Risk Factors Comparison 2024-02-26 to 2023-02-27 Form: 10-K

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The information contained in this report may contain " forward- looking statements " within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See " FORWARD- LOOKING STATEMENTS " on page ~~94~~ **95** for specific important factors that could cause actual results to differ materially from those contained in forward- looking statements. The Company' s actual future results and trends may differ materially depending on a variety of factors including, but not limited to, the risks and uncertainties discussed below. Risks Related to White Mountains We have successfully created shareholder value through acquisitions and dispositions. We may not be able to continue to create shareholder value through such transactions in the future, which could materially adversely affect our results of operations and financial condition. In past years, we have completed numerous acquisitions and dispositions, many of which have contributed significantly to creating shareholder value. Failure to identify and complete future acquisitions and dispositions could limit our ability to create shareholder value. Even if we were to identify and complete future acquisitions and dispositions, there is no assurance that such transactions will ultimately achieve their anticipated benefits, and such transactions could materially adversely affect our results of ~~operation~~ **operations** and financial condition. If we are required to write down goodwill and other intangible assets, it could materially adversely affect our results of operations and financial condition. As of December 31, ~~2022~~ **2023** , we had total goodwill and other intangible assets of $ ~~392~~ **371** million on our consolidated balance sheet, $ 293 million of which relates to our acquisition of Ark **. White Mountains' s total goodwill and other intangible assets will increase in 2024 as a result of the Bamboo Transaction** . We periodically review goodwill and other intangible assets to determine whether an impairment has occurred. An impairment of goodwill or other intangible assets occurs when the carrying value of the asset exceeds its fair value. The evaluation of goodwill or other intangible assets for impairment requires the use of significant judgment in determining fair value, including assumptions about the future performance of the associated business. We may experience unexpected circumstances that cause future results to differ significantly from those assumptions used in our estimation of the fair value of our goodwill and other intangible assets that could cause us to conclude that goodwill and other intangible assets are impaired. Such an impairment would result in a non- cash charge to income that could materially adversely affect our results of operations and financial condition. Risks Related to HG Global / BAM' s Business and Industry BAM may not maintain a favorable financial strength rating, which could materially adversely affect its ability to conduct business and, consequently, could materially adversely affect our results of operations and financial condition. Third- party rating agencies assess and rate the financial strength of insurers, including claims- paying ability. These ratings are based upon criteria established by the rating agencies and are subject to revision at any time at the sole discretion of the rating agencies. Some of the criteria relate to general economic conditions and other circumstances outside the rated insurer' s control. The financial strength rating of Standard & Poor' s is used by outside parties to assess the suitability of BAM as a business counterparty and is an important factor in establishing BAM' s competitive position. Standard & Poor' s periodically evaluates BAM to confirm that it continues to meet the criteria of the rating previously assigned to it. On June 6, 2017, Standard & Poor' s placed BAM on credit watch negative and initiated a detailed review of BAM' s financial strength rating. On June 26, 2017, Standard & Poor' s concluded its review and affirmed BAM' s " AA / stable " financial strength rating. During the time that BAM' s financial strength rating was placed on credit watch negative by Standard & Poor' s, it voluntarily withdrew from the marketplace and did not write any municipal bond insurance policies. The maintenance of an " AA " or better financial strength rating from Standard & Poor' s is particularly important to BAM' s ability to write municipal bond insurance policies and meet its debt service obligations under the BAM Surplus Notes. On ~~June 16~~ **July 12** , ~~2022~~ **2023** , Standard & Poor' s concluded its most recent review and affirmed BAM' s " AA / stable " financial strength rating. See " RATINGS " on page ~~25~~ **26** . A downgrade, withdrawal or negative watch / outlook of BAM' s financial strength rating could severely limit or prevent BAM' s ability to write municipal bond insurance policies, which could materially adversely affect our results of operations and financial condition. If BAM does not pay some or all of the principal and interest due on the BAM Surplus Notes, it could materially adversely affect our results of operations and financial condition. As of December 31, ~~2022~~ **2023** , White Mountains owned $ ~~340~~ **322** million in BAM Surplus Notes and had accrued $ ~~158~~ **175** million of interest thereon. No payment of principal or interest on the BAM Surplus Notes may be made without the approval of the NYDFS. Under its agreements with HG Global, BAM is required to seek regulatory approval to pay principal and interest on the BAM Surplus Notes only to the extent that its capital resources continue to support its outstanding obligations, business plan and rating. It is unlikely that BAM would pay principal and interest on the BAM Surplus Notes if such payments could lead to a rating downgrade. In December ~~2022~~ **2023** , the NYDFS approved a $ ~~36~~ **27** million cash payment of principal and interest on the BAM Surplus Notes. We cannot guarantee that the NYDFS will approve payments on the BAM Surplus Notes in the future. If BAM does not repay some or all of the principal and interest on the BAM Surplus Notes, it could materially adversely affect our results of operations and financial condition. BAM' s ability to repay principal and interest on the BAM Surplus Notes is dependent on a number of factors, many of which are beyond BAM' s control, including primary municipal bond issuance levels, insured penetration rates, interest rate levels, credit spreads, trading value, capture rate and market share. BAM also could incur significant losses from the municipal bonds it insures. In addition, the municipal bond insurance industry is highly