WHITE MOUNTAINS INSURANCE GROUP LTD
Form DEF 14A
April 07, 2003

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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White Mountains Insurance Group, Ltd.

(Name of Registrant as Specified In Its Charter)

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Notice of 2003 Annual General Meeting

of Members and
Proxy Statement

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White Mountains Insurance Group, Ltd. (the "Company" and, together with its subsidiaries, "White Mountains") is a Bermuda-domiciled insurance holding company. White Mountains' operations are conducted through its subsidiaries and affiliates in the businesses of property and casualty insurance and reinsurance.

White Mountains' insurance operations principally include: (i) OneBeacon Insurance Group LLC ("OneBeacon", formerly CGU Corporation), a Boston-based property and casualty insurance holding company and (ii) Folksamerica Holding Company, Inc. ("Folksamerica"), a New York City-based property and casualty reinsurance holding company. White Mountains' invested assets are managed by White Mountains Advisors LLC ("WM Advisors"), a wholly-owned registered investment advisor based in Guilford, Connecticut.

The 2003 Annual General Meeting will be confined to a Member vote on the proposals set forth in this Proxy Statement and on such other matters properly brought before the meeting. As in past years, management will provide Members and all interested parties with a summary of White Mountains' current operations at an informational meeting to be held at 10:00 a.m. Eastern Time on Thursday, May 22, 2003 at the Waldorf Astoria Hotel in New York City. Detailed instructions for participating in the informational meeting will be posted at www.whitemountains.com approximately 30 days in advance of the meeting.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
NOTICE OF 2003 ANNUAL GENERAL MEETING OF MEMBERS
TO BE HELD MAY 19, 2003

April 7, 2003

Notice is hereby given that the 2003 Annual General Meeting of Members of White Mountains Insurance Group, Ltd. will be held on Monday, May 19, 2003, at 12:00 noon Atlantic Time at the Princess Hotel, Hamilton, Bermuda. At this meeting you will be asked to consider and vote upon the following proposals:

1) to elect four of the Company's directors to Class III with a term ending 2006,

2) to elect the Board of Directors of Fund American Reinsurance Company, Ltd., a wholly-owned reinsurance company organised under the laws of Bermuda,

3) to elect the Board of Directors of any new non-United States subsidiary, as designated by the Company's Board of Directors,

4) to approve the issuance of 677,966 common shares upon conversion of outstanding convertible preference shares,

5) to approve technical amendments to the Company's Long-Term Incentive Plan,

6) to approve the appointment of PricewaterhouseCoopers LLP as the Company's Independent Auditor for 2003.

The Company's audited financial statements for the year ended December 31, 2002, as approved by the Company's Board of Directors, will be presented at this Annual General Meeting.

Members of record of common shares on the record date, Friday, March 21, 2003, (i) who are individuals, may attend and vote at the meeting in person or by proxy or (ii) which are corporations or other entities, may have their duly authorised representative attend and vote at the meeting in person or by proxy. A list of all Members entitled to vote at the meeting will be open for public examination during regular business hours beginning April 1, 2003 at the Company's registered office located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

All Members are invited to attend this meeting.

By Order of the Board of Directors,

Dennis P. Beaulieu
Corporate Secretary

Members are invited to complete and sign the accompanying proxy card to be returned to White Mountains Insurance Group, Ltd., c/o EquiServe Trust Company, N.A. Post Office Box 8643, Edison, New Jersey, 08818-8643, in the envelope provided, whether or not they expect to attend the meeting. Members who hold their common shares in a brokerage account, an employee benefit plan or through a nominee may have the added flexibility of voting their shares by telephone or over the internet.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

PROXY STATEMENT

This Proxy Statement is being furnished in connection with the solicitation of proxies on behalf of the Company's Board of Directors (the "Board") for the 2003 Annual General Meeting of Members (the "2003 Annual Meeting"), to be held on Monday, May 19, 2003 at the Princess Hotel, Hamilton, Bermuda. The solicitation of proxies will be made primarily by mail, and the Proxy Statement and related proxy materials will be distributed to registered Members on or about April 7, 2003.

Holders of the Company's common shares ("Members"), par value $1.00 per share ("Common Shares"), as of the close of business on Friday, March 21, 2003, the record date, are entitled to vote at the meeting.

You can ensure that your Common Shares are properly voted at the meeting by completing, signing, dating and returning the enclosed proxy card in the envelope provided. Members who hold their Common Shares in a brokerage account, an employee benefit plan or through a nominee may have the added flexibility of voting by telephone or over the internet. A Member has the right to appoint another person (who need not be a Member) to represent the Member at the meeting by completing an alternative form of proxy which can be obtained from the Corporate Secretary or by notifying the Inspectors of Election (see page 29). Every Member entitled to vote has the right to do so either in person or by one or more persons authorised by a written proxy executed by such Member and filed with the Corporate Secretary. Any proxy duly executed will continue in full force and effect unless revoked by the person executing it in writing or by the filing of a subsequent proxy.

Sending in a signed proxy will not affect your right to attend the meeting and vote. If a Member attends the meeting and votes in person, his or her proxy is considered revoked.

PROPOSAL 1

ELECTION OF THE COMPANY'S DIRECTORS

The Board is divided into three classes (each a "Class"). Each Class serves a three-year term.

At the 2003 Annual Meeting, Raymond Barrette, Howard L. Clark, Jr., Robert P. Cochran and Arthur Zankel are nominated to be elected to Class III with terms ending in 2006. **The Board recommends a vote FOR Proposal 1 which calls for the election of the 2003 nominees.**

The current members of the Board and terms of each Class are set forth below:

Director	**Age**	**Director since**
Class I Term Ending in 2004		
Steven E. Fass	57	2000
K. Thomas Kemp	62	1994
Gordon S. Macklin	74	1987
Joseph S. Steinberg	59	2001
Class II Term Ending in 2005		
John J. ("Jack") Byrne	70	1985
Mark J. Byrne	41	2001
George J. Gillespie, III	72	1986
John D. Gillespie	44	1999
Frank A. Olson	70	1996
Class III Term Ending in 2003*		

Director	Age	Director since
Raymond Barrette	52	2000
Howard L. Clark, Jr.	59	1986
Robert P. Cochran	53	1994
Arthur Zankel	71	1992

*
Nominated at the 2003 Annual Meeting to a term ending in 2006.

