i) unaudited consolidating financial statements of CGU for the two most recent fiscal years

for which such financial statements are available, (ii) unaudited interim consolidating financial statements of CGU for each fiscal quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available and (iii) monthly financial statements of the Acquired Assets for each monthly period ending from and after May 31, 2000 and prior to the Closing Date. All such financial statements shall be in reasonable detail, shall be prepared in accordance with generally acceptable accounting principles and shall be certified by an appropriate financial officer or accountants, as applicable.

(i) The Lenders shall have received a business plan for fiscal years 2001-2007 and a written analysis of the business and prospects of the Borrower and its subsidiaries for the period from the Closing Date through the final maturity of the Tranche C Term Loans. Such business plan and analysis shall be prepared in reasonable detail and in accordance with customary standards.

(j) All material insurance company subsidiaries of the Borrower shall have received ratings from A.M. Best of at least A-.

(k) The Lenders shall have received the results of a recent lien search in each relevant jurisdiction with respect to the Credit Parties, and such search shall reveal no liens on any of the assets of the Credit Parties except for liens permitted by the Credit Documentation or liens to be discharged on or prior to the Closing Date pursuant to documentation satisfactory to the Administrative Agent. It is understood that mortgages securing approximately \$30,000,000 of existing debt of insurance company subsidiaries shall be permitted.

(l) Insurance company subsidiaries of CGU shall have completed a reinsurance transaction with Berkshire Hathaway (materially consistent with the letter, dated July 18, 2000, from Ajit Jain of Berkshire Hathaway Group to Ray Barrette of White Mountains, together with the Reinsurance Agreement Terms attached to such letter) for not less than \$2,500,000,000 (relating to certain discontinued operations). Insurance company subsidiaries of CGU shall have entered into a reinsurance transaction (the terms of which shall be reasonably acceptable to the Arranger) with one of the third party reinsurers previously identified to the Arranger or a comparably rated or more highly rated third party reinsurer providing excess of loss coverage for accident year 2000 and prior with a limit of between \$550,000,000 and \$600,000,000 (relating to certain continuing operations) at a cost not to exceed \$350,000,000.

(m) The aggregate statutory net worth of the Borrower's insurance company subsidiaries shall be not less than \$2,300,000,000, after giving effect to the cost of the reinsurance described in paragraph (l) above, the reserve strengthening described in paragraph (g) above and the other transactions contemplated hereby.

(n) The Lenders shall have received such legal opinions, documents and other instruments as are customary for transactions of this type or as they may reasonably request.

On-Going Conditions:

The making of each extension of credit shall be conditioned upon (a) the accuracy of all representations and warranties in the Credit Documentation (including, without limitation, the material adverse change and litigation representations) and (b) there being no default or event of default in existence at the time of, or after giving effect to the making of, such extension of credit.

As used herein and in the Credit Documentation, a "material adverse change" shall mean:

(i) with respect to the "material adverse change" representation and warranty to be made on the Closing Date, any event or development that has had or would reasonably be expected to have a material adverse effect on (a) the business, operations, property or financial condition of the Borrower and its subsidiaries, taken as a whole, the Acquired Assets or White Mountains and its subsidiaries, taken as a whole, or (b) the validity or enforceability of any of the Credit Documentation or the rights and remedies of the Administrative Agent and the Lenders thereunder, other than any such effect resulting from (1) changes in general economic or securities or financial market conditions (including changes in interest rates), (2) any write-off of assets or establishment of liabilities identified in Section 1.1(a) of the Disclosure Schedule to the Stock Purchase Agreement, in each case in amounts materially consistent with the amounts reflected in the Projections provided by White Mountains to LBI and LCPI prior to the date hereof or (3) any ratings downgrade of any material insurance company subsidiary of the Borrower by A.M. Best to a level not below A-; and

(ii) with respect to the "material adverse change" representation and warranty to be made at any time after the Closing Date, any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the Acquisition or the other transactions contemplated hereby, (b) the business, assets, property or financial condition of the Borrower and its subsidiaries taken as a whole, or (c) the

validity or enforceability of any of the Credit Documentation or the rights and remedies of the Administrative Agent and the Lenders thereunder.