competitive. BAM' s primary competitor is Assured. BAM and Assured each ~~seeks~~ - **seek** to differentiate ~~itself~~ **themselves** through financial strength ratings, claims paying resources and underwriting strategies. If BAM is unable to compete effectively against Assured, it could result in fewer policies issued, lower premium levels and less favorable policy terms and conditions. We are exposed to losses from municipal bond insurance written by BAM through our reinsurance arrangements between BAM and HG Re, which could materially adversely affect our results of operations and financial condition. Our reinsurance subsidiary, HG Re, reinsures (i) losses up to the first 15 %- of- par outstanding on each municipal bond insured by BAM and (ii) certain municipal bonds insured by BAM on an excess of loss basis. Should the policies underwritten by BAM experience insured losses for any reason, ~~it~~ **this** could materially adversely affect our results of operations and financial condition. Risks Related to Ark **/** ~~' s and~~ WM Outrigger ~~Re~~ ' s Business and Industry Unpredictable catastrophic events could materially adversely affect our results of operations and financial condition. Ark and WM Outrigger Re write insurance and reinsurance policies that cover unpredictable catastrophic events **all over the world** . Ark and WM Outrigger Re have exposure to losses caused by ~~unpredictable catastrophic~~ events including natural and other disasters such as hurricanes, windstorms, earthquakes, floods, wildfires, tornadoes, tsunamis ~~,~~ and severe ~~winter~~ weather ~~all over the world~~ . Catastrophes can also include large losses driven by public health crises, terrorist attacks, war and war- like actions, explosions, infrastructure failures ~~,~~ and cyber ~~-~~ attacks. The extent of a catastrophe loss is a function of both the severity of the event and **the** total amount of insured exposure to the event **,** as well as the coverage provided to customers. Increases in the value and concentration of insured property or insured employees, the effects of inflation, changes in weather patterns and increased terrorism and war and war- like actions could increase the future frequency and / or severity of claims from catastrophic events. Climate change, which is characterized by higher temperatures, sea level rise and more extreme weather events including droughts, heavy storms, wildfires ~~,~~ and stronger hurricanes ~~,~~ increases the frequency and severity of certain major natural catastrophes. There is also a growing threat of cyber risks due to the increasing interconnectivity of global systems. Claims from catastrophic events could materially adversely affect our results of operations and financial condition. Ark' s ability to write new insurance and reinsurance policies could also be impacted as a result of corresponding reductions in its capital levels. WM Outrigger Re' s obligations under the quota share reinsurance agreement with GAIL are subject to an aggregate limit equal to the assets in the collateral trust account at any point in time. Ark seeks to manage its exposure to catastrophic losses by limiting and monitoring the aggregate insured value of policies in geographic areas with exposure to catastrophic events and by buying reinsurance. To manage, monitor and analyze insured values and potential losses, Ark utilizes proprietary and third- party catastrophe management software to estimate potential losses for many different catastrophe scenarios. Ark incorporates the physical risk of climate change ~~in~~ **to** its underwriting process through sensitivity and stress testing of its catastrophe models, including increased frequency of U. S. windstorms and the implications of storm surge. Ark' s estimates of potential losses are dependent on many variables, including assumptions about storm intensity, storm surge, loss amplification, loss adjustment expenses and insurance- to- value in the aftermath of weather- related catastrophes. In addition, Ark has to account for quality of data provided by insureds. Accordingly, if the assumptions are incorrect, the losses Ark and WM Outrigger Re might incur from an actual catastrophe could be materially different than the expectation of losses generated from modeled catastrophe scenarios, which could materially adversely affect our results of operations and financial condition. Ark and its subsidiaries benefit from favorable financial strength ratings from A. M. Best ~~and~~ **,** Standard & Poor' s **and others** , the deterioration of which could materially adversely affect its ability to conduct business and, consequently, could materially adversely affect our results of operations and financial condition. Third- party rating agencies assess and rate the financial strength, including claims- paying ability, of insurers, reinsurers and the Lloyd' s marketplace. These ratings are based upon criteria established by the rating agencies and are subject to revision at any time at the sole discretion of the agencies. Some of the criteria relate to general economic conditions and other circumstances outside the rated company' s control. These financial strength ratings are used by policyholders, agents and brokers to assess the suitability of insurers and reinsurers as business counterparties and are an important factor in establishing the competitive position of insurance and reinsurance companies. Rating agencies periodically evaluate Ark to confirm that it continues to meet the criteria of the ~~ratings~~ - **rating** previously assigned to it. The maintenance of **an** " A- " or better financial strength ~~ratings~~ - **rating** is particularly important to Ark' s ability to write new ~~or~~ **and** renewal property and casualty insurance and reinsurance business in most markets. Ark writes insurance and reinsurance through Lloyd' s Syndicates 4020 and 3902, each of which benefits from the financial strength rating of " A / stable " by A. M. Best and " ~~A~~ **AA-** / stable " by Standard & Poor' s assigned to the Lloyd' s marketplace. Beginning in January 2021, Ark began writing certain classes of its business through GAIL, Ark' s wholly- owned Bermuda- based insurance and reinsurance company, which has been assigned an " A / stable " financial strength rating by A. M. Best. See " RATINGS " on page ~~25~~ **26** . A downgrade, withdrawal or negative watch / outlook of these financial strength ratings could severely limit or prevent Ark from writing new policies or renewing existing policies, which could materially adversely affect our results of operations and financial condition. A downgrade, withdrawal or negative watch / outlook of these financial strength ratings also could limit Ark' s ability to raise new debt or could ~~make~~ **cause** new and certain