

The Commissioner finds and declares that it is consistent with the public interest, K.S.A. 40-3301 and the interest of policyholders to permit insurers:

- to engage in activities which will enable insurers to make better use of management skills and facilities;
- to diversify into new lines of business through acquisition and/or organization of subsidiaries;
- to have free access to capital markets which can provide funds for insurers to use in diversification programs;
- to implement sound tax-planning conclusions; and
- to serve the changing needs of the public and adapt to changing conditions of the social, economic and political environment so that insurers are able to compete effectively and to meet the growing public demand for institutions capable of providing a comprehensive range of financial services.

The Commissioner further declares that said public policy promotes the public interest by:

- facilitating the achievement of the objectives enumerated in K.S.A. 40-3301 and set out above;
- requiring disclosure of pertinent information relating to changes in control of an insurer;
- requiring disclosure by an insurer of material transactions and relationships between the insurer and its affiliates, including certain dividends paid by the insurer; and
- providing standards governing material transactions between the insurer and its affiliates.

The above declared policies and purposes are the criteria for making the findings and conclusions stated herein. Those findings and conclusions are based upon the statements made by the Applicant in the Form A Statement and accompanying documents and exhibits filed with the Kansas Insurance Department by the Applicant pursuant to K.S.A. 40-3304(b).

Significant documents have been reviewed by representatives of the Financial Surveillance and Legal Divisions of the Kansas Insurance Department, and the Commissioner has had the benefit of their technical expertise and advice as provided in K.S.A. 77-546(c).

The purpose of the filing of the Form A Statement is to seek authority from the Kansas Insurance Department for the proposed acquisition of control of Waterford Insurance Company by the Applicant. The terms and conditions of the proposed acquisition are more fully set forth

in the Form A Statement filed with the Commissioner on October 18, 2000, pursuant to the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, et seq.

The Applicant has submitted the following documents as Exhibits to the Form A Statement:

- Exhibit A Stock Purchase Agreement
- Exhibit B Organizational Chart of Applicant
- Exhibit C Biographical Affidavits
- Exhibit D(1) Applicant's Annual Reports
- Exhibit D(2) Applicant's Annual Statements 1995 through 1999 and
September 30, 2000 quarterly statement
- Schedule A Instrument of Transfer and Assumption
- Schedule 2.3 List of Licenses
- Schedule 2.4 Assumption Reinsurance and Administration Agreement
- Schedule 2.6 Outstanding Options/Warrants/Agreements – NONE
- Schedule 2.14 Litigation – NONE
- Schedule 2.17(c) List of Statutory Deposits
- Schedule 2.17(d) List of Bank Accounts

The staff of the Kansas Insurance Department has inspected and reviewed the contents of the Form A Statement and all Exhibits and Schedules attached thereto and found that the filing of the Form A Statement and Exhibits and Schedules attached thereto is in accordance with K.S.A. 40-3304 and related regulations, and that the Form A Statement and Exhibits and Schedules attached thereto have provided the information required under Kansas statutes to enable the Commissioner to render a decision on the application.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Waterford Insurance Company was authorized to transact business in Kansas on May 2, 1924. It is a wholly-owned subsidiary of White Mountains Insurance Group, Ltd., a Bermuda corporation.

2. The Applicant is the flagship casualty company of the Nationwide Group of Companies and was authorized to transact business in Kansas on May 1, 1957.

3. Folksamerica Reinsurance Company, an affiliate of Waterford, is owned by White Mountains Insurance Group, Inc. It was authorized to transact business in Kansas on December 30, 1988.

4. The Applicant filed a duly certified copy of the Form A Statement with the Kansas Insurance Department dated October 18, 2000.

5. Review of the Stock Purchase Agreement, dated September 19, 2000, between White Mountains Insurance Group, Ltd., the Applicant and Folksamerica Reinsurance Company established the terms and conditions of the acquisition.

6. Waterford, at the time of the acquisition, will have been reduced to an empty shell insurer with only the necessary assets required to preserve its charter and state licenses. This will be accomplished through an Instrument of Transfer and Assumption between Folksamerica Reinsurance Company and Waterford Insurance Company, which has been filed for approval pursuant to K.S.A. 40-221a(a)(1). Under the provisions of this Agreement, which was made part of the Form A Statement, all rights, franchises and interest of Waterford in every species of property, real, personal and mixed (except the necessary assets required to preserve its charter and state licenses) shall be transferred to Folksamerica, and Folksamerica shall assume all liabilities from Waterford. This Agreement is subject to the regulatory approval of the acquisition of Waterford by Nationwide and shall become binding and non-cancelable as of the “closing” of the Stock Purchase Agreement by and between White Mountains and Nationwide.

7. Review of the evidence establishes that, after the acquisition of control as proposed in the Form A Statement, the Applicant will be able to satisfy the requirements necessary for maintaining the business of Waterford Insurance Company to the satisfaction and protection of the policyholders.

8. Evidence establishes that, after the acquisition of control as proposed in the Form A Statement, Waterford Insurance Company will be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.

9. No evidence has been introduced to establish that the financial condition of the Applicant will jeopardize the financial stability of Waterford Insurance Company or prejudice the interest of its policyholders.

10. Evidence shows that the Applicant has no plans or proposals to liquidate Waterford Insurance Company, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management which would be unfair and unreasonable to the policyholders of Waterford Insurance Company and not be in the public interest.

11. Evidence establishes that the acquisition will not be hazardous or prejudicial to the insurance-buying public.

12. The Form A Statement is in compliance with the provisions of the Kansas Insurance Holding Companies Act, K.S.A. 40-3301 et seq.

13. The evidence submitted supports approval of the proposed acquisition of control of Waterford Insurance Company by the Applicant.

14. Evidence shows that the competence, experience and integrity of those persons who would control the operation of Waterford Insurance Company are such that it would be in the interest of policyholders of Waterford Insurance Company and of the public to permit the acquisition of control.

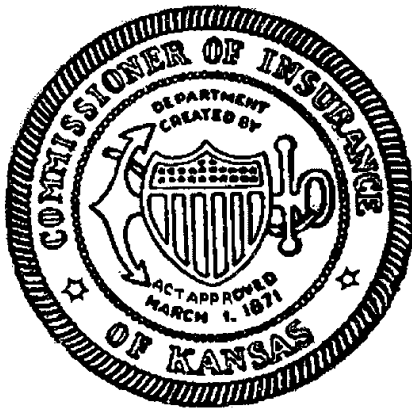
IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

1. The application by Nationwide Mutual Insurance Company to acquire control of Waterford Insurance Company in the manner set forth in the Form A Statement and Exhibits and Schedules, specifically the Stock Purchase Agreement and the Instrument of Transfer and Assumption, attached thereto is hereby approved pursuant to K.S.A. 40-3304, provided the acquisition is effected within sixty (60) days of the date of this Order.

2. The Instrument of Transfer and Assumption, which was made part of the filed Form A Statement, is hereby approved pursuant to K.S.A. 40-221a(a)(1).

3. The Commissioner of Insurance retains jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further Order or Orders as may be deemed proper.

IT IS SO ORDERED THIS 22nd DAY OF DECEMBER, 2000, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



_____/s/ Kathleen Sebelius_____

Kathleen Sebelius

Commissioner of Insurance

BY:

_____/s/ Kathy Greenlee_____

Kathy Greenlee

General Counsel