VI. CERTAIN DOCUMENTATION
MATTERS:

The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type (in each case applicable to each of the Credit Parties, as appropriate), including, without limitation:

Representations and
Warranties:

Financial statements (including pro forma financial statements and statutory accounts); absence of undisclosed liabilities; no material adverse change; corporate existence; compliance with law; corporate power and authority; enforceability of Credit Documentation; no conflict with law or contractual obligations; no material litigation; no default; ownership of property; liens; intellectual property; no burdensome restrictions; taxes; Federal Reserve regulations; ERISA; Investment Company Act; subsidiaries; environmental matters; solvency; insurance regulatory matters; accuracy of disclosure; and creation and perfection of security interests.

Affirmative Covenants:

Delivery of financial statements, reports, statutory accounts, accountants' letters, projections, officers' certificates and other information reasonably requested by the Lenders; payment of other obligations; continuation of business and maintenance of existence and material rights and privileges; compliance with laws and material contractual obligations; maintenance of property and insurance; maintenance of books and records; right of the Lenders (subject to customary restrictions and standards) to inspect property and books and records; notices of defaults, litigation and other material events; compliance with environmental laws; agreement to obtain within 150 days after the Closing Date interest rate protection for at least 50% of the Tranche A Term Loan Facility and the Tranche B Term Loan Facility for a period of at least three years on terms and conditions satisfactory to the Administrative Agent; and agreement, at or prior to the maturity thereof, to either convert the Seller Note to, or purchase the Seller Note for, common or preferred stock of White Mountains or the Parent or to refinance the Seller Note with the proceeds of common or preferred stock of the Parent or White Mountains or subordinated debt of the Parent, the Borrower or White Mountains maturing after the Credit Facilities and the Exchange Notes and having other terms and conditions reasonably satisfactory to the Lenders.

Financial Covenants:

Financial covenants (including, without limitation, minimum interest and fixed charge coverage, maximum leverage,

minimum net worth, and minimum statutory surplus and minimum risk based capital ratio for each material insurance company subsidiary). The foregoing financial covenants will be as set forth in the December 15, 2000 draft Credit Agreement relating to financing of the Original Acquisition, except as required to reflect the changes set forth herein (which changes shall be determined in a manner consistent with the methodology utilized in Annex III to the Existing Commitment Letter).

Negative Covenants:

Limitations on: indebtedness (including preferred stock of subsidiaries), which shall permit the issuance of the Exchange Notes and capital market transactions entered into by the Parent or the Borrower to repay the Tranche C Term Loans; liens; guarantee obligations; mergers, consolidations, liquidations and dissolutions; sales of assets; leases; dividends and other payments in respect of capital stock (which will permit the Borrower to pay annual dividends and other restricted payments to the holders of its preferred stock or to the Parent, as the case may be, and the Parent to pay such amounts to its shareholders, in each case in an aggregate amount not exceeding the sum of (a) \$20,000,000 plus (b) the lesser of (i) the actual dividends required to be paid on the Berkshire Preferred Stock and (ii) \$40,000,000, plus (c) to the extent the amount of excess cash and 2001 debt service referred to in the Sources and Uses Table exceeds \$80,000,000, such excess amount (not to exceed \$45,000,000) may, at any time during the period commencing on the Closing Date and ending on the date that is six months after the Closing Date be once divided to the Parent to repay the Seller Note, in each case, subject to compliance with covenants and absence of default under Credit Documentation); investments, loans and advances; optional payments and modifications of subordinated and other debt instruments; transactions with affiliates; sale and leasebacks; changes in fiscal year; negative pledge clauses; and changes in lines of business.

Refinancing Transaction:

The Borrower shall be permitted to enter into a transaction for the sale of senior debt securities (which are expected to be unsecured but may be secured if required to obtain a rating equivalent to that of the senior bank financing) maturing not earlier than the date that is six months after the maturity of the Tranche B Term Loans, the proceeds of which shall be used to repay the Tranche C Term Loans and the Exchange Notes. The securities issued may, at the option of the holder thereof at the time of issuance, be guaranteed by the Guarantors on a PARI PASSU basis with the Credit Facilities. Additionally, equity may be issued by the Parent to refinance the Tranche C Term Loans.