existing debt ~~more costly~~ **to be costlier** and / or have more restrictive conditions. Ark may not successfully alleviate risk through reinsurance and retrocessional arrangements, which could materially adversely affect our results of operations and financial condition. Ark attempts to limit its risk of loss through reinsurance and retrocessional arrangements, including through its quota share reinsurance agreements with Outrigger Re Ltd. Retrocessional arrangements refer to reinsurance purchased by a reinsurer to cover its own risks assumed from ceding companies. The availability and cost of reinsurance and retrocessional protection is subject to market conditions, which are outside of Ark' s control. In addition, the coverage provided by Ark' s reinsurance and retrocessional arrangements may be inadequate to cover its future liabilities. As a result, Ark may not be able to successfully alleviate risk through these arrangements, which could materially adversely affect our results of operations and financial condition. In addition, due to factors such as the price or availability of reinsurance or retrocessional coverage, Ark sometimes decides to increase the amount of risk retained by purchasing less reinsurance. Such determinations have the effect of increasing Ark' s financial exposure to losses associated with ~~such~~ risks **that it underwrites** and, in the event of significant losses associated with a given risk, could materially adversely affect our results of operations and financial condition. Purchasing reinsurance does not relieve Ark of its underlying obligations to policyholders or ceding companies, so any inability to collect amounts due from reinsurers could materially adversely affect our results of operations and financial condition. Inability to collect amounts due from reinsurers, including Outrigger Re Ltd., can result from a number of scenarios, including: (i) reinsurers choosing to withhold payment due to a dispute or other factors beyond Ark' s control; (ii) reinsurers becoming unable to pay amounts owed to Ark as a result of a deterioration in their financial condition; and (iii) losses exceeding amounts within the collateral trust accounts for Outrigger Re Ltd. While we currently believe the condition of Ark' s reinsurers is strong, it is possible that one or more of Ark' s reinsurers will be adversely affected by future significant losses or economic events, causing them to be unable or unwilling to pay amounts owed. The property and casualty insurance and reinsurance industries are highly competitive and cyclical, and Ark may not be able to compete effectively in the future, which could materially adversely affect our results of operations and financial condition. The property and casualty insurance and reinsurance industries are highly competitive and have historically been cyclical, experiencing periods of severe price competition and less selective underwriting standards (soft markets) followed by periods of relatively high prices and more selective underwriting standards (hard markets). Ark competes with other Lloyd' s syndicates, London market participants and major U. S., Bermuda, European and other international insurance and reinsurance companies. Many of these competitors have greater resources than Ark does, have established long- term and continuing business relationships throughout the insurance and reinsurance industries and may have higher financial strength ratings, which can represent significant competitive advantages for them. Soft primary insurance market conditions could lead to a significant reduction in reinsurance premium rates, less favorable contract terms and fewer submissions for Ark' s reinsurance underwriting capacity. The supply of reinsurance is also related to the level of reinsured losses and the level of industry capital which, in turn, may fluctuate in response to changes in rates of return earned in the reinsurance industry. As a result, the reinsurance business historically has been a cyclical industry characterized by periods of intense price competition due to excess underwriting capacity **,** as well as periods when shortages of capacity permitted improvements in reinsurance rate levels and terms and conditions. In addition, in recent years the persistent low interest rate environment and ease of entry into the reinsurance sector has led to increased competition from third- party capital in the property catastrophe excess reinsurance line. This alternative capital provides collateralized property catastrophe protection in the form of catastrophe bonds, industry loss warranties, sidecars and other vehicles that facilitate the ability for non- reinsurance entities, such as hedge funds and pension funds, to compete for property catastrophe excess reinsurance business outside of the traditional treaty market. We expect to continue to experience the effects of the insurance and reinsurance industries' cyclicality. If Ark is unable to maintain its competitive position throughout soft and hard market cycles, its business may be adversely affected, and it may not be able to compete effectively in the future, which could materially adversely affect our results of operations and financial condition. Ark **/ WM Outrigger** ' s loss and LAE reserves may be inadequate to cover the ultimate liability for losses, and as a result, our results of operations and financial condition could be adversely affected. Ark **/ WM Outrigger** must maintain reserves adequate to cover its estimated ultimate liabilities for loss and LAE. Loss and LAE reserves are typically comprised of (i) case reserves for reported claims and (ii) incurred but not reported (" IBNR ") reserves for losses that have occurred but for which claims have not yet been reported and for expected future development on case reserves. Loss and LAE reserves are estimates of what Ark **/ WM Outrigger** believes the settlement and administration of claims will cost based on facts and circumstances then known ~~to Ark~~ . These estimates involve actuarial and claims assessments and require Ark **/ WM Outrigger** to make a number of assumptions about future events that are subject to unexpected changes and are beyond Ark **/ WM Outrigger** ' s control, such as future trends in claim severity, emerging coverage issues, frequency, inflation, legislative and judicial changes and other factors. Because of uncertainties associated with estimating ultimate loss and LAE reserves, we cannot be certain that Ark **/ WM Outrigger** ' s reserves are adequate. In the event that Ark **/ WM Outrigger** ' s reserves become insufficient to cover the actual losses and LAE, Ark **/ WM Outrigger** may need to add to the reserves, which could have a material adverse effect on our results of operations and financial condition. For further