

WHITE MOUNTAINS INSURANCE GROUP LTD  
Form 10-Q  
August 02, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the period ended **June 30, 2007**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **1-8993**

**WHITE MOUNTAINS INSURANCE GROUP, LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**

(State or other jurisdiction of  
incorporation or organization)

**94-2708455**

(I.R.S. Employer  
Identification No.)

**80 South Main Street,  
Hanover, New Hampshire**

(Address of principal executive offices)

**03755-2053**

(Zip Code)

Registrant's telephone number, including area code: **(603) 640-2200**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of August 1, 2007, 10,842,538 common shares with a par value of \$1.00 per share were outstanding (which includes 54,000 restricted common shares that were not vested at such date).

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WHITE MOUNTAINS INSURANCE GROUP, LTD.

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**PART I. FINANCIAL INFORMATION.****Item 1. Financial Statements****WHITE MOUNTAINS INSURANCE GROUP, LTD.****CONSOLIDATED BALANCE SHEETS**

(Millions, except share and per share amounts)	June 30, 2007 Unaudited	December 31, 2006
<b>Assets</b>		
Fixed maturity investments, at fair value (amortized cost: \$7,470.1 and \$7,377.0)	\$ 7,524.9	\$ 7,475.3
Common equity securities, at fair value (cost: \$1,160.5 and \$972.0)	1,402.7	1,212.6
Short-term investments, at amortized cost (which approximates fair value)	1,152.9	1,344.9
Other investments (cost: \$478.0 and \$467.1)	558.5	524.8
Convertible fixed maturity investments, at fair value (amortized cost: \$542.8 and \$435.9)	544.7	436.2
Trust account investments, at amortized cost (fair value \$310.9 and \$337.9)	312.0	338.9
Total investments	11,495.7	11,332.7
Cash	172.9	159.0
Reinsurance recoverable on unpaid losses	1,864.3	2,134.5
Reinsurance recoverable on unpaid losses - Berkshire Hathaway Inc.	1,828.9	1,881.2
Reinsurance recoverable on paid losses	57.7	159.4
Insurance and reinsurance premiums receivable	1,007.3	913.6
Securities lending collateral	554.0	649.8
Funds held by ceding companies	366.7	452.8
Investments in unconsolidated affiliates	381.0	335.5
Deferred acquisition costs	351.6	320.3
Deferred tax asset	222.4	276.0
Ceded unearned premiums	130.9	87.9
Accrued investment income	85.8	87.4
Accounts receivable on unsettled investment sales	24.3	8.5
Other assets	640.8	645.1
<b>Total assets</b>	<b>\$ 19,184.3</b>	<b>\$ 19,443.7</b>
<b>Liabilities</b>		
Loss and loss adjustment expense reserves	\$ 8,364.7	\$ 8,777.2
Unearned insurance and reinsurance premiums	1,735.7	1,584.9
Debt	1,183.6	1,106.7
Securities lending payable	554.0	649.8
Deferred tax liability	312.0	311.5
Long-term incentive compensation payable	181.5	285.2
Reserves for structured contracts	87.3	147.1
Funds held under reinsurance treaties	110.4	141.6
Ceded reinsurance payable	125.4	138.4
Accounts payable on unsettled investment purchases	32.0	66.8
Other liabilities	775.6	913.7
Preferred stock subject to mandatory redemption:		
Held by Berkshire Hathaway Inc. (redemption value \$300.0)	259.2	242.3
Held by others (redemption value \$20.0)		20.0
Total liabilities	13,721.4	14,385.2
Minority interest - OneBeacon Insurance Group, Ltd.	526.0	490.7
Minority interest - White Mountains Re Group, Ltd. Preference Shares	250.0	
Minority interest - consolidated limited partnerships	111.6	112.5

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<b>Total minority interest</b>	<b>887.6</b>	603.2
<b>Common shareholders' equity</b>		
Common shares at \$1 par value per share - authorized 50,000,000 shares; issued and outstanding 10,842,538 and 10,782,753 shares	<b>10.8</b>	10.8
Paid-in surplus	<b>1,721.1</b>	1,716.7
Retained earnings	<b>2,647.5</b>	2,496.0
Accumulated other comprehensive income, after-tax:		
Net unrealized gains on investments	<b>144.0</b>	194.0
Net unrealized foreign currency translation gains	<b>52.8</b>	37.2
Other	<b>(.9)</b>	.6
Total common shareholders' equity	<b>4,575.3</b>	4,455.3
<b>Total liabilities, minority interest and common shareholders' equity</b>	<b>\$ 19,184.3</b>	\$ 19,443.7

See Notes to Consolidated Financial Statements

## WHITE MOUNTAINS INSURANCE GROUP, LTD.

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

## Unaudited

(Millions, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2007	2006	June 30, 2007	2006
<b>Revenues:</b>				
Earned insurance and reinsurance premiums	\$ 960.7	\$ 953.5	\$ 1,898.7	\$ 1,854.5
Net investment income	126.7	104.4	244.7	202.9
Net realized investment gains	89.1	106.5	163.0	135.0
Other revenue	34.1	36.5	70.3	66.3
Total revenues	1,210.6	1,200.9	2,376.7	2,258.7
<b>Expenses:</b>				
Loss and loss adjustment expenses	592.1	763.8	1,205.4	1,327.8
Insurance and reinsurance acquisition expenses	203.6	187.7	396.2	373.3
Other underwriting expenses	136.2	122.8	273.9	238.7
General and administrative expenses	62.4	22.3	115.3	66.9
Accretion of fair value adjustment to loss and loss adjustment expense reserves	5.5	6.4	10.6	11.6
Interest expense on debt	18.3	11.9	35.1	23.6
Interest expense - dividends on preferred stock subject to mandatory redemption	7.5	7.5	15.1	15.1
Interest expense - accretion on preferred stock subject to mandatory redemption	8.8	6.9	17.0	13.3
Total expenses	1,034.4	1,129.3	2,068.6	2,070.3
<b>Pre-tax income</b>	<b>176.2</b>	<b>71.6</b>	<b>308.1</b>	<b>188.4</b>
Income tax benefit (provision)	(55.8)	) 29.3	(87.0)	) 2.4
<b>Income before equity in earnings of unconsolidated affiliates and minority interest</b>	<b>120.4</b>	<b>100.9</b>	<b>221.1</b>	<b>190.8</b>
Minority interest	(26.4)	) .1	(45.4)	) (2.8)
Equity in earnings of unconsolidated affiliates	8.6	14.8	19.1	23.8
<b>Net income</b>	<b>102.6</b>	<b>115.8</b>	<b>194.8</b>	<b>211.8</b>
Change in net unrealized gains and losses for investments held	(31.4)	) (63.0)	40.2	) (96.2)
Change in foreign currency translation and other	17.9	11.9	14.1	32.9
Recognition of net unrealized gains and losses for investments sold	(39.3)	) (51.5)	(90.2)	) (75.4)
<b>Comprehensive net income</b>	<b>\$ 49.8</b>	<b>\$ 13.2</b>	<b>\$ 158.9</b>	<b>\$ 73.1</b>
<b>Basic earnings per share</b>	<b>\$ 9.51</b>	<b>\$ 10.75</b>	<b>\$ 18.07</b>	<b>\$ 19.67</b>
<b>Diluted earnings per share</b>	<b>9.49</b>	<b>10.72</b>	<b>18.03</b>	<b>19.61</b>