WHITE MOUNTAINS INSURANCE GROUP LTD
Form 10-Q
July 31, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the period ended June 30, 2009

OR

o	**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, and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes o No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of July 30, 2009, 8,857,586 common shares with a par value of $1.00 per share were outstanding (which includes 92,620 restricted common shares that were not vested at such date).

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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, 2009 Unaudited		December 31, 2008
Assets				
Fixed maturity investments, at fair value (amortized cost: $5,862.6 and $5,631.5)	$	5,929.8	$	5,480.5
Common equity securities, at fair value (cost: $245.0 and $558.4)		262.2		552.7
Short-term investments, at amortized cost (which approximates fair value)		2,023.3		2,244.5
Other long-term investments (cost: $393.8 and $431.2)		405.4		416.2
Convertible fixed maturity investments, at fair value (cost: $308.4 and $327.3)		300.3		308.8
Total investments		8,921.0		9,002.7
Cash (restricted: $170.6 and $225.7)		405.2		409.6
Reinsurance recoverable on unpaid losses		1,201.1		1,358.8
Reinsurance recoverable on unpaid losses - Berkshire Hathaway Inc.		1,623.9		1,691.6
Reinsurance recoverable on paid losses		42.9		47.3
Insurance and reinsurance premiums receivable		986.5		835.7
Securities lending collateral		92.3		220.0
Funds held by ceding companies		141.4		163.3
Investments in unconsolidated affiliates		209.0		116.9
Deferred acquisition costs		329.4		323.0
Deferred tax asset		567.5		724.0
Ceded unearned premiums		159.2		111.3
Accrued investment income		69.9		67.4
Accounts receivable on unsettled investment sales		10.3		78.2
Other assets		791.4		746.0
Total assets	$	15,551.0	$	15,895.8
Liabilities				
Loss and loss adjustment expense reserves	$	6,999.8	$	7,400.1
Unearned insurance and reinsurance premiums		1,704.4		1,597.4
Debt		1,271.4		1,362.0
Securities lending payable		96.4		234.8
Deferred tax liability		309.4		306.0
Incentive compensation payable		107.6		154.3
Funds held under reinsurance treaties		55.9		79.1
Ceded reinsurance payable		158.6		101.3
Accounts payable on unsettled investment purchases		64.4		7.5
Other liabilities		931.7		1,140.8
Total liabilities		11,699.6		12,383.3
Shareholders equity and noncontrolling interests				
White Mountains shareholders equity				
White Mountains common shares at $1 par value per share - authorized 50,000,000 shares; issued and outstanding 8,857,586 and 8,808,843 shares		8.9		8.8
Paid-in surplus		1,427.3		1,419.4
Retained earnings		1,956.6		1,751.9
Accumulated other comprehensive income, after-tax:				
Equity in unrealized losses from investments in unconsolidated affiliates		(122.0)		(198.4)

Net unrealized foreign currency translation losses		**(50.9)**		(61.5)
Other		**(15.8)**		(21.4)
Total White Mountains shareholders equity		**3,204.1**		2,898.8
Noncontrolling interests				
Noncontrolling interest - OneBeacon Ltd.		**315.5**		283.5
Noncontrolling interest - WMRe Preference Shares		**250.0**		250.0
Noncontrolling interest - consolidated limited partnerships and A.W.G Dewar		**81.8**		80.2
Total noncontrolling interests		**647.3**		613.7
Total equity		**3,851.4**		3,512.5
Total liabilities and equity	**$**	**15,551.0**	$	15,895.8

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WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Unaudited

(Millions, except per share amounts)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues:				
Earned insurance and reinsurance premiums	**$ 898.3**	$ 921.7	**$ 1,809.7**	$ 1,850.8
Net investment income	**77.2**	111.7	**138.3**	228.5
Net realized and unrealized investment gains (losses)	**214.9**	(59.1)	**191.6**	(177.1)
Other revenue	**28.5**	64.9	**45.8**	74.9
Total revenues	**1,218.9**	1,039.2	**2,185.4**	1,977.1
Expenses:				
Loss and loss adjustment expenses	**528.9**	632.7	**1,072.1**	1,271.4
Insurance and reinsurance acquisition expenses	**179.8**	178.8	**362.0**	365.5
Other underwriting expenses	**128.7**	127.4	**244.1**	244.2
General and administrative expenses	**56.8**	56.4	**112.7**	113.1
Accretion of fair value adjustment to loss and loss adjustment expense reserves	**2.6**	4.1	**5.1**	8.3
Interest expense on debt	**18.3**	21.7	**37.2**	41.1
Interest expense - dividends on preferred stock subject to mandatory redemption		4.7		11.8
Interest expense - accretion on preferred stock subject to mandatory redemption		11.1		21.6
Total expenses	**915.1**	1,036.9	**1,833.2**	2,077.0
Pre-tax income (loss)	**303.8**	2.3	**352.2**	(99.9)
Income tax (expense) benefit	**(88.6)**	3.0	**(100.9)**	35.5
Income (loss) before equity in earnings of unconsolidated affiliates and extraordinary item	**215.2**	5.3	**251.3**	(64.4)
Equity in earnings of unconsolidated affiliates	**8.6**	6.0	**9.5**	6.4
Excess of fair value of acquired assets over cost				4.2
Net income (loss) before noncontrolling interests	**223.8**	11.3	**260.8**	(53.8)
Net income attributable to noncontrolling interest	**(43.5)**	(20.5)	**(50.2)**	(12.2)
Net income (loss) attributable to White Mountains common shareholders	**180.3**	(9.2)	**210.6**	(66.0)
Comprehensive income (loss), net of tax:				
Change in equity in net unrealized gains (losses) from investments in unconsolidated affiliates	**97.6**	(40.5)	**79.4**	(61.0)
Change in foreign currency translation and other	**57.0**	(6.3)	**18.0**	50.2
Comprehensive net income (loss) before noncontrolling interests	**334.9**	(56.0)	**308.0**	(76.8)
Comprehensive net income attributable to noncontrolling interests	**(1.5)**	(.3)	**(1.8)**	
Comprehensive net income (loss) attributable to White Mountains common shareholders	**$ 333.4**	$ (56.3)	**$ 306.2**	$ (76.8)
Earnings (loss) per share attributable to White Mountains common shareholders				
Basic earnings (loss) per share	**$ 20.35**	$ (.87)	**$ 23.82**	$ (6.24)
Diluted earnings (loss) per share	**20.35**	(.87)	**23.82**	(6.24)
Dividends declared and paid per White Mountains common share	**$**	$ 2.00	**$ 1.00**	$ 4.00