Events of Default: Nonpayment of principal when due; nonpayment of interest, fees or other amounts after a grace period to be agreed upon; material inaccuracy of representations and warranties; violation of covenants (subject, in the case of certain affirmative covenants, to a grace period to be agreed upon); cross-default to other material debt instruments; bankruptcy and insolvency events; certain ERISA events; material judgments; actual or asserted invalidity of any guarantee or security document, subordination provisions or security interest; and a change of control (as defined below).

Change of Control: (a) Prior to any initial public offering of the Parent's capital stock, White Mountains ceases to own, directly or indirectly, at least 50% of all of the outstanding capital stock of the Parent, and (b) after any initial public offering of the Parent's capital stock, (i) White Mountains ceases to own, directly or indirectly, at least 25% of all of the outstanding capital stock of the Parent, or (ii) any person or group other than White Mountains owns a greater percentage than White Mountains owns of all of the outstanding capital stock of the Parent or (iii) a majority of the directors of the Parent ceases to be persons appointed or approved by White Mountains.

Voting: Amendments and waivers with respect to the Credit Documentation shall require the approval of Lenders holding not less than a majority of the aggregate amount of the outstanding Loans and unused commitments under the Credit Facilities, except that (a) the consent of each Lender directly affected thereby shall be required with respect to (i) reductions in the amount or extensions of the scheduled date of amortization or final maturity of any Loan, (ii) reductions in the rate of interest or any fee or extensions of any due date thereof, (iii) increases in the amount or extensions of the expiry date of any Lender's commitment and (iv) modifications to the pro rata provisions of the Credit Documentation and (b) the consent of 100% of the Lenders shall be required with respect to (i) modifications to any of the voting percentages and (ii) releases of all or substantially all of the Guarantors or all or substantially all of the collateral. In addition, "class" voting requirements will apply to modifications affecting certain payment matters.

Assignments and Participations: The Lenders shall be permitted to assign and sell participations in their Loans and commitments, subject, in the case of assignments (other than assignments (i) by the Administrative Agent, (ii) by LBI, LBCI or any of their respective affiliates, (iii) to another Lender or to an affiliate of a Lender or (iv) of funded Term Loans), to the consent of the Administrative Agent and the Borrower and, in the case of any assignment of

commitments under the Revolving Credit Facility, the Issuing Lender and the Swing Line Lender (which consent in each case shall not be unreasonably withheld). The holders of Tranche C Term Loans shall give notice to the Borrower of any assignment of Tranche C Term Loans to financial institutions or entities other than the Administrative Agent, the Syndication Agent and the Documentation Agents and their respective affiliates. Non-pro rata assignments shall be permitted. In the case of partial assignments (other than to another Lender or to an affiliate of a Lender), the minimum assignment amount shall be \$5,000,000 (\$1,000,000 in the case of Tranche B Term Loans), and, after giving effect thereto, the assigning Lender (if it shall retain any commitments or Loans) shall have commitments and Loans aggregating at least \$5,000,000 (\$1,000,000 in the case of Tranche B Term Loans), in each case unless otherwise agreed by the Borrower and the Administrative Agent. Participants shall have the same benefits as the Lenders with respect to yield protection and increased cost provisions, subject to customary limitations. Voting rights of participants shall be limited to those matters with respect to which the affirmative vote of the Lender from which it purchased its participation would be required as described under "Voting" above. Pledges of Loans in accordance with applicable law shall be permitted without restriction. Promissory notes shall be issued under the Credit Facilities only upon request.

Yield Protection:

The Credit Documentation shall contain customary provisions (a) protecting the Lenders against increased costs or loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements of law and from the imposition of or changes in withholding or other taxes and (b) indemnifying the Lenders for "breakage costs" incurred in connection with, among other things, any prepayment of a Eurodollar Loan (as defined in Annex I) on a day other than the last day of an interest period with respect thereto.

Expenses and Indemnification:

The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Administrative Agent and the Arranger associated with the syndication of the Credit Facilities and the preparation, execution, delivery and administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of one counsel and the charges of Intralinks) and (b) all out-of-pocket expenses of the Administrative Agent, and the Lenders (including the fees, disbursements and other charges of one counsel) in connection with the enforcement of the Credit Documentation.