discussion of our loss and LAE reserves, see " CRITICAL ACCOUNTING ESTIMATES — Loss and LAE Reserves " on page ~~76~~ **79** . Risks Related to Kudu' s Business and Industry Kudu' s financial performance is dependent upon its clients' asset and performance- based fees, which are subject to a variety of economic, market and other risks. ~~Through our subsidiary~~ Kudu ~~, we provide~~ **provides** capital solutions for asset and wealth management firms through ~~non-~~ **Participation Contracts, which are** ~~controlling~~ **noncontrolling** equity interests in the form of revenue and earnings participation contracts. Kudu' s clients generate their revenues and earnings by charging asset **-** based fees, which are typically a percentage of the value of the assets they manage for their clients, and / or performance **-** based fees, which are typically a portion of actual returns achieved for their clients above a target return. The revenue that Kudu generates from its clients is subject to the same general economic and market risks that may affect our investment portfolio. See " Our investment portfolio may suffer reduced returns or losses, which could materially adversely affect our results of operations and financial condition. Adverse changes in equity markets, interest rates, debt markets or foreign currency exchange rates could result in significant losses to the value of our investment portfolio. " on page ~~31~~ **33** . Additionally, Kudu' s clients participate in a highly competitive, highly regulated industry that subjects their operations to a number of other risks that are out of our control and could materially adversely affect our results of operations and financial condition, including (i) changes in investor preference from the actively- managed investments offered by Kudu' s clients to passively- managed investments; (ii) the ability of Kudu' s clients to successfully attract new clients and retain existing ones; (iii) the ability of Kudu' s clients to avoid fee compression; (iv) the reliance of Kudu' s clients on a small number of key personnel; and (v) future changes to regulations that make Kudu' s clients' businesses more cumbersome and expensive to operate **. Risks Related to Bamboo' s Business and Industry Bamboo' s business is dependent on its capacity providers (both fronting and reinsurance), and a change in availability or terms could materially impact Bamboo' s results of operations and financial condition or adversely affect its ability to write business. Bamboo is an MGA and program administrator with delegated binding authorities, and as such, is generally dependent on its fronting and reinsurance carrier partners (" Capacity Providers ") to bear the insurance risk on the programs designed and underwritten by Bamboo. Bamboo currently relies on a small group of Capacity**

Providers for a large proportion of its business, and loss of capacity from any one of these could materially adversely affect Bamboo' s results of operations and financial condition. Should Bamboo fail to meet the profitability expectations of its Capacity Providers that write the business it places, its Capacity Providers could choose to stop writing the business or reduce the commission rate they will pay for placement services, which could materially adversely affect our results of operations and financial condition. For the year ended December 31, 2023, Bamboo placed substantially all of its business with one fronting partner. Should its fronting partner reduce the volume of business accepted from Bamboo or adversely change the terms and conditions of placement, we cannot guarantee that Bamboo would be able to find other fronting partners to write its programs, which could materially adversely affect its results of operations and financial condition. In addition, Bamboo relies on its fronting partner' s financial strength rating in establishing the competitive position of its products. A ratings downgrade of Bamboo' s fronting partner could result in a substantial loss of business should policyholders choose to move to other companies with higher financial strength ratings. Bamboo, in conjunction with its fronting partners, purchases various forms of reinsurance. The availability and cost of reinsurance are subject to prevailing market conditions, including terms, price and capacity, which can affect Bamboo' s business volume and profitability. In addition, reinsurance programs are generally subject to renewal on an annual basis. Bamboo and its fronting partners may not be able to obtain reinsurance on acceptable terms. Even if available, that reinsurance may not be available from entities with satisfactory creditworthiness. If Bamboo is unable to obtain satisfactory reinsurance, it would have to reduce the level of its underwriting commitments, which could materially adversely affect its results of operations and financial condition. For the year ended December 31, 2023, the (re) insurance capacity for Bamboo' s programs was concentrated, with two Capacity Providers representing approximately 45 % of Bamboo' s premium. Should its Capacity Providers reduce the volume of business accepted from Bamboo or adversely change the terms and conditions, we cannot guarantee that Bamboo would be able to find other Capacity Providers to write the business, which could materially adversely affect its results of operations and financial condition. Bamboo primarily relies on third- party agents and brokers to distribute its products, and any deterioration in the relationships with these parties could adversely affect Bamboo' s business. Substantially all of Bamboo' s products are distributed through third- party agents and brokers who have the principal relationships with policyholders. Agents and brokers generally own the " renewal rights, " and thus Bamboo' s business model is dependent on its relationships with, and the success of, the agents and brokers with whom Bamboo does business. Because Bamboo primarily relies on third- party agents and brokers as its sales channel, any deterioration in the relationships with these parties or failure to provide competitive compensation could lead them to place less premium with Bamboo. Bamboo places a substantial portion of its premium through a limited number of agents and broker relationships. For the year ended December 31, 2023, the top three relationships accounted for 47 % of managed premium. Certain of these agents and brokers also have wholly- owned insurance subsidiaries that may compete with Bamboo, and these brokers may favor their own insurers and reinsurers over other companies. Loss of all or a substantial portion of the business provided by one or more of these agents and brokers could have a material adverse effect on Bamboo' s business. Bamboo and its fronting partners are