Patrick M. Byrne, a former Class I director, retired from the Board on February 24, 2003.

The following information with respect to the principal occupation, business experience, recent business activities involving White Mountains and other affiliations of the nominees and directors has been furnished to the Company by the nominees and directors.

Class I

Steven E. Fass has been a director of the Company since 2000. Mr. Fass has served as President and Chief Executive Officer of Folksamerica and its subsidiaries including Folksamerica Reinsurance Company since 1984. He joined Folksamerica as its Vice President, Treasurer and Chief Financial Officer in 1980. Mr. Fass also serves as Chairman of Fund American Reinsurance Company, Ltd. ("Fund American Re"), Chairman of Esurance and is a director of other White Mountains subsidiaries.

K. Thomas Kemp currently serves as an advisor to the Company and has been a director since 1994. Mr. Kemp currently serves as a director and Chief Financial Officer of Montpelier Re Holdings Ltd. ("Montpelier"). Mr. Kemp formerly served as the Company's President from June 2001 to December 2002, as its Deputy Chairman from January 2000 to June 2001 and its President and CEO from 1997 to 2000 and has been with White Mountains since 1991. Mr. Kemp is also a director of Main Street America Holdings, Inc., Amlin plc. and other White Mountains subsidiaries.

Gordon S. Macklin has been a director of the Company since 1987 and has served as a Deputy Chairman of the Company since June 2001. Mr. Macklin formerly served as Chairman of White River Corporation, an information services company, from 1993 to 1998, as Chairman of Hambrecht and Quist Group, a venture capital and investment banking company, from 1987 until 1992, and as President of the National Association of Securities Dealers, Inc. from 1970 until 1987. He is a director of Martek Biosciences Corporation, MedImmune Inc., Overstock.com and Spacehab, Inc., and is a trustee, director or managing general partner (as the case may be) of 48 of the investment companies in the Franklin Templeton Group of Funds.

Joseph S. Steinberg has been a director of the Company since June 2001. Mr. Steinberg has served as the President of Leucadia National Corporation ("Leucadia") since 1978. Mr. Steinberg is also a director of Allcity Insurance Company, MK Gold Company, Finova Group, Inc. and Jordan Industries, Inc. In addition, Mr. Steinberg is Chairman of Olympus Re Holdings, Ltd., Olympus Reinsurance Ltd. and HomeFed Corporation.

Class II

John J. ("Jack") Byrne has served as Chairman of the Company since 1985. Mr. Byrne formerly served as CEO of the Company from February 2002 to December 2002, as Chairman of the Board of Managers of OneBeacon from June 2001 to December 2001, as CEO of the Company from January 2000 to June 2001, as President and CEO of the Company from 1990 to 1997 and as CEO from 1985 to 1990. Mr. Byrne also serves as Chairman of Montpelier and is a director of Overstock.com and other White Mountains subsidiaries. Mark Byrne, Mr. Byrne's son, is also a director of the Company.

Mark J. Byrne was appointed a director of the Company in November 2001. Mr. Byrne manages West End Capital Management Limited. Prior to founding West End, Mr. Byrne held a variety of trading and management positions at Salomon Brothers Inc., Pacific Investment Management Company, Lehman Brothers Inc. ("Lehman") and, most recently, Credit Suisse First Boston. Mr. Byrne's father, Jack Byrne, is

Chairman of the Company.

George J. Gillespie, III has been a director of the Company since 1986. Mr. Gillespie has been a Partner in the law firm of Cravath, Swaine & Moore ("CS&M") since 1963. He is also a director of The Washington Post Company. CS&M has been retained by White Mountains from time to time to perform legal services. See "Certain Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation in Compensation Decisions." Mr. Gillespie's son, John Gillespie, is also a director of the Company and is Chairman and President of WM Advisors.

John D. Gillespie has served as a Deputy Chairman of the Company since January 2003 and serves as Chairman and President of WM Advisors. Mr. Gillespie served as Managing Director of OneBeacon from June 2001 to March 2003 and has been a director of the Company since 1999. He is also the founder and Managing Partner of Prospector Partners, LLC ("Prospector"). Prior to forming Prospector, Mr. Gillespie was President of the T. Rowe Price Growth Stock Fund and the New Age Media Fund, Inc. Mr. Gillespie serves as a director of Montpelier and other White Mountains subsidiaries. White Mountains owns limited partnership investment interests which are managed by Mr. Gillespie. See "Certain Relationships and Related Transactions." Mr. Gillespie's father, George Gillespie, is a director of the Company.

Frank A. Olson has been a director of the Company since 1996. He serves as Chairman of The Hertz Corporation ("Hertz"). Mr. Olson served as the CEO of Hertz from 1977 to 1999 and has been with that company since 1964. He is also a director of Amerada Hess Corporation and Becton, Dickinson and Company.

Class III

Raymond Barrette was appointed President and CEO of the Company on January 1, 2003 and has been a director since 2000. Mr. Barrette was CEO of OneBeacon from June 2001 to December 2002 and remains its Chairman. Mr. Barrette joined White Mountains Insurance Group in November 1997 as Executive Vice President and Chief Financial Officer. He was President from January 2000 to June 2001. Prior to joining White Mountains Mr. Barrette had 23 years of experience in the insurance business, mostly at Fireman's Fund. He is also Chairman of Folksamerica Reinsurance and serves as a director of Montpelier and other White Mountains subsidiaries and affiliates.

Howard L. Clark, Jr. has been a director or advisor to the Board since 1986. He is currently Vice Chairman of Lehman and was Chairman and CEO of Shearson Lehman Brothers Inc. from 1990 to 1993. Prior to joining Shearson Lehman Brothers Inc., Mr. Clark was Executive Vice President and Chief Financial Officer of American Express. He is also a director of Lehman Brothers, Maytag Corporation and Walter Industries, Inc. Lehman provides various services to White Mountains from time to time. See "Certain Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation in Compensation Decisions."

Robert P. Cochran has been a director of the Company since 1994. Mr. Cochran was a founding principal of Financial Security Assurance Holdings Ltd. ("FSA") and has served FSA in various capacities since 1985. He has been President and CEO and a director of FSA since 1990 and became Chairman in 1997. He is also Chairman of Financial Security Assurance Inc. and Financial Security Assurance (U.K.) Ltd.