See Notes to Consolidated Financial Statements

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WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

	White Mountains Common Shareholders Equity				
(Millions)	**Common shareholders equity**	**Common shares and paid-in surplus**	**Retained earnings**	**Accum. other comprehensive income, after-tax**	**Non-controlling interest**
Balances at January 1, 2009	$ 2,898.8	$ 1,428.2	$ 1,751.9	$ (281.3)	$ 613.7
Cumulative effect adjustment - Symetra FAS 115-2			3.0	(3.0)	
Net income	210.6		210.6		50.2
Other comprehensive income, after-tax	95.6			95.6	1.8
Dividends declared on common shares	(8.9)		(8.9)		
Dividends/distributions to noncontrolling interests					(22.5)
Issuances of common shares	.2	.2			
Contributions from noncontrolling interests					4.1
Amortization of restricted share and option awards	7.8	7.8			
Balances at June 30, 2009	**$ 3,204.1**	**$ 1,436.2**	**$ 1,956.6**	**$ (188.7)**	**$ 647.3**

	White Mountains Common Shareholders Equity				
(Millions)	**Common shareholders equity**	**Common shares and paid-in surplus**	**Retained earnings**	**Accum. other comprehensive income, after-tax**	**Non-controlling interest**
Balances at January 1, 2008	$ 4,713.4	$ 1,691.2	$ 2,718.5	$ 303.7	$ 888.7
Cumulative effect adjustment - FAS 157	(.3)		(.3)		
Cumulative effect adjustment - FAS 159			199.6	(199.6)	
Net (loss) income	(66.0)		(66.0)		12.2
Other comprehensive loss, after-tax	(10.7)			(10.7)	
Dividends declared on common shares	(42.3)		(42.3)		
Dividends/distributions to noncontrolling interests					(72.1)
Issuances of common shares	8.4	8.4			
Contributions from noncontrolling interests					1.1
Repurchases and retirements of common shares	(11.3)	(4.0)	(7.3)		(57.5)
Amortization of restricted share and option awards	6.1	6.1			.2
Balances at June 30, 2008	**$ 4,597.3**	**$ 1,701.7**	**$ 2,802.2**	**$ 93.4**	**$ 772.6**

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WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(Millions)	Six Months Ended June 30, 2009	2008
Cash flows from operations:		
Net income (loss) - White Mountains and noncontrolling interests	$ **260.8**	$ (53.8)
Charges (credits) to reconcile net income (loss) to net cash used for operations:		
Net realized and unrealized investment (gains) losses	**(191.6)**	177.1
Excess of fair value of acquired assets over cost		(4.2)
Other operating items:		
Net change in loss and loss adjustment expense reserves	**(413.7)**	(200.8)
Net change in reinsurance recoverable on paid and unpaid losses	**233.0**	170.3
Net change in unearned insurance and reinsurance premiums	**91.6**	119.1
Net change in funds held by ceding companies	**25.0**	25.5
Net change in deferred acquisition costs	**(4.9)**	(5.3)
Net change in ceded unearned premiums	**(42.9)**	(30.8)
Net change in funds held under reinsurance treaties	**(23.1)**	(27.6)
Net change in insurance and reinsurance premiums receivable	**(138.5)**	(58.3)
Net change in other assets and liabilities, net	**(9.3)**	(171.8)
Net cash used for operations	**(213.6)**	(60.6)
Cash flows from investing activities:		
Net change in short-term investments	**232.3**	(631.3)
Sales of fixed maturity and convertible fixed maturity investments	**1,243.1**	2,268.2
Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments	**586.3**	985.9
Maturities of trust account investments		305.6
Sales of common equity securities	**297.1**	249.3
Distributions of other long-term investments	**20.5**	37.2
Sales of consolidated and unconsolidated affiliates, net of cash sold		4.2
Purchases of other long-term investments	**(9.9)**	(46.2)
Purchases of common equity securities	**(20.0)**	(359.9)
Purchases of fixed maturity and convertible fixed maturity investments	**(2,086.5)**	(2,552.8)
Purchases of consolidated and unconsolidated affiliates, net of cash acquired		(172.6)
Net change in unsettled investment purchases and sales	**124.8**	191.0
Net acquisitions of property and equipment	**(5.5)**	(6.5)
Net cash provided from investing activities	**382.2**	272.1
Cash flows from financing activities:		
Issuance of debt		475.0
Repayment of debt	**(42.8)**	(177.0)
Repurchase of debt	**(43.3)**	
Settlement of interest rate swap	**(7.4)**	
Redemption of mandatorily redeemable preferred stock		(300.0)
Cash dividends paid to the Company s common shareholders	**(8.9)**	(42.3)
Cash dividends paid to OneBeacon Ltd. s noncontrolling common shareholders	**(9.8)**	(59.7)
Cash dividends paid to preferred shareholders		(11.8)
Cash dividends paid on White Mountains Re Group, Ltd. Preference Shares	**(9.4)**	(9.4)
OneBeacon Ltd. common shares repurchased and retired		(62.2)
Common shares repurchased		(11.3)
Proceeds from issuances of common shares	**.2**	
Proceeds from option exercises		.1

Net cash used for financing activities		**(121.4)**		(198.6)
Effect of exchange rate changes on cash		**3.5**		3.8
Net increase in cash during the period		**50.7**		16.7
Cash balances at beginning of period (excludes restricted cash balances of $225.7 and $8.5)		**183.9**		162.8
Cash balances at end of period (excludes restricted cash balances of $170.6 and $18.8)	**$**	**234.6**	$	179.5
Supplemental cash flows information:				
Interest paid	**$**	**(43.3)**	$	(38.6)
Net receipts from (payments to) national governments	**$**	**13.2**	$	(59.2)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of presentation

These interim consolidated financial statements include the accounts of White Mountains Insurance Group, Ltd. (the Company or the Registrant) and its subsidiaries (collectively, with the Company, White Mountains) and have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its property and casualty insurance and reinsurance subsidiaries and affiliates. The Company s headquarters is located at 14 Wesley Street, Hamilton, Bermuda HM 11, its principal executive office is located at 80 South Main Street, Hanover, New Hampshire 03755-2053 and its registered office is located at Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11. White Mountains reportable segments are OneBeacon, White Mountains Re, Esurance and Other Operations.