subject to extensive regulation which may prevent Bamboo from adequately pricing or selecting risk. Bamboo and its fronting partners are subject to extensive state regulation, primarily in the state of California. This regulation requires, among other things, state approval of policy forms and premium rates for fronting carriers and admitted producers. If policy forms and premium rates are not approved in a timely manner, Bamboo' s ability to price risk adequately will be adversely impacted. Additionally, state regulators could restrict market access or place undue burdens on Bamboo' s ability to manage risk selection. Inadequate pricing or selection of risk could materially adversely affect Bamboo' s results of operations and financial condition . Risks Related to Investments Our investment portfolio primarily consists of fixed maturity investments, short- term investments, common equity securities, our investment in MediaAlpha and other long- term investments. We invest to maximize long- term after- tax total returns while taking prudent levels of risk and maintaining a diversified portfolio subject to our investment guidelines and various regulatory restrictions. However, investing entails substantial risks. We may not achieve our investment objectives, and our investment performance may vary substantially over time. Losses or volatility in the equity or fixed income markets could materially adversely affect our results of operations and financial condition. The fair market value of our investment portfolio is affected by general economic and market conditions that are outside of our control, including (i) fluctuations in equity market levels, interest rates, debt market levels and foreign currency exchange rates; (ii) public health crises, natural disasters, terrorist attacks and other outside events; and (iii) credit losses sustained by issuers. A significant decline in the equity markets such as that experienced from September 2008 to March 2009 could materially adversely affect our results of operations and financial condition. In addition to causing declines in the fair value of securities that we own in our investment portfolio, public health crises, natural disasters, terrorist attacks and other outside events can adversely affect general commercial activity and the economies of many countries, which could materially adversely affect the business, financial condition and results of operations of the entities in which we have invested. For example, reductions of travel, including travel restrictions and bans imposed by governments due to the COVID- 19 pandemic, negatively impacted revenues at PassportCard / DavidShield in 2020. We are also exposed to changes in debt markets. Interest rates are highly sensitive to many factors, including governmental monetary policies, economic and political conditions and other factors beyond our control. In particular, a significant increase in interest rates, as experienced in 2022, could result in significant losses in the fair value of our investment portfolio. A significant increase in interest rates that causes severe losses could materially adversely affect our results of operations and financial condition. We also hold investments, such as unconsolidated entities, including Kudu' s Participation Contracts, private equity funds and hedge funds, a bank loan fund, Lloyd' s trust deposits, ILS funds and private debt instruments **,** that are not regularly traded in active investment markets and may be illiquid. These investments can experience volatility in their returns or valuation, which could materially adversely affect our results of operations and financial condition. We may be subject to greater volatility from our investment in MediaAlpha, which could materially adversely affect our results of operations and financial condition. Following the MediaAlpha IPO in October 2020, White Mountains' s investment in MediaAlpha is valued based on the publicly- traded share price of MediaAlpha' s common stock, which at the December 31, ~~2022~~ **2023** closing price of $ ~~9~~ **11** . ~~95~~ **15** per share was $ ~~169~~ **255** million. As a result, White Mountains' s reported book value per share and adjusted book value per share may be subject to greater volatility in the future, as the valuation of its investment in MediaAlpha based on the publicly- traded share price of MediaAlpha' s common stock could be more volatile than the valuation of its investment in MediaAlpha based on the private discounted cash flow model used in White Mountains' s financial statements in periods prior to the MediaAlpha IPO. Should there be a significant decrease in the publicly- traded share price of MediaAlpha' s common stock, it could materially adversely affect our results of operations and financial condition. Our investment portfolio includes securities that do not have readily observable market prices. We use valuation methodologies that are inherently subjective and uncertain to value these securities. The values of securities established using these methodologies may never be realized, which could materially adversely affect our results of operations and financial condition. As of December 31, ~~2022~~ **2023** , White Mountains owned $ ~~912~~ **1, 138** million in securities, including our investments in Kudu' s Participation Contracts and PassportCard / DavidShield, that are not actively traded in public markets, do not have readily observable market prices ~~,~~ and are classified as Level 3 investments in the GAAP fair value hierarchy. On a quarterly basis, we make a good faith determination of the fair value of our Level 3 investments in our GAAP financial statements using valuation techniques that are inherently subjective and uncertain. In determining the GAAP fair value of these securities, we use judgment in selecting the fair value methodology and the significant inputs that are employed by that methodology for each such investment. See " Level 3 Measurements " under " CRITICAL ACCOUNTING ESTIMATES- Fair Value Measurements " on page ~~73~~ **76** for a description of the methodologies we use to determine GAAP fair value of our investments without a readily observable market price. Given the inherent subjectivity and uncertainty in the methodologies we use to determine the fair value of our investments without a readily observable market price, the values of such investments established using these methodologies may never be realized, which could materially adversely affect our results of operations and financial condition. Risks Related to Taxation We may **not meet the requirements of the five- year deferral from the Bermuda corporate income tax or the OECD Pillar Two Undertaxed Profits Rule, which could materially adversely affect our results of operations and financial