Arthur Zankel has been a director or advisor to the board since 1992. He served as a General Partner of First Manhattan Co. from 1965 to 1999 and was Co-Managing Partner of First Manhattan from 1979 to 1997. Mr. Zankel is currently Senior Managing Member of High Rise Capital Advisors LLC. See "Certain Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation in Compensation Decisions." Mr. Zankel is also a director of Citigroup, Inc.

Committees of the Board of Directors

The Audit Committee, comprised of Messrs. Clark, Olson, Steinberg and Zankel, performs the following functions: (1) engaging the independent auditor, subject to Board and Member approval, and negotiating the audit fee on behalf of the Board; (2) reviewing with the independent auditor the plan, scope and results of the audit and any recommendations the independent auditor may have for improving or changing the audit and control environment; (3) reviewing and pre-approving any non-audit services the independent auditor performs and considering the effect, if any, this may have on their independence; (4) reviewing with our internal auditors the plan, scope and results of their audits and investigations; (5) discussing with management, the independent auditor and our internal auditors the adequacy of internal accounting controls and discussing with each of them, independently of the other, any recommendations on matters that any of them considers to be of importance; (6) reviewing White Mountains' accounting principles and its financial reporting policies and practices; (7) reviewing, prior to publication, White Mountains' annual and interim financial statements, earnings releases and other financial information prior to their release to the public; and (8) undertaking other duties as assigned by the Board. Mr. Clark is Chairman of the Audit Committee.

The Compensation Committee, comprised of Messrs. Mark Byrne, Cochran, Macklin, Olson, Steinberg and Zankel, oversees White Mountains' share-based compensation and benefit policies and programs, including administration of the White Mountains Insurance Group Long-Term Incentive Plan (the "Incentive Plan") and related non-qualified deferred compensation plans. Mr. Cochran is Chairman of the Compensation Committee.

The Human Resources Committee, comprised of Messrs. Mark Byrne, Clark, Cochran, George Gillespie, Macklin, Olson, Steinberg and Zankel, sets the annual salaries and bonuses for officers and certain other key employees. Mr. Cochran is Chairman of the Human Resources Committee. intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the Qualified Member and each such nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Qualified Member; (d) such other information regarding each nominee proposed by such Qualified Member as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the United States Securities and Exchange Commission (the "SEC") had each such nominee been nominated, or intended to be nominated, by the Board; and (e) the consent of each such nominee to serve as a director of the Company if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Meetings of the Board of Directors

During 2002, the following meetings of the Board were held: five meetings of the full Board, nine meetings of the Audit Committee, one meeting of the Compensation Committee and two meetings of the Human Resources Committee. In 2002, each director attended more than 75% of all meetings of the Board including its various committees, except Mr. Steinberg who was unable to attend seven meetings of the Audit Committee, the meeting of the Compensation Committee and one meeting of the Human Resources Committee.

PROCEDURES FOR NOMINATING DIRECTORS

Under the Company's Bye-laws, nominations for the election of directors may be made by the Board or by any Member entitled to vote for the election of directors (a "Qualified Member"). A Qualified Member may nominate persons for election as directors only if written notice of such Qualified Member's intent to make such nomination is delivered to the Secretary not later than: (i) with respect to an election to be held at an annual general meeting, 90 days prior to the anniversary date of the immediately preceding annual general meeting or not later than 10 days after notice or public disclosure of the date of the annual general meeting is given or made available to Qualified Members, whichever date is earlier, and (ii) with respect to an election to be held at a special general meeting for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to Qualified Members.

Each such notice shall set forth: (a) the name and address of the Qualified Member who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the Qualified Member is a holder of record of Common Shares entitled to vote at such meeting and

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Voting Rights of Members

As of March 21, 2003, there were 8,357,087 Common Shares and 677,966 Convertible Preference Shares outstanding. The Convertible Preference Shares are not entitled to vote at the 2003 Annual Meeting. Members of record of Common Shares shall be entitled to one vote per Common Share, provided that if and so long as the votes conferred by "Controlled Common Shares" (as defined below) of any person constitute ten percent (10%) or more of the votes conferred by the outstanding Common Shares of the Company, each outstanding Common Share comprised in such Controlled Common Shares shall confer only a fraction of a vote that would otherwise be applicable according to the following formula:

[(T divided by 10)-1] divided by C

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

"Controlled Common Shares" in reference to any person means:

(i) all Common Shares directly, indirectly or constructively owned by such person within the meaning of Section 958 of the Internal Revenue Code of 1986, as amended, of the United States of America; and

(ii) all Common Shares directly, indirectly or constructively owned by any person or "group" of persons within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder; provided that this clause (ii) shall not apply to (a) any person (or any group that includes any person) that has been exempted from the provisions of this clause or (b) any person or group that the Board, by the

affirmative vote of at least seventy-five percent (75%) of the entire Board, may exempt from the provisions of this clause.

The limitations set forth above do not apply to any Member which is a "Byrne Entity" (as defined below) for any matter submitted to the vote of Members, except with respect to the election of directors. "Byrne Entity" means any of Mr. Jack Byrne, any foundation or trust established by Messrs. Jack Byrne, Mark Byrne, Patrick Byrne (a former director), and any associate or affiliate of any of them (or any group of which any of them is a part), as defined under Section 13(d) of the United States Securities Exchange Act of 1934, as amended.

If, as a result of giving effect to the foregoing provisions or otherwise, the votes conferred by the Controlled Common Shares of any person would otherwise represent 10% or more of the votes conferred by all the outstanding Common Shares, the votes conferred by the Controlled Common Shares of such person shall be reduced in accordance with the foregoing provisions. Such process shall be repeated until the votes conferred by the Controlled Common Shares of each person represent less than 10% of the votes conferred by all Common Shares.

Principal Holders of Common Shares

To the knowledge of the Company, there was no person or entity beneficially owning more than 5% of the Common Shares outstanding as of March 21, 2003, except as shown below. Common Shares are the only class of the Company's securities that are eligible to vote.

Name and address of beneficial owner	Number of Common Shares beneficially owned(a)	Percent of Class(b)
Berkshire Hathaway Inc. 1440 Kiewit Plaza, Omaha, NE 68131	1,724,200	17.1%
Franklin Mutual Advisers LLC 51 JFK Parkway, Short Hills, NJ 07078(c)	1,254,467	15.0%
Jack Byrne 80 South Main Street, Hanover, NH 03755(d)	1,111,818	13.3%

(a) The Common Shares shown as beneficially owned by Berkshire Hathaway Inc. ("Berkshire") represent Common Shares issuable upon the exercise of warrants to acquire Common Shares. Berkshire cannot vote the Common Shares underlying the warrants until they are exercised. The warrants are currently exercisable.