The OneBeacon segment consists of OneBeacon Insurance Group, Ltd. (OneBeacon Ltd.), an exempted Bermuda limited liability company that owns a family of U.S.-based property and casualty insurance companies (collectively OneBeacon), most of which operate in a multi-company pool. OneBeacon offers a wide range of specialty, commercial and personal products and services sold primarily through select independent agents and brokers. OneBeacon was acquired by White Mountains in 2001 (the OneBeacon Acquisition). During the fourth quarter of 2006, White Mountains sold 27.6 million, or 27.6%, of OneBeacon Ltd. s common shares in an initial public offering (the OneBeacon Offering). At June 30, 2009, White Mountains owned 75.4% of OneBeacon Ltd. s outstanding common shares.

The White Mountains Re segment consists of White Mountains Re Ltd., an exempted Bermuda limited liability company, and its subsidiaries (collectively, White Mountains Re). White Mountains Re offers reinsurance capacity for property, casualty, accident & health, agriculture, aviation and space and certain other exposures on a worldwide basis through its subsidiaries, White Mountains Reinsurance Company of America (WMRe America , formerly known as Folksamerica Reinsurance Company), Sirius International Insurance Corporation (WMRe Sirius), and White Mountains Re Bermuda Ltd. (WMRe Bermuda). White Mountains Re specializes in the acquisition and management of runoff insurance and reinsurance companies both in the United States and internationally through White Mountains Re Solutions. Through 2008, White Mountains Re provided reinsurance advisory services, specializing primarily in property and other short-tailed lines of reinsurance, through White Mountains Re Underwriting Services Ltd. (WMRUS). White Mountains Re also includes Scandinavian Reinsurance Company, Ltd. (Scandinavian Re) which is in run off, and the consolidated results of the Tuckerman Capital II, LP fund (Tuckerman Fund II), which was transferred to White Mountains Re from Other Operations, effective June 30, 2008.

The Esurance segment consists of Esurance Holdings, Inc. and its subsidiaries and Answer Financial Inc. (AFI and, collectively, Esurance). Esurance sells personal auto insurance directly to customers online and through select online agents. AFI, which White Mountains acquired during 2008, is a personal insurance agency that sells insurance online and in call centers.

White Mountains Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC (WM Advisors), its weather risk management business (Galileo) and its variable annuity reinsurance business, White Mountains Life Reinsurance (Bermuda) Ltd. (WM Life Re). Both Galileo and WM Life Re are in run-off.

The Other Operations segment also includes White Mountains investments in Lightyear Delos Acquisition Corporation (Delos), common shares and warrants to purchase common shares of Symetra Financial Corporation (Symetra) and the consolidated results of the Tuckerman Capital, LP fund (Tuckerman Fund I) and Tuckerman Fund II until its transfer to White Mountains Re, effective June 30, 2008 and various other entities not included in other segments. Prior to October 31, 2008, the Other Operations segment also included the International American Group, Inc. (the International American Group), which included American Centennial Insurance Company (American Centennial) and British Insurance Company of Cayman (British Insurance Company), both of which were in run-off. On October 31, 2008, in a transaction with Berkshire Hathaway, Inc. (Berkshire), White Mountains exchanged its ownership interests in Commercial Casualty Insurance Company (previously a subsidiary of White Mountains Re) and the International American Group, and $707.9 million in cash, for 1,634,921 common shares of the Company held by Berkshire (the Berkshire Exchange).

All significant intercompany transactions have been eliminated in consolidation. These interim financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of White Mountains that are of a normal recurring nature. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company s 2008 Annual Report on Form 10-K. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Refer to the Company s 2008 Annual Report on Form 10-K for a complete discussion regarding White Mountains significant accounting policies.

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Noncontrolling Interests

Noncontrolling interests consist of the ownership interests of noncontrolling parties in consolidated subsidiaries and are presented separately as a component of equity on the balance sheet.

The percentage of the noncontrolling ownership interests in OneBeacon Ltd. at June 30, 2009 was 24.6%.

On May 24, 2007, White Mountains Re Group, Ltd. (WMRe Group), an intermediate holding company of White Mountains Re, issued 250,000 non-cumulative perpetual preference shares with a $1,000 per share liquidation preference (the WMRe Preference Shares). Proceeds of $245.7 million, net of $4.3 million of issuance costs and commissions, were received from the issuance. The WMRe Preference Shares are included in noncontrolling interests on the balance sheet.

Recently Adopted Changes in Accounting Principles

Subsequent Events

On May 28, 2009, the FASB issued FAS No. 165, *Subsequent Events* (FAS 165). FAS 165 defines the period after the balance sheet date during which a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which a reporting entity should recognize events or transaction occurring after the balance sheet date and the disclosures required for events or transactions that occurred after the balance sheet date. Subsequent events that provide additional evidence about conditions that existed at the balance sheet date are to be recognized in the financial statements. Subsequent events that are conditions that arose after the balance sheet date but prior to the issuance of the financial statements are not recognized in the financial statements, but should be disclosed if failure to do so would render the financial statements misleading. FAS 165 requires disclosure of the date through which subsequent events have been evaluated. For subsequent events not recognized, disclosures should include a description of the nature of the event and either an estimate of its financial effect or a statement that such an estimate cannot be made. White Mountains adopted FAS 165 effective June 30, 2009. Adoption did not affect the recognition or disclosure of subsequent events. White Mountains evaluates subsequent events up to the date it files its Form 10-Q with the Securities and Exchange Commission for its financial statements. For the period ended June 30, 2009, this date was July 31, 2009.