The Administrative Agent, the Arranger and the Lenders (and their affiliates and their respective officers, directors, employees, advisors and agents) will have no liability for, and will be indemnified and held harmless against, any loss, liability, cost or expense incurred in respect of the financing contemplated hereby or the use or the proposed use of proceeds thereof (except to the extent resulting from the gross negligence or willful misconduct of the indemnified party).

Governing Law and Forum: State of New York.

Counsel to the
Administrative Agent
and the Arranger:

Simpson Thacher & Bartlett.

Interest and Certain Fees

Interest Rate Options: The Borrower may elect that the Loans comprising each borrowing bear interest at a rate per annum equal to:

the Base Rate plus the Applicable Margin; or the Eurodollar Rate plus the Applicable Margin.

PROVIDED, that all Swing Line Loans shall bear interest based upon the Base Rate.

As used herein:

"BASE RATE" means the highest of (i) the rate of interest publicly announced by Deutsche Bank, New York Office as its prime rate in effect at its principal office in New York City (the "PRIME RATE"), (ii) the secondary market rate for three-month certificates of deposit (adjusted for statutory reserve requirements) PLUS 1% and (iii) the federal funds effective rate from time to time PLUS 0.5%.

"APPLICABLE MARGIN" means, initially, (a) for Revolving Credit Loans and Tranche A Term Loans, 2.125% for such Loans which are Eurodollar Loans and 1.125% for such Loans which are Base Rate loans, (b) for Tranche B Term Loans, 2.875% for such Loans which are Eurodollar Loans and 1.875% for such Loans which are Base Rate Loans and (c) for Tranche C Term Loans, 2.75% for such Loans which are Eurodollar Loans and 1.75% for such Loans which are Base Rate Loans. The Applicable Margins for the Revolving Credit Loans and Tranche A Term Loans shall be subject to adjustment pursuant to a Pricing Grid to be agreed upon.

"EURODOLLAR RATE" means the rate (adjusted for statutory reserve requirements for eurocurrency liabilities, as and if incurred) at which eurodollar deposits for one, two, three or six months (as selected by the Borrower) are offered in the interbank eurodollar market.

Interest Payment Dates: In the case of Loans bearing interest based upon the Base Rate ("BASE RATE LOANS"), quarterly in arrears.

In the case of Loans bearing interest based upon the Eurodollar Rate ("EURODOLLAR LOANS"), on the last day of each relevant interest period and, in the case of any interest period longer than

three months, on each successive date three months after the first day of such interest period.

Commitment Fees: The Borrower shall pay a commitment fee calculated at the rate of .375% per annum on the average daily unused portion of the Revolving Credit Facility, payable quarterly in arrears; the commitment fee rate will be subject to reduction based upon performance criteria to be agreed upon. Swing Line Loans shall, for purposes of the commitment fee calculations only, not be deemed to be a utilization of the Revolving Credit Facility.

Letter of Credit Fees: The Borrower shall pay a commission on all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Revolving Credit Loans that are Eurodollar Loans on the face amount of each such Letter of Credit. Such commission shall be shared ratably among the Lenders participating in the Revolving Credit Facility and shall be payable quarterly in arrears.

In addition to letter of credit commission, a fronting fee calculated at a rate per annum to be agreed upon by the Borrower and the Issuing Bank on the face amount of each Letter of Credit shall be payable quarterly in arrears to the Issuing Lender for its own account. In addition, customary administrative, issuance, amendment, payment and negotiation charges shall be payable to the Issuing Lender for its own account.

Default Rate: At any time when the Borrower is in default in the payment of any amount of principal due under the Credit Facilities, such amount shall bear interest at 2% above the rate otherwise applicable thereto. Overdue interest, fees and other amounts shall bear interest at 2% above the rate applicable to Base Rate Loans.

Rate and Fee Basis: All per annum rates shall be calculated on the basis of a year of 360 days (or 365/366 days, in the case of Base Rate Loans the interest rate payable on which is then based on the Prime Rate) for actual days elapsed.

