

WHITE MOUNTAINS INSURANCE GROUP LTD

Form 10-Q

August 01, 2008

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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, 2008

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.

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(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, 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 Accelerated filer Non-accelerated filer Smaller reporting company

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 July 31, 2008, 10,494,873 common shares with a par value of \$1.00 per share were outstanding (which includes 53,200 restricted common shares that were not vested at such date).

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Table of Contents**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, 2008 Unaudited	December 31, 2007
Assets		
Fixed maturity investments, at fair value (amortized cost: \$6,709.0 and \$7,193.0)	\$ 6,846.4	\$ 7,371.5
Common equity securities, at fair value (cost: \$1,431.6 and \$1,298.8)	1,620.6	1,550.7
Short-term investments, at amortized cost (which approximates fair value)	1,988.0	1,327.3
Other investments (cost: \$545.1 and \$539.2)	666.5	603.3
Convertible fixed maturity investments, at fair value (cost: \$425.2 and \$482.1)	414.6	490.6
Trust account investments, at amortized cost (fair value \$ and \$307.0)		305.6
Total investments	11,536.1	11,649.0
Cash (restricted: \$18.8 and \$8.5)	198.3	171.3
Reinsurance recoverable on unpaid losses	1,622.2	1,702.9
Reinsurance recoverable on unpaid losses - Berkshire Hathaway Inc.	1,705.4	1,765.0
Reinsurance recoverable on paid losses	41.2	59.5
Insurance and reinsurance premiums receivable	953.3	877.0
Securities lending collateral	474.9	661.6
Funds held by ceding companies	221.0	231.1
Investments in unconsolidated affiliates	289.0	406.3
Deferred acquisition costs	338.4	326.0
Deferred tax asset	324.1	236.6
Ceded unearned premiums	158.8	123.1
Accrued investment income	78.0	83.2
Accounts receivable on unsettled investment sales	36.5	201.1
Other assets	726.6	611.9
Total assets	\$ 18,703.8	\$ 19,105.6
Liabilities		
Loss and loss adjustment expense reserves	\$ 7,946.4	\$ 8,062.1
Unearned insurance and reinsurance premiums	1,760.3	1,605.2
Debt	1,520.6	1,192.9
Securities lending payable	476.3	661.6
Deferred tax liability	453.8	353.2
Incentive compensation payable	142.9	224.2
Funds held under reinsurance treaties	76.0	103.0
Ceded reinsurance payable	88.4	124.8
Accounts payable on unsettled investment purchases	72.8	46.4
Other liabilities	820.3	873.1
Preferred stock subject to mandatory redemption:		
Held by Berkshire Hathaway Inc. (redemption value \$ and \$300.0)		278.3
Total liabilities	13,357.8	13,524.8

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Minority interest - OneBeacon, Ltd.	400.0	517.2
Minority interest - WMRe Group Preference Shares	250.0	250.0
Minority interest - consolidated limited partnerships	98.7	100.2
Total minority interest	748.7	867.4
Common shareholders equity		
Common shares at \$1 par value per share - authorized 50,000,000 shares; issued and outstanding 10,552,376 and 10,553,572 shares	10.6	10.5
Paid-in surplus	1,691.1	1,680.7
Retained earnings	2,802.2	2,718.5
Accumulated other comprehensive income, after-tax:		
Net unrealized gains on investments		208.9
Equity in unrealized losses from investments in unconsolidated affiliates	(66.4)	(1.9)
Net unrealized foreign currency translation gains	162.3	99.3
Other	(2.5)	(2.6)
Total common shareholders equity	4,597.3	4,713.4
Total liabilities, minority interest and common shareholders equity	\$ 18,703.8	\$ 19,105.6

See Notes to Consolidated Financial Statements

Table of Contents**WHITE MOUNTAINS INSURANCE GROUP, LTD.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME****Unaudited**

(Millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues:				
Earned insurance and reinsurance premiums	\$ 921.7	\$ 960.7	\$ 1,850.8	\$ 1,898.7
Net investment income	111.7	126.7	228.5	244.7
Net realized investment (losses) gains	(4.9)	89.1	(17.9)	163.0
Net unrealized investment losses	(54.2)		(159.2)	
Other revenue	64.9	34.1	74.9	70.3
Total revenues	1,039.2	1,210.6	1,977.1	2,376.7
Expenses:				
Loss and loss adjustment expenses	632.7	592.1	1,271.4	1,205.4
Insurance and reinsurance acquisition expenses	178.8	203.6	365.5	396.2
Other underwriting expenses	127.4	136.2	244.2	273.9
General and administrative expenses	57.8	62.4	116.0	115.3
Accretion of fair value adjustment to loss and loss adjustment expense reserves	4.1	5.5	8.3	10.6
Interest expense on debt	21.7	18.3	41.1	35.1
Interest expense - dividends on preferred stock subject to mandatory redemption	4.7	7.5	11.8	15.1
Interest expense - accretion on preferred stock subject to mandatory redemption	11.1	8.8	21.6	17.0
Total expenses	1,038.3	1,034.4	2,079.9	2,068.6
Pre-tax (loss) income	.9	176.2	(102.8)	308.1
Income tax benefit (provision)	3.4	(55.8)	36.3	(87.0)
(Loss) income before equity in earnings of unconsolidated affiliates, extraordinary item, and minority interest	4.3	120.4	(66.5)	221.1
Equity in earnings of unconsolidated affiliates	6.0	8.6	6.4	19.1
Excess of fair value of acquired assets over cost			4.2	
Minority interest	(19.5)	(26.4)	(10.1)	(45.4)
Net (loss) income	(9.2)	102.6	(66.0)	194.8
Change in net unrealized gains and losses for investments held		8.5		73.6
Change in equity in net unrealized losses from investments in unconsolidated affiliates	(40.5)	(39.9)	(61.0)	(33.4)
Change in foreign currency translation and other				