(b) Based upon the total Common Shares outstanding at March 21, 2003 for all holders shown above except for Berkshire. For Berkshire, this figure represents Berkshire's percentage of all Common Shares outstanding assuming the exercise of its warrants to acquire 1,724,200 Common Shares.

(c) The Common Shares beneficially owned by Franklin Mutual Advisers LLC ("Franklin") were acquired for investment purposes on behalf of client investment advisory accounts. Excludes convertible preference shares to acquire 677,966 Common Shares purchased by Franklin on October 24, 2002 which are not voting securities of the Company. See Proposal 4.

(d)

Includes 380,909 Common Shares owned directly by the Jack Byrne 2001 GRAT No. 1 and 277,300 Common Shares owned directly by the Jack Byrne 2003 GRAT No. 1 which are deemed to be indirectly beneficially owned by Mr. Byrne. Does not include 25,000 unearned Restricted Common Shares ("Restricted Shares") and 63,133 Common Shares contributed to trusts and charitable foundations for which Mr. Byrne disclaims beneficial ownership, but for which his spouse retains voting power.

Beneficial Stock Ownership of Directors and Executive Officers

The following table sets forth, as of March 21, 2003, beneficial ownership of Common Shares by each director of the Company, by certain named Executive Officers, and by all Directors and Executive Officers as a group.

	Number of Common Shares owned	
Directors and Executive Officers	**Beneficially (a)(b)**	**Economically (c)**
Raymond Barrette	28,041	125,721
Jack Byrne(d)	1,111,818	1,159,818
Mark J. Byrne(e)	196,031	196,031
John P. Cavoores	367	21,007
Howard L. Clark, Jr.	1,000	1,000
Robert P. Cochran	25,000	25,000
Steven E. Fass	6,411	27,211
George J. Gillespie, III	1,000	1,000
John D. Gillespie(f)	101,698	148,698
K. Thomas Kemp	93,142	107,211
Gordon S. Macklin	15,000	17,000
Frank A. Olson	3,000	3,000
Joseph S. Steinberg(g)	0	0
Arthur Zankel	11,600	11,600
All Directors and Executive Officers as a group (19 persons)	1,599,350	1,888,139

(a) The Common Shares beneficially owned by Messrs Jack Byrne, Mark Byrne, John Gillespie, Kemp and all Directors and Executive Officers as a group represent 13.3%, 2.3%, 1.2%, 1.1% and 19.1% of the total Common Shares outstanding at March 21, 2003, respectively. No other Director or Executive Officer beneficially owned 1% or more of the total Common Shares outstanding at that date. Beneficial ownership has been determined in accordance with Rule 13d-3(d)(1) of the Securities Exchange Act of 1934.

(b) Includes vested and unexercised options ("Options") to acquire 1,365 and 2,700 Common Shares for Messrs. Barrette and Fass, respectively. Excludes unearned Restricted Shares.

(c) Incremental Common Shares shown as economically owned by Directors and Executive Officers represent unearned performance share awards, unvested Option awards, unearned Restricted Shares and earned phantom shares on compensation deferred.

(d) Includes 380,909 Common Shares owned directly by the Jack Byrne 2001 GRAT No. 1 and 277,300 Common Shares owned directly by the Jack Byrne 2003 GRAT No. 1 which are deemed to be indirectly beneficially owned by Mr. Byrne. Does not include 63,133 Common Shares contributed to trusts and charitable foundations for which Mr. Byrne disclaims beneficial ownership, but for which his spouse retains voting power.

(e) The Common Shares shown for Mr. Byrne are held in trust for the benefit of others and he thereby disclaims beneficial ownership of such Common Shares.

(f) Includes 100,000 Common Shares owned by various funds of Prospector in which Mr. Gillespie is either general manager or investment manager. Mr. Gillespie disclaims beneficial ownership of such Common Shares owned by Prospector except to the extent of his pecuniary interest in such funds.

(g) Does not include any interest in 375,000 Common Shares (approximately 4.5% of the total Common Shares outstanding at March 21, 2003) owned by Leucadia. Mr. Steinberg is the President of Leucadia and, together with certain family members, Mr. Steinberg currently beneficially owns approximately 15.8% of the common shares of Leucadia. By virtue of his beneficial ownership of Leucadia, Mr. Steinberg may be deemed to be an indirect beneficial owner of the Common Shares owned by Leucadia.

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COMPENSATION OF DIRECTORS

Compensation of Directors

Messrs. Mark Byrne, Clark, Cochran, George Gillespie, Macklin, Olson, Steinberg and Zankel each received a retainer of $60,000 as a director during 2002 and fees of $2,000 for each Board meeting and committee meeting attended. Messrs. Clark and Cochran also received additional retainers of $5,000 and $10,000 during 2002 for their roles as Chairman of the Audit Committee and Chairman of the Compensation and Human Resources Committees, respectively. Each of the retainers mentioned above relate to the twelve month period from May 2002 to May 2003. Messrs. Barrette, Jack Byrne, Fass, John Gillespie and Kemp did not receive compensation for their role as a director during 2002.

During 2002, Mr. Macklin also received $55,125 in compensation for his role as a Deputy Chairman of the Company through March 1, 2002 but no longer receives any further compensation for that role.

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COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The following tables set forth certain information regarding the salary, incentive compensation and benefits paid by White Mountains with respect to 2002 to its CEO, its four most highly compensated Executive Officers and its former President (collectively, the "Named Executive Officers").