condition. On December 27, 2023, Bermuda enacted a corporate income tax that will generally become effective on January 1, 2025. The Bermuda legislation defers the effective date until January 1, 2030, for Bermuda companies in consolidated groups that meet certain requirements. To qualify for the deferral, the group must (i) have permanent establishments in six or fewer countries, (ii) have less than € 50 million of net tangible assets outside of the country where the group has the largest amount of net tangible assets and (iii) not have a Bermuda company subject to the Income Inclusion Rule of Pillar Two in any jurisdiction. White Mountains expects to meet the requirements to be exempt from the Bermuda corporate income tax until January 1, 2030. On December 15, 2022, European Union Member States voted to adopt the European Union Minimum Tax Directive (the " EU Minimum Tax Directive ") in conformity with OECD' s Pillar Two initiative. The EU Minimum Tax Directive requires European Union Member States to enact conforming law by December 31, 2023. The main rule of the EU Minimum Tax Directive, the Income Inclusion Rule (" IIR "), will become effective for fiscal years beginning on or after December 31, 2023, while the Undertaxed Profits Rule (" UTPR ") will become effective for fiscal years beginning on or after December 31, 2024. On December 20, 2023, Luxemburg enacted conforming Pillar Two legislation. The Luxembourg legislation defers the effective date of the UTPR until fiscal years beginning after December 31, 2029 for Luxembourg companies in consolidated groups with a non- EU parent company that meet certain requirements. To qualify for the deferral, the group must (i) have permanent establishments in six or fewer countries, and (ii) have less than € 50 million of net tangible assets outside of the country where the group has the largest amount of net tangible assets. White Mountains expects to meet the requirements to be exempt from the Luxembourg UTPR until January 1, 2030. On July 11, 2023, the U. K. enacted conforming legislation adopting the Pillar Two IIR, which will become effective for fiscal years beginning on or after December 31, 2023. The U. K. has proposed legislation to adopt the Pillar Two UTPR effective for fiscal years beginning on or after December 31, 2024; however, this legislation has not yet been enacted. If White Mountains fails to meet the requirements of the five- year deferral under the Bermuda corporate income tax or the OECD Pillar Two UTPR, its results of operations and financial condition could be materially adversely affected. We may** be treated as a PFIC, in which case a U. S. holder of our common shares could be subject to disadvantageous rules under U. S. federal income tax laws. Significant potential adverse U. S. federal income tax consequences apply to any U. S. person who owns shares in a passive foreign investment company (" PFIC "). In general, a non- U. S. corporation is classified as a PFIC for a taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to certain " look- through " rules, either (i) 75 % or more of its gross income is passive income or (ii) 50 % or more of the average quarterly value of its gross assets is attributable to assets that produce passive income or are held for the production of passive income. If a corporation is treated as a PFIC for a taxable year, it is generally treated as a PFIC for all later taxable years. Passive income for PFIC purposes generally includes interest, dividends and other investment income, subject to certain exceptions ~~. On January 15, 2021, new final and proposed PFIC regulations issued by the U. S. Department of the Treasury were published in the Federal Register. The final regulations are generally effective for tax years of shareholders beginning on or after their date of publication. The proposed regulations may be selectively adopted by shareholders prior to their finalization. We are carefully studying the final and proposed regulations, including their effective dates and their application to White Mountains to determine their effects on our PFIC status in the future~~ . While we believe that White Mountains should not currently be treated as a PFIC based upon the income and assets of White Mountains and the income and assets of its subsidiaries (taking into account certain applicable subsidiary " look- through " rules), there is no assurance that White

Mountains will not become a PFIC in the future as a result of changes in law or regulations (or their application to White Mountains) or changes in our assets, income or business operations. Nor is there assurance that the Internal Revenue Service will not successfully argue that White Mountains is now, or in the future may become, a PFIC. If we are determined to be a PFIC, a U. S. person may be subject to less advantageous tax consequences upon the sale, exchange or receipt of dividends with respect to our common shares and may be required to pay U. S. federal income tax at ordinary income rates for gains and dividends, as well as an interest charge on certain " excess distributions. " Certain elections designed to mitigate the adverse consequences of owning shares in a PFIC, including a " Protective QEF Election, " may be available. If you are a U. S. person, we encourage you to consult your own tax advisor concerning the potential tax consequences to you under the PFIC rules. The Company and certain of our non- U. S. subsidiaries may become subject to U. S. tax, which could materially adversely affect our results of operations and financial condition. The Company and our non- U. S. subsidiaries without U. S. branches operate in a manner such that none of these companies should be subject to U. S. tax (other than U. S. excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U. S. risks and U. S. withholding tax on some types of U. S. source investment income) because none of these companies should be treated as engaged in a trade or business within the United States. However, because there is considerable uncertainty as to the activities that constitute being engaged in a trade or business within the United States, we cannot be certain that the Internal Revenue Service will not contend successfully that the Company or its non- U. S. subsidiaries without U. S. branches are engaged in a trade or business in the United States. If the Company or any of its non- U. S. subsidiaries without U. S. branches were considered to be engaged in a trade or business in the United States, such entity could be subject to U. S. corporate income and branch profits taxes on the portion of its earnings effectively connected to such U. S. business, which could materially adversely affect our results of operations and financial condition. Changes in tax laws or tax treaties could materially