

Organizational Review

OF

Homeland Insurance Company of Delaware

AS OF

December 9, 2011

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

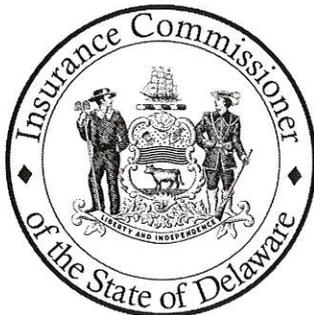
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 9, 2011 of the

HOMELAND INSURANCE COMPANY OF DELAWARE

is a true and correct copy of the document filed with this Department.

Attest By: Sonia C. Harris

Date: 20 February 2012



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 20th day of February, 2012.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
HOMELAND INSURANCE COMPANY OF DELAWARE
AS OF
DECEMBER 9, 2011

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 20th day of February, 2012

TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	1
History	2
Holding Company	2
Capitalization	4
Management and Control	4
Fidelity Bond	6
Agreements	7
Territory and Plan of Operation	7
Recommendations	8
Summary Comments	8
Conclusion	8

SALUTATION

December 9, 2011

Honorable Karen Weldin Stewart, CIR-ML
Insurance Commissioner
State of Delaware
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19901

Dear Commissioner:

In compliance with instructions from the Delaware Department of Insurance, an Organizational Review of information contained in the Domestic license application of

Homeland Insurance Company of Delaware

hereinafter referred to as “Homeland” or “Company”, and incorporated under the laws of the State of Delaware as a domestic property and casualty insurance company was made.

The report of this review is respectfully submitted.

SCOPE OF EXAMINATION

This was a review of information and representations contained in and subsequently attendant with its license application, dated September 29, 2011, as amended and updated to December 9, 2011. The purpose of this review was to determine if the Company has satisfied qualification requirements to be granted a Certificate of Authority as a Domestic Insurance Company, under Title 18 Del. Chapter 5, Authorization of Insurers and General Requirements, of the Delaware Insurance Code. In particular, this review tested compliance with 18 Del. C. § 515, Application for Certificate of Authority, and 18 Del. C. § 511(a), Minimum Capital and

Surplus. This review was conducted at the offices of the Company's parent, OneBeacon Insurance Company (PA) ("OneBeacon"), located at 150 Royall Street, Canton, MA 02021.

HISTORY

The Company was formed and incorporated in the State of Delaware on July 27, 2011 by Mr. Dennis Smith, Company Secretary, an employee of and representing OneBeacon (sole owner) in the formation of the Company. As detailed in both its License Application and Strategic Plan of Operation, the purpose for which the Company was organized is to ultimately write direct and reinsure existing specialty non-admitted business in Delaware, Pennsylvania and New York for the OneBeacon Insurance Group. The Company may also engage in any lawful act or activity for which it is licensed and/or may conduct under the General Corporation Law of Delaware. The Company's registered address is 1209 Orange St., Wilmington, DE, 19801, and the name of the registered agent at such address is the Corporation Trust Company. The Delaware Commissioner of Insurance has been irrevocably appointed as the Company attorney to receive Service of Legal Process as required under 18 Del. C. § 524.

HOLDING COMPANY

As of December 6, 2011, its date of Capitalization, the Company became part of the existing Insurance Holding Company System of OneBeacon Insurance Company; a Commonwealth of Pennsylvania domiciled company, and itself majority owned (76%) by White Mountains Insurance Group, Ltd., a Bermuda domiciled company. OneBeacon is the largest US insurer within the Holding Company of 16 insurers, and the lead company of an intercompany pooling agreement between certain members of the group, excluding the Company who (as represented by management) will not be made party to the pooling agreement. The OneBeacon

Insurance Group consists primarily of a group of specialty professional and commercial lines property and casualty companies writing multiple lines of business throughout the United States. As reflected in its December 31, 2010 Annual Statement, OneBeacon possessed assets of approximately \$2.352 billion, surplus of approximately \$922 million, and earned premiums of approximately \$733 million. For the year 2011, OneBeacon was granted a group rating by AM Best of A (Excellent), and an S&P credit rating of A- (Strong).