					Long-Term Compensation			
		Annual Compensation			Awards		Payouts	
Name and Principal Position	Year	Salary($)	Bonus ($)	Other Annual Compensation ($)	Restricted Share Awards ($)(a)	Securities Underlying Options (#)	LTIP Payouts ($)(b)	All Other Compensation ($)(c)
Jack Byrne	2002	$ 107,085	$ 0	0	$ 0	0	$ 6,510,000	$ 80,169
Chairman and	2001	398,077	0	0	8,650,000	0	0	43,674
former CEO(d)	2000	282,692	350,000	0	0	0	0	9,100
Steven E. Fass	2002	466,000	700,000	0	0	0	1,726,440	31,062
President and CEO	2001	466,000	0	0	865,000	0	244,845	26,310
of Folksamerica	2000	466,000	350,000	0	0	9,000	498,500	30,780

					Long-Term Compensation			
John D. Gillespie	2002	400,000	330,000	0	0	0	0	66,037
President of	2001	400,000	110,000	0	1,384,000	0	0	3,219
WM Advisors	2000	0	0	0	0	0	0	0
John P. Cavoores	2002	400,000	320,000	0	0	0	0	46,292
Managing Director	2001	400,000	200,000	0	519,000	0	0	33,818
of OneBeacon	2000	0	0	0	0	0	0	0
Raymond Barrette	2002	400,000	260,000	0	0	0	6,510,000	1,367,840
President and	2001	398,077	0	0	7,044,500	0	3,960,000	41,016
CEO(d)	2000	333,654	350,000	0	0	9,000	0	15,627
K. Thomas Kemp	2002	300,000	150,000	0		0	1,302,000	1,771,656
former President(d)	2001	269,615	0	0	1,896,000	0	5,940,000	58,247
	2000	182,000	75,000	0	0	0	0	129,900

(a)

Represents the value of 2001 Restricted Share awards as of their respective award dates. Restricted Shares vest approximately two years from the date of grant based on continuous service by the employee throughout such period. Holders of Restricted Shares are entitled to receive Common Share dividends and such amounts are included in All Other Compensation above. Restricted Shares awarded in February 2001 (which were repurchased for $.01 per share in December 2002 as described in note (c) below) to Messrs. Byrne, Fass, Gillespie, Cavoores, Barrette and Kemp were 0; 0; 0; 0; 3,750 and 5,000 shares, respectively. Restricted Shares awarded in June 2001 (vesting June 2003) to Messrs. Byrne, Fass, Gillespie, Cavoores, Barrette and Kemp were 25,000; 2,500; 4,000; 1,500, 17,000 and 1,000 shares, respectively. The aggregate value as of December 31, 2002 of all unvested Restricted Shares awarded during 2001 held by Messrs. Byrne, Fass, Gillespie, Cavoores, Barrette and Kemp totalled $8,075,000; $807,500, $1,292,000; $484,500,$5,491,000 and $323,000, respectively.

(b)

Represents the dollar value of Performance Shares and, in the case of Mr. Fass, cash awards under the Folksamerica Holding Company, Inc. Long-term Incentive Plan earned with respect to 2002. The value of earned Performance Shares which were awarded as of January 1, 2000 and declared

to be 200% vested in February 2003 for Messrs. Byrne, Fass, Gillespie, Cavoores, Barrette and Kemp totalled $6,510,000; $1,302,000; $0; $0; $6,510,000 and $1,302,000, respectively. The value of Mr. Fass' award under the Folksamerica Holding Company, Inc. Long-Term Incentive Plan (which was awarded as of January 1, 2000 and was determined to be partially vested in February 2003) totalled $424,440 for 2002.

(c)

Amounts include, when applicable, 401(k) Savings Plan employer matching contributions (which did not exceed $11,000 per individual), director fees and retainers paid by companies in which White Mountains is entitled to board representation and imputed income items relating primarily to corporate-provided housing, personal use of White Mountains' aircraft and the value of life insurance provided in excess of $50,000 of coverage. The amounts for 2002 relating to such imputed income items for Messrs. Byrne, Fass, Gillespie, Cavoores, Barrette and Kemp were $23,169; $20,062; $3,037; $46,292; $90,282 and $4,356, respectively. The amounts for 2002, 2001 and 2000 relating to director fees and retainers of affiliates include $57,000; $0 and $9,100 for Mr. Byrne, $0, $0 and $0 for Mr. Fass, $57,000; $0 and $0 for Mr. Gillespie, $0, $0 and $0 for Mr. Cavoores, $51,500; $0 and $9,685 for Mr. Barrette and $18,300; $45,952 and $119,700 for Mr. Kemp. During 2002, the Company repurchased from Messrs. Barrette and Kemp 3,750 and 5,000 Restricted Shares, respectively, for $.01 per share and each were granted an amount equivalent to the market value of such Restricted Shares ($1,218,750 for Mr. Barrette and $1,625,000 for Mr. Kemp) in various non-qualified deferred compensation plans of the Company and its subsidiaries. Mr. Kemp's 2002 compensation also includes $113,000 paid to him by Montpelier Re Holdings Ltd., an affiliate of the Company, in connection with his role as its Chief Financial Officer.

(d)

Mr. Kemp served as President of the Company (its Principal Executive Officer at that time) through February 2002. Mr. Byrne served as CEO of the Company from February 2002 through December 2002. Mr. Barrette was appointed CEO of the Company as of January 1, 2003.

Option Grants in Last Fiscal Year

No Options were granted during 2002.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table summarizes, for the applicable Named Executive Officers, Options exercised during the Company's latest fiscal year, and the number and in-the-money value of Options outstanding as of the end of the fiscal year.

	Year ended December 31, 2002		As of December 31, 2002			
			Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End ($)	
Name	**Common Shares Acquired**	**Value Realized ($)**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Steven E. Fass	0	$ 0	2,700	6,300	$ 533,753	$ 1,245,423
Raymond Barrette	1,000	198,200	1,365	6,300	336,627	1,245,423

Long-Term Incentive Plans Awards in Last Fiscal Year

Performance Shares. The following table summarizes the performance share awards made to the applicable Named Executive Officers during the latest fiscal year.