TACK ACQUISITION COMPANY
SOURCES AND USES TABLE

(\$ in millions)

SOURCES		USES	
\$150	Revolving Credit Facility	\$2,100	Base purchase price
250	Tranche A Term Loan Facility	70	Earnings adjustments
200	Tranche B Term Loan Facility	(35)	CGU LIFE adjustment (estimated)
250	Tranche C Term Loan Facility	(7)	Soc Gen adjustment
875	Total Credit Facilities	(68)	PILOT adjustment
		(1)	Munich Re adjustment
260	Seller Note issued at the Parent	2,059	Estimated adjusted purchase price
225	Berkshire Hathaway preferred stock issued at the Borrower	1,100	Refinance of existing CGU Term Note
359	White Mountains cash contribution	(210)	CGU LIFE proceeds (estimated)
441	Investor Group cash to purchase equity securities of White Mountains	(122)	Soc Gen proceeds
75	Proceeds from Berkshire Hathaway's warrant to purchase common stock of White Mountains	(285)	PILOT proceeds
875	Contributed cash from White Mountains to the Parent to Newco	483	Estimated adjusted CGU Term Note
313	Estimated existing CGU cash on hand, net [1]	35	Estimated fees and expenses
235	Cash from CGU subsidiary swap	300	Reinsurance premium paid by CGU and/or its subsidiaries (estimated) [2]
200	CGNU concessions (to CGU Corp.)		
748	CGU cash available	80	2001 debt service [3]
		26	Excess cash [4]
\$2,983	Total Sources	\$2,983	Total Uses

[1] Cash on hand reflects interest paid on \$1,100 inter-company note through April 30, 2001

[2] Up to an additional \$50 million of insurance subsidiary resources may be used to pay premium in excess of \$300 million.

[3] Cushion for 8 months of 2001 debt service (\$10 million per month).

[4] Excess cash may be used to address shortfalls in any area.

DESCRIPTION OF ACQUISITION

White Mountains Insurance Group, Ltd., a company incorporated in Bermuda ("WHITE MOUNTAINS"), together with investors previously identified to the Arranger (the "INVESTOR GROUP"), will form a holding company (the "PARENT"), which will in turn form an acquisition corporation ("ACQUISITION CO.", or the "BORROWER"), which will then acquire (the "ACQUISITION") the U.S. property and casualty insurance business (the "ACQUIRED ASSETS") of CGU plc (the "SELLER"). The Acquisition will be consummated pursuant to the Stock Purchase Agreement, dated as of September 24, 2000, among CGU International Holdings Luxembourg S.A., a Luxembourg corporation, CGU Holdings LLC, a Delaware limited liability company, Seller and White Mountains, as amended by Amendment No.1 to the Stock Purchase Agreement, dated as of October 15, 2000 and by Amendment No.2 to the Stock Purchase Agreement, dated as of February 19, 2001 (the "STOCK PURCHASE AGREEMENT"). The Acquisition will be accomplished through the acquisition by the Borrower from the Seller of 100% of the equity interests of CGU Corporation, a Delaware corporation ("CGU").

Prior to or concurrently with the Acquisition, the following transactions (the "PRE-CLOSING TRANSACTIONS") will occur:

(i) White Mountains will contribute to the Parent, which will in turn contribute to Acquisition Co., all of the outstanding shares of Folksamerica Holding Company, Inc., a New York company ("FOLKSAMERICA"), and White Mountains' interests in certain other insurance assets (collectively with Folksamerica, the "PARENT INSURANCE ASSETS");

(ii) CGU will exchange and/or contribute all of the shares of Commercial Union Insurance Company, a Massachusetts company, The Northern Assurance Company of America, a Massachusetts company, The Employers' Fire Insurance Company, a Massachusetts company, American Employers' Insurance Company, a Massachusetts company and Potomac Insurance Company of Illinois, an Illinois company, which are all first-tier subsidiaries of CGU, for (x) all of the shares of Pilot Insurance Company, a Canadian company ("PILOT"), a second-tier subsidiary of CGU, and (y) cash (the combined value of shares and cash to total an amount consistent with the Sources and Uses Table) (the Pilot shares are currently held by CGU Insurance Company, a Pennsylvania company ("CGUIC"), CGU Insurance Company of New Jersey, a New Jersey company ("CGUIC-NJ"), and General Accident Insurance Company, a Pennsylvania company ("GAIC"));

(iii) Acquisition Co. will transfer all of the Parent Insurance Assets to CGUIC;

(iv) CGU will sell all of the shares of Pilot to the Seller or an affiliate of Seller for cash;