White Mountains Insurance Group, Ltd. is a financial services holding company with primary business interests in property and casualty insurance, specialty and commercial lines, accident and health, reinsurance, as well as investment management, insurance and reinsurance services. As of December 31, 2010, White Mountains Insurance Group, Ltd.'s GAAP financial statements as presented in its SEC Form 10-K showed that it possessed assets of approximately \$14.5 billion, total adjusted shareholders' equity of approximately \$3.7 billion, net income of approximately \$140 million on total revenues of approximately \$3.6 billion, and employed approximately 4,100 people worldwide. The White Mountains Insurance Group, Ltd. Organizational Chart reflected below has been highly condensed from the approximately 100 legal entities within the group and primarily represents insurance, reinsurance, Lloyds operations and service companies:

Organization Chart

White Mountains Insurance Group, Ltd.
 White Mountains Life Rein., Ltd.
 White Mountains Investments, Ltd.
 White Mountains Advisors, LLC
Sirius International Ins. Group, Ltd.
 Scandinavian Rein. Co., Ltd.
 White Shoals Re., Ltd.
 WM Caleta (Gibraltar), Ltd.
 White Mountains Re, Ltd.
 Sirius America Ins. Co. (NY)
 Central National Ins. Co. of Omaha (NE)
 White Mountains Re Sirius Capital, Ltd. (Lloyds)
 Sirius Belgium Re, S.A.
 White Mountains Re Bermuda, Ltd.
 Star Re, Ltd.
OneBeacon Insurance Group, Ltd.
 OneBeacon Insurance Group, LLC
 The Camden Fire Insurance Association (NJ)
 Pennsylvania General Insurance Company (PA)
 Essentia Insurance Company (MO)
 Potomac Insurance Company (PA)
 OneBeacon Insurance Company (PA)
 AutoOne Insurance Company (NY)
 *Atlantic Specialty Insurance Company (NY)
 OneBeacon America Insurance Company (MA)
 Traders & General Insurance Company (TX)
 The Northern Assurance Company of America (MA)
 OneBeacon Midwest Insurance Company (WI)
 The Employers' Fire Insurance Company (MA)
 *Homeland Insurance Company of New York (NY)
 AutoOne Select Insurance Company (NY)
 OneBeacon Specialty Insurance Company (PA)
 OBI National Insurance Company (PA)
 Homeland Insurance Company of Pennsylvania (PA)
 Homeland Insurance Company of Delaware (DE)

*The OneBeacon Insurance Group has undergone significant reorganization and realignment of operations and products since 2006. As represented by management, further reorganization is intended including the re-domestication of Atlantic Specialty Insurance Company (NY) and Homeland Insurance Company of New York (NY) to the Commonwealth of Pennsylvania. The formation and licensing of the Company in Delaware is a part of these efforts. In addition to the formation of the Company, OneBeacon Insurance Group has also formed three (3) new

companies in the state of Pennsylvania and is in the process of their domestic insurance licensing.

CAPITALIZATION

Per its Certificate of Incorporation, the Company is authorized to issue 60,000 shares of Common Stock having a par value of \$100 per share. The Company was capitalized on December 6, 2011 with a \$50,000,000 cash deposit in the name of the Company, made by OneBeacon. Also on December 6, the Company issued 45,000 shares, representing \$4,500,000 in paid in capital, and has remaining \$45,500,000 representing paid in surplus. 18 Del. C. § 511 (a), Minimum capital and surplus; states that in the case of a multi lines insurance company, minimum capital shall be \$500,000, and minimum surplus shall be \$250,000.