			Estimated Future Payouts (a)		
Name	**Number of Common Shares (#)**	**Performance period for payout**	**Threshold (#)**	**Target (#)**	**Maximum (#)**
John J. Byrne	5,000	3 yrs.	0	5,000	10,000
Steven E. Fass(b)	5,000	3 yrs.	0	5,000	10,000
John D. Gillespie	15,000	3 yrs.	0	15,000	30,000
John P. Cavoores	10,000	3 yrs.	0	10,000	20,000
Raymond Barrette	15,000	3 yrs.	0	15,000	30,000
K. Thomas Kemp	2,000	3 yrs.	0	2,000	4,000

(a) Performance shares are issued under the Incentive Plan unless otherwise noted and are payable upon completion 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 paid in cash but can be paid in Common Shares if the Board so determines. With respect to the 2002 performance shares awarded to Messrs. Byrne, Fass and Kemp, "Target" performance is the attainment of a corporate annualized return on equity ("ROE") of 12.0% after tax as measured by the Company's growth in its intrinsic business value. With respect to 50% of the 2002 performance shares awarded to Messrs. Cavoores and Barrette, "Target" performance is the attainment of a 12% ROE, as described above, and 50% is the attainment of an insurance operations trade ratio of 102% (the "Trade Ratio") on OneBeacon's core insurance operations. With respect to 50% of the 2002 performance shares awarded to Mr. Gillespie, "Target" performance is the attainment of a 12% ROE, as described above, and 50% is the attainment of a return on invested assets of 150 basis points over the applicable return on the ten-year United States treasury rate or 6.5%. See "Reports of the Compensation Committees on Executive Compensation-Compensation Committee" for additional information concerning the 2002 awards of performance shares to the Named Executive Officers which includes a discussion of the criteria for "Threshold" and "Maximum" determinations.

(b)

Mr. Fass' award was issued under the Folksamerica Holding Company, Inc./White Mountains Performance Share Plan which is similar to the Incentive Plan in all respects except that performance shares under that plan are payable solely in cash.

Other awards. During 2002, Mr. Fass was also granted a contingent cash award under the Folksamerica Holding Company, Inc. Long-Term Incentive Plan. The "Target" amount of this award was initially determined as 100% of Mr. Fass' eligible base salary (or $466,000) which is subsequently increased or decreased by Folksamerica's ROE during the performance period. With respect to this award, "Target" performance is the attainment of an 14% ROE, as measured by Folksamerica's pretax return on standard capital. See "Reports of the Compensation Committees on Executive Compensation-Compensation Committee" for additional information concerning this award which includes a discussion of the criteria for "Threshold" and "Maximum" determinations.

Equity Compensation Plan Table

The following table provides information as of December 31, 2002 with respect to Common Shares that may be issued under White Mountains' existing incentive compensation plans. Performance shares awarded under the Incentive Plan and the Performance Plan are typically paid in cash, though they may be paid in Common Shares at the election of the Compensation Committee. For that reason, these plans are listed in the Equity Compensation Plan Table below. The Folksamerica Holding

Company, Inc. Long-Term Incentive Plan and the Folksamerica Holding Company, Inc./White Mountains Performance Share Plan are cash-based plans which do not provide for the issuance of Common Shares and are therefore excluded from this table.

Plan category	**(a) Number of securities to be issued upon exercise or vesting of outstanding options, warrants and rights**	**(b) Weighted average exercise price of outstanding options, warrants and rights**	**(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Equity compensation plans approved by security holders Incentive Plan:			234,000
Performance shares	190,100	$ 0	
Restricted Shares	73,500	0	
Options	61,965	125.31(1)	
Equity compensation plans not approved by security holders Performance Plan(2):			
Performance shares	301,577	$ 0	198,423

(1)

The outstanding Options were granted in February 2000 at an exercise price equal to the underlying market value of Common Shares on the date of grant. The exercise price escalates on a straight-line basis by 6% per annum over the ten-year life of the Options. The weighted average shown above represents the effective exercise price per Option at December 31, 2002.

(2) The Performance Plan is a long-term incentive plan of OneBeacon which provides for granting of performance shares to certain of its key employees. The performance goals for full payment of performance shares issued under the Performance Plan are similar to those of the Incentive Plan. The Performance Plan was not subject to Member approval.

COMPENSATION PLANS

Pension Plans. Benefit accruals under a qualified defined benefit pension plan and a non-qualified supplemental plan of OneBeacon were frozen for all participating employees as of December 31, 2002. As of such date, Messrs. Byrne, Gillespie, Cavoores and Barrette each had less than 1.6 years of credited service for purposes of accruing pension benefits. As a result, each of their respective accrued retirement benefits were insignificant.

Benefit accruals under a qualified defined benefit pension plan of Folksamerica, were frozen for all participating employees as of December 31, 2002. As of such date, Mr. Fass had 22.6 years of credited service and an average final compensation of $172,000. This resulted in Mr. Fass' annual benefit payable at age 65 being set at $63,160 annually for as long as he lives but in no event for less than 10 years.

Mr. Fass also participates in the Folksamerica Holding Company, Inc. Deferred Benefit Plan, a non-qualified deferred compensation plan for a select group of employees which was also frozen at December 31, 2002. Folksamerica's credits each participant's account annually with amounts based on the additional value of pension and 401(k) benefits earned that were above IRS limits on qualified plan benefits. As of December 31, 2002, Mr. Fass had an account value under the Folksamerica Holding Company, Inc. Deferred Benefit Plan of $1,356,921.

Employees of the Company are not eligible to receive pension benefits.

Deferred Compensation Plans. The Named Executive Officers are eligible to participate in various unfunded, nonqualified plans for the purpose of deferring current compensation for retirement savings (the "Deferred Compensation Plans"). Pursuant to the Deferred Compensation Plans, participants may defer all or a portion of qualifying remuneration payable by the Company, OneBeacon, WM Advisors or Folksamerica which can be invested in various investment options generally available to the investment community including Common Shares. Amounts credited to the deferred compensation accounts of such individuals have been included in the Summary Compensation Table.

Other Compensation Arrangements

Pursuant to the Incentive Plan, under some circumstances Options may become fully exercisable, Restricted Shares may immediately vest and performance shares may become partially or fully payable. Such circumstances are more fully described in the Incentive Plan.

Pursuant to an employment agreement dated January 1, 2001, Mr. John Gillespie is entitled to receive an annual base salary of $400,000, an annual bonus of up to 200% of his base salary, minimum grants of performance shares, participation in employee benefit and fringe benefit plans and an indemnity. Under this agreement, Mr. Gillespie may continue his active involvement with Prospector, so long as Mr. Gillespie devotes the requisite time required to fulfill his responsibilities to WM Advisors. The agreement specifies procedures pursuant to which Prospector's funds have the ability to invest first in opportunities appropriate for both White Mountains and such funds. Either party can terminate the employment agreement upon 30 days notice and, upon termination, Mr. Gillespie is entitled to accrued compensation and a cash payment equal to a pro rated value of his unearned performance share awards.

In addition, White Mountains has certain revenue sharing agreements with Mr. John Gillespie relating to his interest in Prospector. See "Certain Relationships and Related Transactions" below.