(v) CGU Asset Management, Inc., a Delaware corporation and a subsidiary of CGU, will sell all of the outstanding shares of CGU Investment Management Canada Limited, a Canadian company, to a subsidiary of the Seller;

(vi) CGU will sell all of the outstanding shares of CGU Annuity Service Corporation, a Delaware corporation, and CGU Life Insurance Company of America, a Delaware corporation, to a newly-formed Delaware corporation that will be an indirect subsidiary of the Seller;

(vii) CGU will sell all of the outstanding shares of Societe Generale held by it to one or more subsidiaries of the Seller; and

(viii) the subsidiaries of CGU that hold shares of Munich Re will sell all of such shares to one or more subsidiaries of the Seller.

Cash and certain other proceeds of the sales and other dispositions contemplated in clauses (iv) through (vii) of the prior sentence will be applied towards the repayment of the outstanding promissory note made by CGU to the Seller in the outstanding principal amount of \$1,100,000,000 (the "TERM NOTE"), which Term Note will be repaid in full in connection with the Acquisition.

The aggregate purchase price (the "PURCHASE PRICE") payable by Acquisition Co. to the Seller in connection with the Acquisition shall consist of (a) cash equal to the sum of (1) an amount consistent with the Sources and Uses Table, (2) any net income (loss) of CGU (net of (i) realized gains (losses) in CGU's and its subsidiaries' fixed income portfolio and (ii) taxes) for the period from June 1, 2000 through August 31, 2000 and (3) the difference between (x) the amount of unrealized gains (losses) on CGU's and its subsidiaries' investments in publicly traded common equity securities (other than Societe Generale and Munich Re shares) as of August 31, 2000 and (y) the amount of unrealized gains (losses) on such common securities as of May 31, 2000 (in the case of each of (x) and (y), net of taxes), and (b) a seller note in an aggregate principal amount consistent with the Sources and Uses Table. The Purchase Price will be adjusted (up or down) by the difference between the actual proceeds of the sales contemplated in clauses (iv)-(viii) of the first sentence of the preceding paragraph (calculated on an after-tax basis in accordance with the Stock Purchase Agreement) and the reference sales proceeds set forth in the Stock Purchase Agreement.

EXCHANGE NOTES
SUMMARY OF TERMS AND CONDITIONS

I. PARTIES

Issuer of Exchange Notes: The Borrower.

Guarantors: Each guarantor in respect of the Credit Facilities (the "GUARANTORS"; together with the Borrower, the "CREDIT PARTIES").

Indenture Trustee: To be agreed upon.

II. ISSUANCE OF EXCHANGE NOTES

Exchange Notes: A holder of a Tranche C Term Loan may, at any time on or after the date which is six months after the Closing Date, exchange all or a portion of the Tranche C Term Loan held by such holder for one or more Exchange Notes in minimum denominations to be agreed upon and in an aggregate principal amount equal to the principal amount of the Tranche C Term Loan for which it is exchanged. The Borrower will issue Exchange Notes under an indenture that complies with the Trust Indenture Act of 1939, as amended (the "INDENTURE"). The Borrower will appoint a trustee reasonably acceptable to the Administrative Agent. The Exchange Notes and the Indenture will be fully executed and deposited into escrow on the Closing Date.

Ranking: The Exchange Notes shall rank pari passu with the Credit Facilities.

Security: The Exchange Notes will be secured equally and ratably with the Credit Facilities.

Maturity: The Exchange Notes will mature on the Tranche C Term Loan Facility Maturity Date (as applying to the Exchange Notes, the "EXCHANGE NOTE MATURITY DATE").

III. CERTAIN PAYMENT TERMS

Interest Rate: The Exchange Notes will bear interest at a fixed rate per annum of 13%. Interest on the Exchange Notes will be payable quarterly in arrears on the first business day of each fiscal quarter of the Borrower, on the Exchange Note Maturity Date and on the date of any prepayment thereof. Interest will accrue on any overdue amount (whether interest or principal, including defaulted interest), to the extent lawful, at a rate per annum equal to 200 basis points above the then current interest rate until such amount (plus all accrued and unpaid interest) is paid in full.