Other-Than-Temporary Impairments

On June 30, 2009, White Mountains adopted FASB Staff Position (FSP) FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments,* which amends the guidance for other-than temporary impairments for debt securities classified as held-to-maturity (HTM) or available-for-sale (AFS). FSP FAS 115-2 and FAS 124-2 requires that, when evaluating whether an impairment of a debt security is other than temporary, the reporting entity is to assess whether it has the intent the sell the security or if it is more likely than not that it will be required to sell the security before the recovery of its amortized cost basis. In addition, if the present value of cash flows expected to be collected is less than the amortized cost of the security, a credit loss is deemed to exist and the security is considered to be impaired. The portion of the impairment loss related to a credit loss is to be recognized in earnings. The portion of the impairment loss related to factors other than credit loss is recognized as an unrealized loss.

White Mountains accounts for its investments in debt securities under FAS 159 and, accordingly, all changes in the fair value of its debt securities are recognized in earnings regardless of whether such changes in fair value represent a temporary or other than temporary decline in value. As a result, adoption of FSP FAS 115-2 and FAS 124-2 did not impact White Mountains method of accounting for its portfolio of investment securities. However, White Mountains investment in Symetra is accounted for under the equity method. Symetra adopted FSP FAS 115-2 and FAS 124-2 as of March 31, 2009. Upon adoption of FSP FAS 115-2 and FAS 124-2, Symetra recognized a cumulative effect adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. As a result, for the quarter ended March 31, 2009, White Mountains recorded a $3.0 million cumulative effect adjustment to retained earnings and other comprehensive income, which represents its portion of the cumulative effect adjustment recorded by Symetra.

Determining Fair Values in an Inactive Market and Distressed Transactions

On June 30, 2009, White Mountains adopted FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 outlines factors to be considered by a reporting entity in determining whether a market for an asset or liability is active. In circumstances where the reporting entity concludes that there has been a significant decrease in the volume of market activity for an asset or liability as compared to normal market activity, transactions or quoted prices may not reflect fair value. In such circumstances, FSP 157-4 requires analysis of the transactions or quoted prices and, where appropriate, adjustment to estimate fair value in accordance with FAS 157. In addition, FSP 157-4 requires interim disclosures to include a description of the inputs and valuation techniques used to estimate fair value and a discussion of changes during the period. Adoption of FSP 157-4 did not have a material effect on the White Mountains financial position or results of operations.

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Interim Fair Value Disclosures

On June 30, 2009, White Mountains adopted FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments,* which requires disclosures about fair value of financial instruments within the scope of FAS 107 for interim reporting periods. White Mountains carries its financial instruments on its balance sheet at fair value with the exception of its fixed-rate, long-term indebtedness and its perpetual preference shares. See **Note 13**.

Business Combinations and Noncontrolling Interests

On January 1, 2009, White Mountains adopted Statement of Financial Accounting Standards (FAS) No. 141 (Revised 2007), *Business Combinations A Replacement of FASB Statement No. 141* (FAS 141R) and FAS No. 160, *Noncontrolling Interests-an amendment to ARB 51* (FAS 160).

FAS 141R requires an acquiring company to recognize the fair value of all assets acquired and liabilities assumed at their fair values at the acquisition date, with certain exceptions. This represents a basic change in approach from the cost allocation method originally described in FAS 141, Business Combinations (FAS 141). In addition, FAS 141R changes the accounting for step acquisitions since it requires recognition of all assets acquired and liabilities assumed, regardless of the acquirer s percentage of ownership in the acquired company. This means that the acquirer will measure and recognize all of the assets, liabilities and goodwill, not just the acquirer s share. Changes subsequent to the acquisition date in the amount of deferred tax valuation allowances and income tax uncertainties arising from a business combination are generally recognized in income. Previously under FAS No. 109, *Accounting for Income Taxes* (FAS 109), such changes were recognized through goodwill. FAS 141R applies prospectively to business combinations effective January 1, 2009. There was no effect on White Mountains financial position, results of operations or cash flows upon adoption.

FAS 160 requires all companies to account for noncontrolling interests (formerly referred to as minority interests) in subsidiaries as equity, clearly identified and presented separately from White Mountains equity. Once a controlling interest has been acquired, any subsequent acquisitions or dispositions of noncontrolling interests that do not result in a change of control are accounted for as equity transactions. Assets and liabilities acquired are measured at fair value only once, at the original acquisition date, (i.e., the date at which the acquirer gained control). The recognition and measurement requirements of FAS 160 are applicable prospectively upon adoption; the presentation and disclosure requirements must be retrospectively applied. Accordingly, upon adoption of FAS 160, White Mountains has changed the presentation of its financial statements for prior periods to conform to the required presentation, as follows: noncontrolling interests are now presented on the balance sheets within equity, separate from White Mountains shareholders equity; the portion of net income, extraordinary items and comprehensive income attributable to White Mountains common shareholders and the noncontrolling interests are presented separately on the consolidated statements of operations and comprehensive income; and the consolidated statements of shareholders equity includes a reconciliation of the noncontrolling interests at the beginning and end of each reporting period.

Derivatives Disclosures

On January 1, 2009, White Mountains adopted FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FAS 133* (FAS 161). FAS 161 requires companies that use derivatives to provide expanded qualitative and quantitative information about their use of derivative instruments, including the objectives and strategies for using derivatives, details of credit-risk related contingent features, the amounts of derivatives used, where they have been reported in the financial statements and the effect of such instruments on a company s financial position, results of operations and cash flows. The adoption of FAS 161 had no effect on the White Mountains financial position or results of operations.

