

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Fund American	:	Holding Companies Act, Article
Companies, Inc. Requesting Exemption	:	XIV of the Insurance Company
from the Requirements of 40 P.S.	:	Law of 1921, Act of May 17, 1921,
§991.1402 for the Restructuring	:	P.L. 682, <u>as amended</u> , 40 P.S.
of its Holding Company System,	:	§§991.1401, 991.1402, and
which includes OneBeacon Insurance	:	991.1403
Company, Pennsylvania General	:	
Insurance Company and Potomac	:	
Insurance Company	:	Order No. ID-RC-01-38

DECISION AND ORDER

AND NOW, on this 14th day of December, 2001, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

1. White Mountains Insurance Group Ltd. (“White Mountains”) is a business entity organized under the laws of Bermuda with its principal place of business in Hanover, New Hampshire.
2. The common stock of White Mountains is publicly traded on the New York Stock Exchange.

3. John Joseph Byrne (“Byrne”) is an individual residing in Hanover, New Hampshire with his principal place of business in Hanover, New Hampshire. Byrne controls 10% or more of the voting securities of White Mountains.
4. Fund American Companies, Inc. (“Fund American”) is a business corporation organized under the laws of the State of Delaware with its principal place of business in Hanover, New Hampshire. Fund American is an indirect wholly-owned subsidiary of White Mountains.
5. OneBeacon Corporation is an insurance holding company organized under the laws of the State of Delaware with its primary place of business in Boston, Massachusetts. OneBeacon Corporation is a wholly-owned subsidiary of Fund American.
6. OneBeacon Insurance Company (“OneBeacon”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Boston, Massachusetts. OneBeacon is a wholly-owned subsidiary of OneBeacon Corporation.
7. Pennsylvania General Insurance Company (“PA General”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Boston, Massachusetts. PA General is a wholly-owned subsidiary of OneBeacon Corporation.
8. Potomac Insurance Company (“Potomac”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Boston, Massachusetts. Potomac is a wholly-owned subsidiary of OneBeacon Corporation.
9. OneBeacon, PA General and Potomac are referenced hereinafter as “PA Domestic Insurers.”
10. The ultimate controlling person of the PA Domestic Insurers is Byrne.

Filing of the Application

11. On December 6, 2001, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from Fund American for approval to effectuate a plan of reorganization of the holding company system that includes the PA Domestic Insurers.
12. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all transactions

resulting in the change of control of a domestic insurer must be filed with the Department for approval or disapproval.

13. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
14. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a. does not have the effect of changing or influencing the control of a domestic insurer, or
 - b. is otherwise not comprehended within the purposes of the section.

The Transaction

15. As described in the Application, the directors of OneBeacon Corporation propose to merge OneBeacon Corporation with and into its direct parent company Fund American. The result of the merger will be that the assets of OneBeacon Corporation will become the assets of Fund American.
16. As described in the Application, immediately subsequent to the merger, Fund American will contribute the common stock of OneBeacon Corporation's subsidiaries to a newly-formed Delaware limited liability company, OneBeacon Insurance Group LLC ("OneBeacon LLC"), in exchange for 100% of the membership interests of OneBeacon LLC.
17. As described in the Application, the current directors of OneBeacon Corporation will be the managers of OneBeacon LLC.
18. The Deputy Commissioner finds that the transaction described in the Application does not have the effect of changing or influencing the control of a domestic insurer.
19. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.

2. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The instant transaction is not being contemplated to change or influence the ultimate control of the PA Domestic Insurers, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
5. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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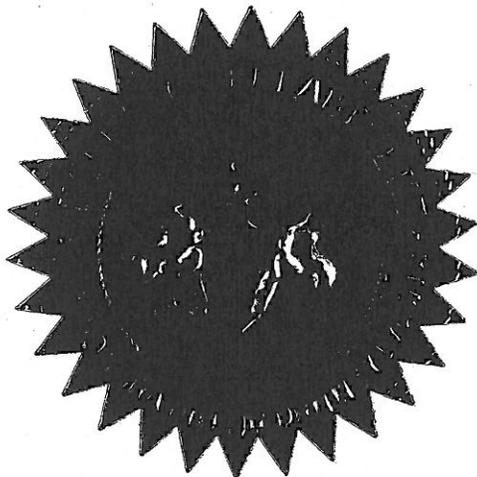
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which includes OneBeacon Insurance	:	991.1403
Company, Pennsylvania General	:	
Insurance Company and Potomac	:	
Insurance Company	:	Order No. ID-RC-01-38

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the application of Fund American Companies, Inc. requesting exemption from the requirements of Section 1402 of the Insurance Holding Companies Act for the restructuring of the holding company system which includes OneBeacon Insurance Company, Pennsylvania General Insurance Company and Potomac Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately.





STEPHEN J. JOHNSON
Deputy Insurance Commissioner