Certain Relationships and Related Transactions

Mr. Clark is Vice Chairman of Lehman. Lehman has, for a number of years, provided investment banking services to White Mountains. Lehman was the arranger, the administrative agent and a lender under the credit facility used to finance the acquisition of OneBeacon which was amended in October 2002.

Mr. George Gillespie is a partner at CS&M. CS&M has, for many years, provided legal services to White Mountains.

Mr. John Gillespie indirectly through general and limited partnership interests holds a 44% interest in Dowling & Partners Connecticut Fund III, LP ("Fund III"). OneBeacon Professional Partners, Inc. ("OBPP") and Folksamerica Specialty Underwriting, Inc. ("FSUI") have borrowed approximately $8 million and $7 million, respectively, from Fund III in connection with an incentive program sponsored by the State of Connecticut known as the Connecticut Insurance Reinvestment Act (the "Act"). The loans mature in April 2007 and bear interest at the option of OBPP and FSUI at either (1) the greater of (a) the prime rate minus 1% and (b) the federal funds rate minus 0.50% or (2) the eurodollar rate plus 0.325%. The Act provides for Connecticut income tax credits to be granted for qualifying investments made by approved fund managers. The loans made by Fund III to OBPP and FSUI are qualifying investments and, together, have the potential to generate up to $15 million of tax credits that would be shared equally between Fund III on the one hand and OBPP and FSUI on the other. As a result of his interest in Fund III, Mr. Gillespie could realize up to $3.3 million from the tax credits, although any such amount would be subject to the revenue sharing agreements with White Mountains described above.

Pursuant to revenue sharing agreements, Mr. John Gillespie has agreed to pay White Mountains a portion of the revenues and distributions allocable to him in connection with Prospector, in return for White Mountains agreeing to pay Prospector's operational expenses. During 2002, White Mountains received a net payment of $38,070 from Mr. Gillespie under such revenue sharing agreements. At December 31, 2002, White Mountains had $60.1 million invested in funds managed by Prospector.

In September 2001, White Mountains entered into a five-year lease at a market-based rate for a building partially owned by Mr. John Gillespie and trusts for the benefit of members of his family (the "Gillespie Trusts"). For 2002, the rental payments attributable to Mr. Gillespie's ownership in the building totalled approximately $13,000 and the rental payments attributable to the Gillespie Trusts' ownership in the building totalled approximately $104,000.

Mr. Zankel is Senior Managing Member of the General Partner of High Rise Capital Advisors LLC, which is the General Partner of High Rise Partners, L.P. At December 31, 2002, White Mountains had $8.8 million in limited partnership investment interests in High Rise Partners, L.P. and White Mountains owned $36.6 million in investments that are managed by High Rise Capital Advisors LLC.

White Mountains believes that the above transactions were on terms that were reasonable and competitive and, in the case of Lehman, were obtained through a competitive bid process. White Mountains believes that such transactions did not serve to impair the independence of any of the parties involved.

REPORTS OF THE COMMITTEES ON EXECUTIVE COMPENSATION

The Human Resources Committee and the Compensation Committee (collectively, the "Committees") are comprised entirely of non-employee directors. The Committees are responsible for developing, administering and monitoring the senior executive compensation policies of the Company, OneBeacon, WM Advisors and Folksamerica. Salary and bonus compensation for the Named Executive Officers is established by the Human Resources Committee. Share-based compensation such as performance shares, Options and Restricted Shares is established by the Compensation Committee.

White Mountains' executive compensation policies are designed with one goal in mind maximization of Member value over long periods of time. The Committees believe that this goal is best

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pursued by utilising a pay-for-performance program which serves to attract and retain superior executive talent and provide management with performance-based incentives to maximize Member value. Through this compensation program, the Committees seek to maximize Member value by aligning closely the financial interests of White Mountains' management with those of its Members.

The Committees believe that the principal measure of Member value created (or lost) is the Company's ROE as measured by growth in its intrinsic value per share. This proprietary measure is viewed by management and the directors as being a conservative measure of the intrinsic value of White Mountains and includes the cost of all projected compensation awards. The Committees believe that, over long periods of time, maximizing the Company's ROE will optimize Member returns.

The Committees believe that the performance-based compensation for key employees should be payable in full only if the Company achieves superior returns for its Members. Therefore, the target of many of White Mountains' performance-based compensation programs are directly linked to achievement of an annualized ROE at least equal to the market yield available from a ten-year United States Treasury note plus 700 basis points. The Committees believe that this return is a challenging target for the Company in its current form.

Compensation of White Mountains' management team, including the Named Executive Officers, consists primarily of three components: base salary, annual bonus and long-term incentive awards.

Human Resources Committee

Base Salary. Base salary for each Named Executive Officer is established annually, on or about March 1. When establishing base salaries of the Named Executive Officers, the Human Resources Committee considers numerous factors including each Named Executive Officer's qualifications, corporate responsibilities, performance since their last salary adjustment and, except for the CEO, the recommendations of the CEO.

Annual Bonus. For 2002, the target annual bonus pool for all the Named Executive Officers, except Mr. Fass, was equal to 50% of eligible base salary. Mr. Fass's target annual bonus pool for 2002 was equal to 75% of his eligible base salary. When establishing the aggregate size of the annual bonus pool, the Human Resources Committee considers numerous factors including performance versus the objectives set forth in the Annual Business Plans of the Company, OneBeacon, WM Advisors and Folksamerica, in particular their respective financial performance for the latest fiscal year as measured by ROE or otherwise, and the recommendations of the CEO.

After establishing the aggregate size of the annual bonus pool, the Human Resources Committee then considers the distribution of the bonus pool among the key employees. Each participant's allocation of the pool is determined after considering numerous factors including individual achievements as compared to objectives contained in the Annual Business Plans, the contribution of such achievements to the Company's overall financial performance and the recommendations of the CEO.

The Human Resources Committee determined that the financial results of the Company (the basis for Mr. Kemp's bonus) and OneBeacon (the basis for Messrs. Cavoores and Barrette's bonus) warranted a bonus pool of 130% of target or 65% of eligible base salary. The principal factor considered by the Committee in making this determination was the Company's 2002 ROE performance which was determined to be 15.6%, as measured by its change in intrinsic value per Common Share, versus a 12% target and OneBeacon's 2002 core trade ratio of 98% versus a target of 102%.