Participating Securities Granted in Share-Based Payment Transactions

On January 1, 2009, White Mountains adopted FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Transactions are Participating Securities.* FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions should be considered participating securities prior to vesting. FSP EITF 03-6-1 requires that such instruments that hold unforfeitable rights to dividends or dividend equivalents, regardless of whether paid or unpaid, should be considered participating securities and accordingly should be included in the calculation of earnings per share under the two-class method instead of the treasury stock method. White Mountains issues restricted stock under employee incentive compensation plans that contain dividend participation features and that are considered participating securities. Since adoption, White Mountains has used the two-class method to calculate earnings per share. In accordance with the adoption provisions of FSP EITF 03-6-1 all prior period earnings per share data has been adjusted retroactively to conform to the provisions of FSP EITF 03-6-1.

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Recent Accounting Pronouncements

Transfers of Financial Assets and Amendments to FIN 46R

On June 12, 2009, the FASB issued FAS 166, *Accounting for Transfers of Financial Assets* (FAS 166) and FAS 167, *Amendments to FIN46(R)* (FAS 167). FAS 166 eliminates the concept of a qualifying special-purpose entity (QSPE) and, accordingly, any existing QSPE must be evaluated for consolidation upon adoption of FAS 166. Under FAS 166, the appropriateness of derecognition is evaluated based on whether or not the transferor has surrendered control of the transferred assets. The evaluation must consider any continuing involvement by the transferor. FAS 167 amends FIN 46R to require a reporting entity to perform an analysis to determine if its variable interests give it a controlling financial interest in a variable interest entity (VIE). The analysis required under FAS 167 identifies the primary beneficiary of a VIE as the entity having both of the following: (1) the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

In addition, a reporting entity must assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining if it has the power to direct the activities of the VIE that most significantly affect the entity s economic performance. FAS 167 amends FIN 46R to require ongoing reassessments of whether a reporting entity is the primary beneficiary of a VIE. Specifically, the list of reconsideration events includes a change in facts and circumstances where the holders of an equity investment at risk as a group lose the power to direct the activities of the entity that most significantly affect the entity s economic performance. In addition, a troubled debt-restructuring is now defined as a reconsideration event. Both statements expand required disclosures and are effective as of the beginning of the first annual reporting period that begins after November 15, 2009. White Mountains is in the process of evaluating FAS 166 and FAS 167 and the potential effect of adoption.

Accounting Standards Codification

On June 29, 2009, the FASB issued FAS 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (FAS 168), which establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles to be applied in the preparation of financial statements in conformity with GAAP. FAS 168 becomes effective for interim and annual periods ending after September 15, 2009. At that date, all then-existing non-SEC accounting and reporting standards will be superseded by the Codification. White Mountains will adopt FAS 168 for the interim period ending September 30, 2009. Adoption is not expected to have any effect on the Company s accounting policies or financial statement presentation. However, because the Codification will change the basis for reference to authoritative GAAP guidance, upon adoption the Company s footnote disclosures that reference such guidance will change to reflect appropriate references to the Codification.

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Note 2. Loss and Loss Adjustment Expense Reserves

The following table summarizes the loss and loss adjustment expense (LAE) reserve activities of White Mountains insurance subsidiaries for the three and six months ended June 30, 2009 and 2008:

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions	**2009**	**2008**	**2009**	**2008**
Gross beginning balance	**$ 7,260.1**	$ 8,038.0	**$ 7,400.1**	$ 8,062.1
Less beginning reinsurance recoverable on unpaid losses	**(2,984.7)**	(3,375.3)	**(3,050.4)**	(3,467.9)
Net loss and LAE reserves	**4,275.4**	4,662.7	**4,349.7**	4,594.2
Loss and LAE reserves acquired - Helicon				13.7
Loss and LAE incurred relating to:				
Current year losses	**546.6**	583.4	**1,110.5**	1,201.7
Prior year losses	**(17.7)**	49.3	**(38.4)**	69.7
Total incurred losses and LAE	**528.9**	632.7	**1,072.1**	1,271.4
Accretion of fair value adjustment to loss and LAE reserves	**2.6**	4.1	**5.1**	8.3
Foreign currency translation adjustment to loss and LAE reserves	**17.3**	(1.5)	**10.6**	24.4
Loss and LAE paid relating to:				
Current year losses	**(244.0)**	(269.9)	**(385.8)**	(418.9)
Prior year losses	**(405.4)**	(409.3)	**(876.9)**	(874.3)
Total loss and LAE payments	**(649.4)**	(679.2)	**(1,262.7)**	(1,293.2)
Net ending balance	**4,174.8**	4,618.8	**4,174.8**	4,618.8
Plus ending reinsurance recoverable on unpaid losses	**2,825.0**	3,327.6	**2,825.0**	3,327.6
Gross ending balance	**$ 6,999.8**	$ 7,946.4	**$ 6,999.8**	$ 7,946.4

Loss and LAE incurred relating to prior year losses for the three and six months ended June 30, 2009

During the three and six months ended June 30, 2009, White Mountains experienced $17.7 million and $38.4 million of net favorable loss reserve development.

For the three months ended June 30, 2009, OneBeacon had net favorable loss reserve development of $17.8 million that was primarily due to lower than expected severity on non-catastrophe losses related to professional liability in specialty lines and commercial multi-peril in commercial lines. For the six months ended June 30, 2009, OneBeacon had net favorable loss reserve development of $32.6 million that was primarily due to lower than expected severity on non-catastrophe losses related to professional liability in specialty lines and commercial multi-peril in commercial lines, partially offset by adverse loss reserve development primarily related to New York personal injury protection litigation at AutoOne Insurance (AutoOne).

For the three months ended June 30, 2009, White Mountains Re had net adverse loss reserve development of $1.1 million. For the six months ended June 30, 2009, White Mountains Re had net favorable loss reserve development of $4.8 million.

For the three and six months ended June 30, 2009, Esurance had $1.0 million of net favorable development for both periods.

Loss and LAE incurred relating to prior year losses for the three and six months ended June 30, 2008

During the three and six months ended June 30, 2008, White Mountains experienced $49.3 million and $69.7 million of net adverse loss reserve development.