MANAGEMENT AND CONTROL

Directors

Per Article III of its Bylaws, all business and affairs of the Company are managed by its Board of Directors, who shall consist of not less than seven (7) nor more than fifteen (15) members, as may be determined from time to time by resolution of the Board or the Stockholder. As of December 9, 2011, the Board consisted of the following ten (10) members:

Timothy M. Miller	Chairman of the Board
Bradford W. Rich	
Alexander C. Archimedes	
Jane E. Freedman	
Joan K. Geddes	
Dana P. Hendershott	
Josette D. Kiel	
Paul H. McDonough	

Brian D. Poole
Thomas N. Schmitt

Officers

Per Article V of its Bylaws, Officers of the Company as elected by its Board of Directors shall consist of a President, a Secretary, a Treasurer, and one or more assistant secretaries and treasurers as needed. Other Officers of the Company, if any, including vice presidents, executive vice presidents, first senior vice presidents, senior vice presidents and assistant vice presidents may be either elected by the Board or appointed by the President. As of December 9, 2011, the Board and President had elected and/or appointed the following as Company Officers:

<u>Name</u>	<u>Position</u>
Bradford W. Rich	President, CEO and General Counsel
*Dennis R. Smith	Secretary
Todd C. Mills	Treasurer
Brain D. Poole	SVP and Chief Actuary
Ann M. Andrews	Controller
Dana P. Hendershott	SVP
Josette D. Kiel	SVP and CUO
Paul H. McDonough	SVP and CFO
Thomas N. Schmitt	SVP and CHRO

Company Directors and Officers held interlocking and similar positions with its parent, OneBeacon. Officer Bios and the OneBeacon Insurance Group Conflict of Interest Policy was reviewed and accepted.

*Affective December 31, 2011, Virginia A. McCarthy, Associate General Counsel of OneBeacon Insurance Group will serve as Company Secretary.

FIDELITY BOND

As represented by management, it is intended that the Company will be added to the existing \$50 million 'Financial Institutions Bond for Insurance Companies' coverage of its ultimate parent, White Mountains Insurance Group, Ltd. upon licensing by the Delaware

Department of Insurance. The policy, coverage amounts and deductibles were reviewed and found to meet standards established by the NAIC Examiners Handbook.

AGREEMENTS

As of December 9, 2011, and excluding Investment Management, the Company had entered into no other Management/Service/Custodial/Tax agreements either within the OneBeacon/White Mountains group of companies or outside the group. As represented by responsible Company management, however, it is intended that the Company will enter into existing agreements with its parent and other affiliates upon licensing and approval by the Delaware Department of Insurance.

As amended August 15, 2011, the Company was made party to an existing Investment Management Agreement between White Mountains Advisors, LLC, OneBeacon Insurance Group, Ltd., and listed affiliate companies. Under terms of the agreement, invested assets of the Company will be managed by White Mountains Advisors, LLC in accordance with investment guidelines established by the Company. Investment Guidelines adopted by the Board were reviewed without exception and fees established under the agreement were considered reasonable.

TERRITORY AND PLAN OF OPERATION

Once licensed and/or admitted, and as detailed in its Plan of Operations, the Company is being formed as a Surplus Lines Company to write non-admitted business in Delaware, Pennsylvania and New York for the OneBeacon Insurance Group. It is also intended that existing business in these states will be reinsured with the Company. Business written will be

through Independent Agents, Brokers and MGAs in connection with products offered by various OneBeacon Specialty Business Units. Current and existing processes and procedures of OneBeacon will be utilized to handle business written and/or reinsured.

RECOMMENDATIONS

This review will offer no recommendations

SUMMARY COMMENTS

This organizational examination was conducted in conjunction with the Company's application to be granted a certificate of authority under 18 Del. C. 5, Authorization of Insurers. As noted under Capitalization, the Company is in compliance with the minimum capital and surplus requirements of the Delaware Insurance Code.

CONCLUSION

The following schedule shows the result of this examination:

<u>Capital Deposit</u>	<u>Examination</u>
Capital & Surplus	\$50,000,000

This review was conducted by the undersigned at the offices of OneBeacon with the assistance and cooperation of its' management and staff. That assistance and cooperation is hereby acknowledged and was appreciated.

Respectfully submitted,



Steven E. Guest, CFE, CPA
Examination Supervisor
Insurance Department
State of Delaware