adversely affect our results of operations and financial condition. The income of our U. S. subsidiaries is subject to U. S. federal, state and local income tax and other taxes. The income of our non- U. S. subsidiaries is generally subject to a lower tax rate than that imposed by the United States. Certain of our non- U. S. subsidiaries are eligible for the benefits of tax treaties between the United States and other countries. We believe our non- U. S. subsidiaries will continue to be eligible for treaty benefits. However, it is possible that factual changes or changes to U. S. tax laws or changes to tax treaties that presently apply to our non- U. S. subsidiaries could increase income subject to tax, or the tax rate on income, in the United States. Similarly, changes to the applicable tax laws, treaties or regulations of other countries could subject the income of members of our group to higher rates of tax outside the United States. Additionally, the base erosion and profit shifting **(" BEPS ")** project currently being undertaken by the Organization for Economic Cooperation and Development (" OECD ") and the European Commission' s investigation into illegal state aid may result in changes to long standing tax principles, which could materially adversely affect our results of operations and financial condition. **The recently enacted Bermuda corporate income tax and the Pillar Two worldwide minimum tax currently being enacted around the world are examples of the effects of the BEPS project.** Our non- U. S. subsidiaries are treated as CFCs and may subject a U. S. 10 % shareholder of our common shares to disadvantageous rules under U. S. federal income tax laws. The Tax Cuts and Jobs Act of 2017 (" TCJA ") modified certain U. S. tax rules that apply to controlled foreign corporations (" CFCs "). As a result of these changes, each of our non- U. S. subsidiaries is treated as a CFC. If any of our shareholders is a " U. S. 10 % shareholder " (as described below) that directly or indirectly owns stock in White Mountains, that shareholder must include in its taxable income each year its pro rata share of our CFC subsidiaries' " subpart F income " for that year, even if no distributions are received by the U. S. 10 % shareholder. Due to changes made by the TCJA, a shareholder is treated as a U. S. 10 % shareholder if the shareholder is a U. S. person who owns directly, indirectly or through constructive ownership rules 10 % or more of either the voting power or the total value of our shares. As a result, a U. S. person that owns (directly, indirectly or through constructive ownership rules) 10 % or more of our shares will generally be treated as a U. S. 10 % shareholder of our CFC subsidiaries, notwithstanding the voting power restrictions of our shares. However, a person that is a U. S. 10 % shareholder solely as a result of constructive ownership rules (i. e., such person does not directly or indirectly own stock of White Mountains) should not have a subpart F income inclusion with respect to our CFC subsidiaries. If you are a U. S. person who might be a U. S. 10 % shareholder, we encourage you to consult your own tax advisor concerning the CFC rules. Proposed regulations could subject U. S. persons who are shareholders to disadvantageous rules under U. S. federal income tax laws pertaining to " related person insurance income. " Proposed regulations issued on January 24, 2022 ~~,~~ address the subpart F " related person insurance income " (" RPII ") tax regime. The proposed regulations would expand the scope of relationships giving rise to RPII by treating intra- group reinsurance transactions as generating RPII if a non- U. S. parent entity of the group is majority owned by U. S. persons. If the proposed regulations are finalized as written, U. S. shareholders of the Company could be required to include in their taxable income a proportionate share of White Mountains' s RPII income annually as subpart F income, even if no distributions are received by the U. S. shareholder. The proposed regulations generally would apply to tax years of corporations beginning on or after the date **on which** finalized regulations are published in the Federal Register ~~,~~ and to tax years of U. S. persons in which or with which those corporations' tax years end. We encourage shareholders who are U. S. persons to consult their own tax advisors concerning the proposed regulations. Risks Related to Laws and Regulation Regulation may have a material adverse effect on our operations and financial condition. We are subject to supervision and regulation by regulatory authorities in the various jurisdictions in which we conduct business, including state, national and international insurance regulators. Regulatory authorities have broad regulatory, supervisory and administrative powers relating to, among other things, data protection and data privacy, solvency standards, licensing, coverage requirements, policy rates and forms and the form and content of financial reports. Regulatory authorities continue to implement new or enhanced regulatory requirements. Regulatory authorities also may seek to exercise their supervisory or enforcement authority in new or more extensive ways. These actions, if they occur, could affect the competitive market and the way **in which** we conduct our business and manage our capital and could result in lower revenues and higher costs. As a result, such actions could have a material adverse effect on our results of operations and financial condition. Bermuda law differs from the laws in effect in the United States and may afford less protection to shareholders. We are organized under the laws of Bermuda, and a portion of our assets are located outside the United States. As a result, it may not be possible for our shareholders to enforce court judgments obtained in the United States against us based on the civil liability provisions of the federal or state securities laws of the United States, either in Bermuda or in countries other than the United States where we ~~will~~ have assets. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of U. S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws. Our corporate affairs are governed by the Bermuda Companies Act. The Companies Act differs in some material respects from laws generally applicable to U. S. corporations and shareholders, including the provisions relating to interested directors, amalgamations, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. Generally, the duties of directors and officers of a Bermuda company are owed to the company only. Shareholders of Bermuda companies generally do not have rights to take action against directors or officers of the company and may only do so in limited circumstances. Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company' s memorandum of association or bye- laws. Furthermore, a Bermuda court would ordinarily be expected to permit a shareholder to commence an action that alleges a fraud against ~~non- controlling~~ **noncontrolling** shareholders or, for instance, where an act requires the approval of a greater percentage of the company' s shareholders than that which actually approved it. When the affairs of a company are being conducted in a manner that is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company' s affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company. Additionally, under our bye- laws and as permitted by Bermuda law, each shareholder has waived any claim or right of action against our directors or officers for any action taken by directors or officers in the performance of their duties, except for actions involving fraud or dishonesty. In addition, the rights of our shareholders and the fiduciary responsibilities of our directors under Bermuda law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States, particularly the State of Delaware. Therefore, our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction within the United States. We could be materially adversely affected if our controls designed to ensure compliance with guidelines, policies, and legal and regulatory standards are not effective. Our business is highly dependent on our ability to successfully execute a large number of transactions, many of which are complex. These processes are often subject to internal guidelines and policies ~~,~~ and government regulation. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system' s objectives will be met. If controls are not effective, it could lead to unanticipated risk exposure ~~,~~ or damage to our reputation and, consequently, could materially adversely affect our results of operations and financial condition. Other Risks Related to White Mountains and its Subsidiaries We may be unable to adequately maintain our systems and safeguard the security of our data, which could adversely impact our ability to operate our business and cause reputational harm and, consequently, could materially adversely affect our results of operations and financial condition. Because our business and operations rely on secure and efficient information technology systems, we depend on our ability, and the ability of certain third parties ~~,~~ including vendors and business partners, to access our computer systems to perform necessary functions such as providing quotes and product pricing, billing and processing transactions, administering claims ~~,~~ and reporting our financial results. The functioning of these systems may be impacted by any number of events, including power outages, natural and manmade catastrophes ~~,~~ and cyber ~~-~~ attacks. In the event we are unable to access any of our systems, or any third- party system that we rely upon, our ability to operate our business effectively may be significantly impaired. Our business also depends upon our ability to securely process, store, transmit and safeguard confidential and proprietary information that is in our possession. This information includes confidential information relating to our business, ~~and~~ **as well as** personally identifiable information (" PII ") and protected health information (" PHI ") belonging to our employees, customers, claimants and business partners. Because our systems may be vulnerable to a variety of forms of unauthorized access that could result in a data breach, including hackers, computer viruses ~~,~~ and other cyber ~~-~~ attacks, as well as breaches that result from dishonest employees, errors by employees or lost or stolen computer devices, we may not be able to protect the confidentiality of such information. Third parties present an additional risk of cyber- related events. We outsource certain technological and business process functions to third- party providers. We rely on these third parties to maintain and store PII and PHI and other confidential information on their systems. We also routinely transmit such information by e- mail and other electronic means. Although we attempt to establish sufficient controls and secure capabilities to transmit such information and to prevent unauthorized disclosure, these controls may not be sufficient. Furthermore, third- party providers may not have appropriate controls in place to protect such information. Our computer systems have been and will continue to be the target of cyber ~~-~~ attacks, although we are not aware that we have experienced a material cybersecurity breach. We are also not aware of any third- party vendor having experienced a material cybersecurity breach that impacted our data. The risk of a cyber ~~-~~ attack may increase, and we may experience more significant attacks in the future. The risks identified above could expose us to data breaches, disruptions of service, financial losses and significant increases in compliance costs and reputational harm. In addition, a data breach could subject us to legal liability or regulatory action under data protection and privacy laws and regulations enacted by federal, state and foreign governments ~~,~~ or other regulatory bodies. As a result, our ability to conduct our business and our results of operations and financial condition could be materially adversely affected. We may suffer losses from unfavorable outcomes from litigation and other legal proceedings, which could materially adversely affect our results of operations and financial condition. From time to time we are subject to legal proceedings. In the event of an unfavorable outcome in one or more legal matters, our ultimate liability may be in excess of amounts we have reserved and such additional amounts could materially adversely affect our results of operations and financial condition. Furthermore, it is possible that these legal proceedings could result in equitable remedies or other unexpected outcomes that could materially adversely affect our results of operations and financial condition. We depend on our key personnel to manage our business effectively , and they may be difficult to replace, which could materially adversely affect our results of operations and financial condition. Much of our competitive advantage is based on the expertise, experience and know- how of our key personnel. We do not have fixed term employment agreements with any of our key personnel ~~or key man life insurance~~ , and the loss of one or more of these key personnel could materially adversely affect our results of operations and financial condition. Our success also depends on the ability to hire and retain additional personnel. Difficulty in hiring or retaining personnel could materially adversely affect our results of operations and financial condition.