For the three and six months ended June 30, 2008, White Mountains Re had net adverse loss reserve development of $50.7 million and $83.7 million. In the second quarter of 2008, management conducted a comprehensive loss reserve review (the Reserve Review), primarily as a result of $40.5 million of adverse loss reserve development recorded in the first quarter of 2008 related to construction defect (CD) claims from accident years 2001 and prior. The Reserve Review included internal underwriting, claims and actuarial personnel, with assistance from external consultants. The Reserve Review included all of WMRe America s non-asbestos and environmental (A&E) casualty loss reserves as well as certain lines of business at WMRe Sirius. The Reserve Review resulted in $140.0 million of additional adverse loss reserve development at WMRe America, partially offset by $85.0 million of favorable loss reserve development at WMRe Sirius. The adverse loss reserve development at WMRe America was predominantly attributable to its casualty reinsurance book written in the 1996-2002 underwriting years, whereas the favorable reserve development at WMRe Sirius was predominantly attributable to its property reinsurance book.

For the three months ended June 30, 2008, OneBeacon had net adverse loss reserve development of $0.4 million. For the six months ended June 30, 2008, OneBeacon had net favorable development of $12.2 million that primarily related to professional liability in specialty lines and package business in commercial lines, partially offset by adverse development at AutoOne in personal lines and in run-off.

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For the three and six months ended June 30, 2008, Esurance did not experience any net development on prior year losses.

For the three and six months ended June 30, 2008, the Other Operations segment had $1.8 million of net favorable development for both periods.

Fair value adjustment to loss and LAE reserves

In connection with purchase accounting for the acquisitions of OneBeacon, WMRe Sirius and Stockbridge Insurance Company, White Mountains was required to adjust loss and LAE reserves and the related reinsurance recoverables to fair value on their respective acquired balance sheets. The net reduction to loss and LAE reserves is being recognized through an income statement charge ratably with and over the period the claims are settled. Accordingly, White Mountains recognized $2.6 million and $5.1 million of such charges for the three and six months ended June 30, 2009, and $4.1 million and $8.3 million for the three and six months ended June 30, 2008. As of June 30, 2009, the pre-tax un-accreted adjustment was $36.6 million.

Note 3. Third Party Reinsurance

In the normal course of business, White Mountains insurance and reinsurance subsidiaries may seek to limit losses that may arise from catastrophes or other events by reinsuring with third party reinsurers. White Mountains remains liable for risks reinsured in the event that the reinsurer does not honor its obligations under reinsurance contracts.

OneBeacon

At June 30, 2009, OneBeacon had $22.0 million of reinsurance recoverables on paid losses and $2,499.0 million (gross of $197.8 million in purchase accounting adjustments) that will become recoverable if claims are paid in accordance with current reserve estimates. The collectability of balances due from OneBeacon s reinsurers is critical to OneBeacon s financial strength because reinsurance contracts do not relieve OneBeacon of its primary obligation to its policyholders. OneBeacon is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. OneBeacon monitors the financial strength of its reinsurers on an ongoing basis. Uncollectible amounts have historically not been significant.

The following table provides a listing of OneBeacon s top reinsurers, excluding industry pools and associations, based upon recoverable amounts, the percentage of total paid and unpaid reinsurance recoverables and the reinsurer s A.M Best Company, Inc. (A.M. Best) rating.

Top Reinsurers (Millions)		**Balance at June 30, 2009**	**% of Total**	**A.M. Best Rating(1)**
National Indemnity Company and General Reinsurance Corporation (2)	$	1,897.5	75%	A++

QBE Insurance Corporation	42.1	2%	A
Munich Reinsurance America	40.6	2%	A+
Tokio Marine and Nichido Fire (3)	35.0	1%	A++
Swiss Re	20.8	1%	A

(1) A.M. Best ratings as detailed above are: A++ (Superior, which is the highest of fifteen ratings), A+ (Superior, which is the second highest of fifteen ratings), and A (Excellent, which is the third highest of fifteen ratings).
(2) Includes $320.2 of Third Party Recoverables, which NICO would pay under the terms of the NICO Cover (as defined below) if they are unable to collect from third party reinsurers. OneBeacon also has an additional $183.3 of Third Party Recoverables from various reinsurers, the majority of which are rated A or better by A.M. Best.
(3) Excludes $40.6 of reinsurance recoverables from various reinsurers that are guaranteed by Tokio Marine and Nichido Fire under the terms of a 100% quota share reinsurance agreement between Houston General Insurance Company and Tokio Marine and Nichido Fire.

In connection with the OneBeacon Acquisition, the seller caused OneBeacon to purchase two reinsurance contracts: a full risk-transfer cover from National Indemnity Company (NICO) for up to $2.5 billion in old A&E claims and certain other exposures (the NICO Cover) and an adverse loss reserve development cover (the GRC Cover) from General Reinsurance Corporation (GRC) for up to $570.0 million, comprised of $400.0 million of adverse loss reserve development on losses occurring in years 2000 and prior and $170.0 million of reserves ceded as of the date of the OneBeacon Acquisition. The NICO Cover and GRC Cover, which were contingent on and occurred contemporaneously with the OneBeacon Acquisition, were put in place in lieu of a seller guarantee of loss and LAE reserves and are therefore accounted for as a seller guarantee under GAAP in accordance with Emerging Issues Task Force Technical Matter Document No. D-54 (EITF Topic D-54). NICO and GRC are wholly-owned subsidiaries of Berkshire.

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Under the terms of the NICO Cover, NICO receives the economic benefit of reinsurance recoverables (Third Party Recoverables) from certain of OneBeacon s third party reinsurers in existence at the time the NICO Cover was executed. As a result, the Third Party Recoverables serve to protect the $2.5 billion limit of NICO coverage for the benefit of OneBeacon. White Mountains estimates that on an incurred basis, net of Third Party Recoverables, as of June 30, 2009 it has used approximately $2.2 billion of the coverage provided by NICO. Through June 30, 2009 $1.2 billion of these incurred losses have been paid by NICO. Since entering into the NICO Cover, $53.1 million of the $2.2 billion of utilized coverage from NICO related to uncollectible Third Party Recoverables. To the extent that actual experience differs from White Mountains estimate of ultimate A&E losses and Third Party Recoverables, future losses could utilize some or all of the protection remaining under the NICO Cover.