The Human Resources Committee determined that the financial results of Folksamerica (the basis for Mr. Fass' bonus) warranted a bonus pool of 200% of target or 150% of his eligible base salary. The principal factor considered by the Human Resources Committee in making this determination was

Folksamerica's 2002 ROE performance which was determined to be 23%, as measured by Folksamerica's pretax return on standard capital, versus a target of 14%.

The Human Resources Committee determined that the financial results of WM Advisors (the basis for one-half of Mr. Gillespie's bonus) warranted a bonus pool of 200% of target. The principal factor considered by the Human Resources Committee in making this determination was WM Advisors' 2002 total investment return performance which was determined to be 11.4% which was viewed by the Committee as being an excellent result in light of current market conditions. The other half of Mr. Gillespie's bonus is dependent upon the financial results of the Company which, as stated above, was determined to warrant a bonus pool of 130% of target. Based on the average of these two measures, Mr. Gillespie's bonus pool was determined to be 165% of target or 82.5% of his eligible base salary.

Historically, the CEO typically receives an annual bonus equal to the average bonus percentage received by all officers eligible to participate in the bonus pool. For 2002, Mr. Byrne's annual compensation was fixed at $100,000 and as such he did not receive a bonus.

Robert P. Cochran, Chairman
Mark J. Byrne
Howard L. Clark, Jr.
George J. Gillespie, III
Gordon S. Macklin
Frank A. Olson

Joseph S. Steinberg
Arthur Zankel

Compensation Committee

Long-Term Incentive Awards. The Incentive Plan provides for granting various types of share-based incentive awards including Restricted Shares, Options and performance shares to the Named Executive Officers and certain other key employees of the Company and its subsidiaries.

Over the past several years, the Company has principally used performance shares in its long-term compensation plans. Performance shares are payable only upon completion of pre-defined business goals and are valued based on the market value of Common Shares at the time awards are earned. Performance shares awarded under the Incentive Plan are paid in cash but can be paid in Common Shares if the Board so determines.

The Compensation Committee believes that awards of performance shares are an attractive method of providing incentives for management to strive to maximize Member value over the long term. This belief is predicated on the following factors: (i) such awards are earned over multi-year periods; (ii) such awards are generally made in the form of Common Shares, which helps to align the interests of management with those of the Company's Members; and (iii) performance shares are contingent upon the achievement of a specified ROE, or such other measures as may be selected in advance by the Compensation Committee, over the applicable performance period which further aligns the interests of management and the Company's Members.

In 2002, Messrs. Byrne, Fass, Gillespie, Cavoores, Barrette and Kemp were granted 5,000; 5,000; 15,000; 10,000; 15,000 and 2,000 performance shares, respectively, by the Compensation Committee. The performance period for such awards began on January 1, 2002 and will continue through December 31, 2004.

With respect to the 2002 performance shares awarded to Messrs. Byrne, Fass and Kemp, performance is the attainment of a ROE of 12% after tax which would result in such performance shares being fully earned ("Target"). At a ROE of 5% or less, no such performance shares would be

earned ("Threshold") and at a ROE at or above 23%, 200% of such performance shares would be earned ("Maximum").

With respect to 50% of the 2002 performance shares awarded to Messrs. Cavoores and Barrette, performance is the attainment of a 12% after tax ROE as previously described. With respect to the remaining 50% of the 2002 performance shares awarded to Messrs. Cavoores and Barrette, "Target" performance is the attainment of a Trade Ratio of 102% on OneBeacon's core insurance operations. At a Trade Ratio of 106% or more, no such performance shares would be earned ("Threshold") and at a Trade Ratio of 96% or less, 200% of such performance shares would be earned ("Maximum").

With respect to 50% of the 2002 performance shares awarded to Mr. Gillespie, "Target" performance is the attainment of a 12% after tax ROE as previously described. With respect to the remaining 50% of the 2002 performance shares awarded to Mr. Gillespie, "Target" performance is the attainment of a return on invested assets of 150 basis points over the applicable return on the ten-year United States treasury rate or 6.5%. At a return on invested assets of 5% or less, no such performance shares would be earned ("Threshold") and at a return on invested assets of 8% or more, 200% of such performance shares would be earned ("Maximum").

In 2002, Mr. Fass was granted a contingent cash award under the Folksamerica Holding Company, Inc. Long-Term Incentive Plan. The "Target" amount of this award was initially determined as 100% of Mr. Fass' eligible base salary (or $466,000) which is subsequently increased or decreased by Folksamerica's ROE during the performance period. With respect this to award, "Target" performance is the attainment of an 14% ROE, as measured by Folksamerica's pretax return on standard capital. At a ROE of 7% or less, the award would not be earned ("Threshold") and at a ROE at or above 21%, 200% of the award would be earned ("Maximum").

Messrs. Byrne, Fass, Gillespie, Cavoores, Barrette and Kemp had, pursuant to a 2000 grant, 10,000, 2,000, 0, 0, 10,000 and 2,000 performance shares eligible for payout, respectively, subject to the attainment of a 13% target ROE. At an ROE of 25% or greater, 200% of such performance shares would be earned. During the 2000 to 2002 performance period, the Company attained an ROE of 27.8% calculated in accordance with the Incentive Plan. In light of the excellent ROE attained during the performance period, the Compensation Committee determined that 200% of such performance shares were fully earned on February 24, 2003. The dollar value of such performance shares earned are included in the Summary Compensation Table.

Mr. Fass also had, pursuant to a 2000 grant, a contingent cash award under the Folksamerica Holding Company, Inc. Long-Term Incentive Plan. The "Target" amount of this award was initially determined as 100% of Mr. Fass' eligible base salary which is subsequently increased or decreased by Folksamerica's ROE during the performance period. With respect this to award, "Target" performance is the attainment of a 14.7% ROE, as measured by Folksamerica's pretax return on standard capital. At a ROE of 7.35% or less, the award would not be earned. During the 2000-2002 performance cycle, Folksamerica attained an ROE of 12.1%, as calculated in accordance with the Folksamerica Long-Term Incentive Plan, and as such the Compensation Committee determined that 65% of Mr. Fass' award, or $424,440, was earned on February 24, 2003. This amount is included in the Summary Compensation Table.

During 2002, the Company repurchased from Messrs. Barrette and Kemp 3,750 and 5,000 Restricted Shares, respectively, for $.01 per share and each were granted an amount equivalent to the market value of such Restricted Shares in various non-q