Optional Redemption: The Borrower may redeem the Exchange Notes, in whole or in part, at any time at a price equal to 100% of the principal amount thereof (plus accrued and unpaid interest if any to the date of redemption) plus a make-whole premium calculated by discounting the future interest payment and principal amortization at maturity at a rate equal to the applicable US Treasury rate plus 50 basis points, provided that no make-whole premium shall be payable in connection with any redemption resulting from asset sales.

IV. CERTAIN DOCUMENTATION MATTERS

Covenants: The same as or less restrictive than the Credit Facilities, as determined by the Administrative Agent in its sole discretion.

Events of Default: The Exchange Notes will have events of default that are customary for an indenture governing similar securities issued by issuers in a similar industry and having similar credit statistics (but more restrictive in certain respects, as determined by the Administrative Agent in its sole discretion). Upon a change of control, the Borrower shall offer to redeem the Exchange Notes at 101% of the principal amount thereof.

Transferability: Transfers of the Exchange Notes will not be limited except as otherwise provided by law.

Amendments: Customary amendment provisions to be included in the indenture with respect to the Exchange Notes.

Registration Rights:

The Borrower will be required to file a Shelf Registration Statement with respect to the Exchange Notes on or before the date which is six months after the Closing Date (the "STEP-UP DATE"). The Borrower and the Guarantors, jointly and severally, will pay liquidated damages in the form of increased interest of 50 basis points on the principal amount of Exchange Notes outstanding to holders of Exchange Notes (i) if the Shelf Registration Statement is not declared effective by the SEC within 60 days of the Step-up Date, until such Shelf Registration Statement is declared effective, and (ii) during any period of time (subject to customary exceptions) following the effectiveness of the Shelf Registration Statement that such Shelf Registration Statement is not available for sales thereunder. After 12 weeks, the liquidated damages shall increase by 50 basis points, and shall increase by 50 basis points for each successive 12-week period thereafter to a maximum increase in interest of 200 basis points (such damages to be payable in the form of additional Exchange Notes, if the interest rate thereon exceeds 14% PER ANNUM). In addition, unless and until the Borrower has caused the Shelf Registration Statement to become effective, the holders of the Exchange Notes will have the right to "piggy-back" in the registration of any debt or preferred equity securities (subject to customary scale-back provisions) that are registered by the Company (other than on a Form S-4) unless all the Exchange Notes will be redeemed or repaid from the proceeds of such securities.

PRESS
RELEASE
Contact: Dennis Beaulieu
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UPDATE ON CGU ACQUISITION

HAMILTON, Bermuda, February 20, 2001 -- White Mountains announced today that it has reached agreement with CGNU plc regarding certain modifications to their stock purchase agreement dated September 25, 2000, relating to White Mountains' purchase of CGNU's U.S. property and casualty operations, CGU.

As a result of an analysis of the reserve position of CGU as part of its year-end financial close, CGU strengthened its December 31, 2000 reserves and purchased reinsurance to provide some protection against further adverse developments. These actions led to the modifications to the stock purchase agreement in order to facilitate timely satisfaction of the conditions to the transaction. The principal changes to the agreement include \$200 million of pre-closing adjustments to be borne by CGNU, an increase of \$50 million in the amount of the portion of the purchase price represented by the seller note, certain favorable changes in the terms of the seller note, an increase of at least \$125 million in White Mountains' equity investment in the CGU acquisition company and the purchase of reinsurance coverage at closing to further protect CGU's reserves.

As before, the transaction is subject to regulatory and other customary approvals, including receipt of funding under White Mountains' financing commitments. Lehman Brothers, who is arranging the senior bank financing, has reaffirmed its commitment to provide the senior bank financing, although the terms of such financing have been modified in light of the amendment to the stock purchase agreement, including a reduction of the aggregate principal amount of the facilities to \$875 million. White Mountains will use existing resources and commitments to complete the acquisition. The terms of the equity financing commitments that White Mountains had received have not changed. White Mountains remains enthusiastic and committed to the transaction and expects that it will close in April 2001.

White Mountains is a Bermuda-domiciled financial services holding company traded on the New York Stock Exchange under the symbol WTM. Additional financial information and other items of interest are available at the company's web site located at www.whitemountains.com. Copies of the amendment to the stock purchase agreement and the summary of the terms and conditions of the modified Lehman financing commitment will be filed with the Securities and Exchange Commission on a Form 8-K.

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

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

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