Pursuant to the GRC Cover, OneBeacon is not entitled to recover losses to the full contract limit if such losses are reimbursed by GRC more quickly than anticipated at the time the contract was signed. OneBeacon intends to only seek reimbursement from GRC for claims which result in payment patterns similar to those supporting its recoverables recorded pursuant to the GRC Cover. The economic cost of not submitting certain other eligible claims to GRC is primarily the investment spread between the rate credited by GRC and the rate achieved by OneBeacon on its own investments. This cost, if any, is expected to be nominal.

Effective July 1, 2009, OneBeacon renewed its property catastrophe reinsurance program through June 30, 2010. The program provides coverage for OneBeacon s personal and commercial property business as well as certain acts of terrorism. Under the program, the first $100 million of losses resulting from any single catastrophe are retained and the next $750 million of losses resulting from the catastrophe are reinsured. Any loss above $850 million would be retained. In the event of a catastrophe, OneBeacon s property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.

OneBeacon entered into a 30% homeowners quota share agreement with a group of reinsurers effective from January 1, 2009 through December 31, 2009. During the three and six months ended June 30, 2009, OneBeacon ceded $16.4 million and $30.0 million, respectively, of written premiums from its Northeast homeowners business written through OneBeacon Insurance Company (OBIC) and its subsidiary companies, along with Adirondack Insurance Exchange and New Jersey Skylands Insurance Association in New York and New Jersey, respectively.

White Mountains Re

At June 30, 2009, White Mountains Re had $20.0 million of reinsurance recoverables on paid losses and $522.0 million of reinsurance that will become recoverable if claims are paid in accordance with current reserve estimates. Because reinsurance contracts do not relieve White Mountains Re of its obligation to its ceding companies, the collectability of balances due from its reinsurers is critical to White Mountains Re s financial strength. White Mountains Re monitors the financial strength of its reinsurers on an ongoing basis. The following table provides a listing of White Mountains Re s top reinsurers based upon recoverable amounts, the percentage of total paid and unpaid reinsurance recoverables and the reinsurers A.M. Best ratings.

Top Reinsurers (Millions)		**Balance at June 30, 2009**	**% of Total**	**A.M. Best Rating (2)**	**% Collateralized**
Imagine Re (1)	$	**125.5**	23%	NR-5	100%
Olympus (1)(3)		**95.3**	18%	NR-5	100%
London Life (1)		**48.1**	9%	A	100%

General Re	**46.4**	9%	A++	4%
Swiss Re Group	**40.7**	8%	A	4%

(1) Non-U.S. insurance entities. Balances are fully collateralized through funds held, letters of credit or trust agreements.

(2) A.M. Best ratings as detailed above are: NR-5 (Not formally followed), A++ (Superior, which is the highest of fifteen ratings), and A (Excellent, which is the third highest of fifteen ratings).

(3) Gross of $36.5 due to Olympus Reinsurance Company Ltd. (Olympus) under an indemnity agreement with WMRe America.

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Note 4. Investment Securities

White Mountains invested assets comprise securities and other long-term investments held for general investment purposes. The portfolio of fixed maturity investments and common equity securities held for general investment purposes are classified as trading. Trading securities are reported at fair value as of the balance sheet date as determined by quoted market prices when available. Realized and unrealized investment gains and losses on trading securities are reported pre-tax in revenues.

White Mountains has invested in mortgage-backed and asset-backed securities which are carried at fair value within fixed maturity investments. White Mountains investments in debt securities, including asset-backed securities are generally valued using industry standard pricing models. Key inputs, which are selected by management using its best judgement principally include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life. At June 30, 2009, the market for White Mountains investments in asset-backed securities remained active and accordingly, White Mountains did not adjust the fair value estimates for the effect of illiquidity.

Realized gains and losses resulting from sales of investment securities are accounted for using the first-in first-out method. Premiums and discounts on all fixed maturity investments are accreted to income over the anticipated life of the investment. Short-term investments consist of money market funds, certificates of deposit and other securities which mature or become available for use within one year. Short-term investments are carried at amortized cost, which approximated fair value as of June 30, 2009 and December 31, 2008.

Other long-term investments comprise White Mountains investments in limited partnerships and limited liability corporations, which consists of hedge funds and private equity funds.

White Mountains recently exited its securities lending programs. White Mountains had participated in securities lending programs through both OneBeacon and White Mountains Re as a mechanism for generating additional investment income. Under the security lending arrangements, certain securities White Mountains owned were loaned to other institutions for short periods of time through a lending agent. The security lending counterparty was required to provide collateral for the loaned securities, which was then invested by the lending agent. The collateral was normally required at a rate of 102% of the fair value of the loaned securities. For OneBeacon s program prior to February 2009 and for the White Mountains Re s program, the collateral was fully controlled by the lending agent and could not be sold or re-pledged. The fair value of the securities lending collateral was recorded as both an asset and a liability, however, other than in the event of a default by the borrower, the collateral was not available to White Mountains and would have been remitted to the borrower by the lending agent upon return of the loaned securities. Because of these restrictions, White Mountains considered White Mountains Re s securities lending activities and OneBeacon s securities lending activities prior to February 2009 to be non-cash transactions.

In February 2009, OneBeacon amended the terms of its securities lending program to give it more control over the investment of borrowers collateral and to segregate the assets supporting that collateral from a collective investment vehicle managed by the lending agent into a separate account. Accordingly, purchases and sales of invested assets held in the separate account as well as changes in the payable to the borrower for the return of collateral are reflected in the investing and financing sections of the cash flow statement commencing with the quarter ended March 31, 2009.

OneBeacon and White Mountains Re have instructed the lending agent under their respective programs not to make any additional loans of securities and to recall all securities on loan from borrowers, and OneBeacon and White Mountains Re have made provisions to fund the return of cash collateral to borrowers. As of June 30, 2009, all loaned securities under the OneBeacon program had been returned except for several illiquid instruments for which OneBeacon holds $1.7 million in collateral. As of July 13, 2009, all loaned securities had been returned under the White Mountains Re program and all collateral returned to borrowers.

At June 30, 2009, there was a $2.4 million collateral shortfall in the White Mountains Re program. White Mountains has recorded net unrealized gains of $4.6 million and $8.6 million for the three and six months ended June 30, 2009 associated with its securities lending programs.

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Pre-tax net investment income for the three and six months ended June 30, 2009 and 2008 consisted of the following:

Millions	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Investment income:				
Fixed maturity investments	**$ 74.5**	$ 89.9	**$ 131.9**	$ 187.0
Short-term investments	**1.1**	12.6	**3.9**	24.9
Common equity securities	**.9**	9.2	**2.7**	18.3
Other long-term investments	**1.3**	2.1	**1.4**	2.1
Convertible fixed maturity investments	**1.8**	2.1	**3.7**	3.8
Total investment income	**79.6**	115.9	**143.6**	236.1
Less investment expenses	**(2.4)**	(4.2)	**(5.3)**	(7.6)
Net investment income, pre-tax	**$ 77.2**	$ 111.7	**$ 138.3**	$ 228.5

Net realized and unrealized investment gains and losses

White Mountains recognized $214.9 million and $191.6 million of net realized and unrealized investment gains for the three and six months ended June 30, 2009 and $59.1 million and $177.1 million of net realized and unrealized investment losses for the three and six months ended June 30, 2008.

Net realized investment losses

Millions	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Fixed maturity investments	**$ 3.3**	$ (17.9)	**$ (29.4)**	$ (30.5)
Short-term investments	**.1**		**.2**	
Common equity securities	**4.6**	15.4	**(46.6)**	18.8
Other long-term investments	**(18.1)**	3.9	**(21.4)**	(3.8)
Convertible fixed maturity investments	**1.4**	(6.3)	**2.2**	(2.4)
Net realized investment gains (losses), pre-tax	**$ (8.7)**	$ (4.9)	**$ (95.0)**	$ (17.9)

For the three and six months ended June 30, 2009, White Mountains recognized $7.4 million and $66.0 million of after-tax realized losses. During the three and six months ended June 30, 2008, White Mountains recognized after-tax realized losses of $0.6 million and $9.0 million.

Net unrealized investment gains (losses)

The following table summarizes changes in the carrying value of investments measured at fair value:

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
Millions	Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total changes in fair value reflected in earnings	Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total changes in fair value reflected in earnings
Fixed maturities	$ 166.9	$ (20.4)	$ 146.5	$ 231.0	$ (17.4)	$ 213.6
Common equity securities	25.8	(4.2)	21.6	24.2	(1.2)	23.0
Short-term investments	(.1)	.8	.7	(.3)	1.0	.7
Convertible fixed maturity investments	11.8		11.8	10.4		10.4
Other long-term investments	46.1	(3.1)	43.0	39.6	(.7)	38.9
Net unrealized investment gains (losses), pre-tax	**$ 250.5**	**$ (26.9)**	**$ 223.6**	**$ 304.9**	**$ (18.3)**	**$ 286.6**

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Millions	Three Months Ended June 30, 2008 Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total changes in fair value reflected in earnings	Six Months Ended June 30, 2008 Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total changes in fair value reflected in earnings
Fixed maturities	$ (81.8)	$ 1.0	$ (80.8)	$ (78.0)	$ 3.2	$ (74.8)
Common equity securities	12.5	.1	12.6	(69.6)	(.6)	(70.2)
Short-term investments	(.3)	.3			1.5	1.5
Convertible fixed maturity investments	(2.6)		(2.6)	(19.1)		(19.1)
Other long-term investments	16.6		16.6	3.4		3.4
Net unrealized investment (losses) gains, pre-tax	$ (55.6)	$ 1.4	$ (54.2)	$ (163.3)	$ 4.1	$ (159.2)

White Mountains recognized after-tax unrealized gains (losses) of $151.1 million and $190.4 million for the three and six months ended June 30, 2009 and $(42.2) million and $(119.2) million for the three and six months ended June 30, 2008.

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains fixed maturity investments as of June 30, 2009 and December 31, 2008, were as follows:

	June 30, 2009				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains(losses)	Carrying value
U.S. Government obligations	$ 639.4	$ 18.3	$ (.3)	$ 1.7	$ 659.1
Debt securities issued by industrial corporations	2,345.5	91.3	(43.7)	(3.9)	2,389.2
Municipal obligations	7.4	.4			7.8
Mortgage-backed and asset-backed securities	2,006.6	25.2	(72.8)	12.9	1,971.9
Foreign government, agency and provincial obligations	790.1	23.8	(1.5)	21.0	833.4
Preferred stocks	73.6	.6	(5.8)		68.4
Total fixed maturity investments	**$ 5,862.6**	$ 159.6	$ (124.1)	$ 31.7	**$ 5,929.8**

	December 31, 2008				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains(losses)	Carrying value
U.S. Government obligations	$ 785.3	$ 24.4	$ (14.3)	$ 3.5	$ 798.9
Debt securities issued by industrial corporations	1,746.9	25.0	(112.2)	(12.4)	1,647.3
Municipal obligations	7.4	.3	(.1)		7.6
Mortgage-backed and asset-backed securities	2,321.1	21.2	(138.4)	37.3	2,241.2
Foreign government, agency and provincial obligations	696.6	28.3	(8.0)	14.2	731.1
Preferred stocks	74.2	.1	(19.9)		54.4
Total fixed maturity investments	$ 5,631.5	$ 99.3	$ (292.9)	$ 42.6	$ 5,480.5

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains common equity securities, convertible fixed maturities, and other long-term investments as of June 30, 2009 and December 31, 2008, were as follows:

	June 30, 2009				
Millions	**Cost or amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Net foreign currency gains(losses)**	**Carrying value**
Common equity securities	**$ 245.0**	$ 14.4	$ (17.1)	$ 19.9	**$ 262.2**
Convertible fixed maturities	**$ 308.4**	$ 5.7	$ (13.8)	$	**$ 300.3**
Other long-term investments	**$ 393.8**				