Mr. Barrette was appointed President and CEO of the Company on January 1, 2003 and has been a director since 2000. Mr. Barrette was CEO of OneBeacon from June 2001 to December 2002 and remains its Chairman. Mr. Barrette joined White Mountains Insurance Group in November 1997 as Executive Vice President and Chief Financial Officer. He was President from January 2000 to June 2001. Prior to joining White Mountains Mr. Barrette had 23 years of experience in the insurance business, mostly at Fireman's Fund. He is also Chairman of Folksamerica Reinsurance and serves as a director of Montpelier and other White Mountains subsidiaries and affiliates.

Mr. Gillespie has served as Deputy Chairman of the Company since January 2003, as Chairman and President of WM Advisors since March 2003 and has been a director of the Company since 1999. Previously, Mr. Gillespie was Managing Director of OneBeacon since June 2001. He is also the founder and Managing Partner of his own investment firm, Prospector Partners, LLC, in Hartford, Connecticut. Prior to forming Prospector, Mr. Gillespie was President of the T. Rowe Price Growth Stock Fund and the New Age Media Fund, Inc. Mr. Gillespie is a manager of OneBeacon and also serves as a director of Folksamerica and Montpelier.

Mr. Beaulieu has served as Secretary and Treasurer of the Company since June 1, 2001. Mr. Beaulieu previously served as Vice President and Secretary of the Company from January 1995 to May 2001. He also served as secretary for a number of the Company's subsidiaries from January 1995 to May 2001 and as Chief Financial Officer of White Mountains Insurance Company from March 1995 to June 1999. Prior to joining White Mountains, Mr. Beaulieu was Chief Financial Officer of New Dartmouth Bank from October 1991 to June 1994.

Mr. Cavoores was appointed Managing Director, President and Chief Operating Officer of OneBeacon in December 2001 and formerly served as a Managing Director of Fund American from 2000 to June 2001 and as a Managing Director of OneBeacon from June 2001 to December 2001. Prior to joining White Mountains in 2001, Mr. Cavoores served as Chief Underwriting Officer of worldwide specialty business at Chubb Corporation. Mr. Cavoores was with Chubb since 1981. Mr. Cavoores is a member of OneBeacon.

Mr. Chokel has served as Managing Director and Chief Administrative Officer of OneBeacon since January 2003 and as Managing Director since March 2002. Prior to joining OneBeacon, Mr. Chokel served as Executive Vice President and Chief Financial Officer of Conseco, Inc. from March 2001 to March 2002 and as Co-CEO of The Progressive Corporation from January 1999 to January 2001. Mr. Chokel was with Progressive since 1978. Mr. Chokel is a member of OneBeacon.

Mr. Fass has served as President and Chief Executive Officer of Folksamerica and its subsidiaries including Folksamerica Reinsurance Company since 1984 and has been a director of the Company since 2000. He joined Folksamerica as its Vice President, Treasurer and Chief Financial Officer in 1980. Mr. Fass also serves as Chairman of Fund American Re and WMU.

Mr. Foy was appointed Executive Vice President and Chief Financial Officer of the Company in April 2003. Prior to joining White Mountains in 2003, Mr. Foy served as Senior Vice President and Chief Financial Officer of Hartford Life Inc. and joined that company in 1993. Prior to joining Hartford Life Inc., Mr. Foy was with Milliman and Robertson, Inc.

Mr. Palmer has served as Chief Accounting Officer since June 2001 and previously served as Controller of a subsidiary of White Mountains from 1999 to 2001. Prior to joining White Mountains in 1999, Mr. Palmer was with PricewaterhouseCoopers LLP.

Mr. Seelig is the General Counsel of the Company. Prior to joining White Mountains in September 2002, Mr. Seelig was with the law firm of Cravath, Swaine & Moore.

Item 11. Executive Compensation

Reported under the captions "Compensation of Executive Officers" on pages 10 through 12, "Reports of the Committees on Executive Compensation" on pages 14 through 17, "Member Return Graph" on page 18 and "Compensation Plans" on page 13 of the Company's 2003 Proxy Statement, herein incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Reported under the caption "Voting Securities and Principal Holders Thereof" on pages 7 through 9 of the Company's 2003 Proxy Statement, herein incorporated by reference.

Item 13. Certain Relationships and Related Transactions

Reported under the captions "Other Compensation Arrangements" on page 13, "Certain Relationships and Related Transactions" on pages 13 through 14 and "Compensation Committee Interlocks and Insider Participation in Compensation Decisions" on page 19 of the Company's 2003 Proxy Statement, herein incorporated by reference.

Item 14. Controls and Procedures

The Principal Executive Officer ("PEO") and the Principal Financial Officer ("PFO") of White Mountains have evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-14 of the Exchange Act) within 90 days prior to the filing of this report. Based on that evaluation, the PEO and PFO have concluded that White Mountains' disclosure controls and procedures are adequate and effective. There have been no significant changes in White Mountains' internal controls, or in factors that could significantly affect internal controls, subsequent to their most recent evaluation of such controls.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

a. Documents Filed as Part of the Report

The financial statements and financial statement schedules and reports of independent auditors have been filed as part of this Annual Report on Form 10-K as indicated in the Index to Financial Statements and Financial Statement Schedules appearing on page 72 of this report. A listing of exhibits filed as part of the report appear on pages 68 through 70 of this report.

b. Reports on Form 8-K

On October 24, 2002, the Company filed a Form 8-K (Item 5) which announced that it had executed a definitive agreement to sell $225 million in equity securities in private transactions.

On November 13, 2002, the Company filed a Form 8-K (Item 5) which announced that it had completed an amendment to the Bank Facility.

On November 25, 2002, the Company filed a Form 8-K (Item 9) which served to furnish information regarding certain changes in its senior management, including the election of Raymond Barrette as its President and Chief Executive Officer.

On December 30, 2002, the Company filed a Form 8-K (Item 9) which served to furnish information regarding a returned verdict against the Company in a case involving a claim by an insurance agent that its agency agreement had improperly terminated in 1999.

c. Exhibits

Exhibit number	Name
2	Plan of Reorganization (incorporated by reference herein to the Company's Registration Statement on S-4 (No. 333-87649) dated September 23, 1999)
3 (a)	Memorandum of Continuance of the Company (incorporated by reference herein to the Company's Registration Statement on S-4 (No. 333-87649) dated September 23, 1999)
3 (b)	Bye-Laws of the Company (incorporated by reference herein to the Company's Registration Statement on S-4 (No. 333-87649) dated September 23, 1999)
10 (a)	Stock Purchase Agreement among CGU International Holdings Luxembourg S.A., CGU Holdings LLC, CGNU PLC, the Company, Fund American Enterprises Holdings, Inc. and Fund American Companies, Inc. dated as of September 24, 2000 (incorporated by reference herein to Exhibit 99(a) of the Company's Report on Form 8-K dated September 24, 2000)
10 (b)	Amendment No. 1 dated October 15, 2000 to the Stock Purchase Agreement among CGU International Holdings Luxembourg S.A., CGU Holdings LLC, CGNU PLC, the Company, Fund American Enterprises Holdings, Inc. and Fund American Companies, Inc. dated as of September 24, 2000 (incorporated by reference herein to Exhibit 99(c) of the Company's Report on Form 8-K dated October 19, 2000)

10 (c) Amendment No. 2 dated February 20, 2001 to the Stock Purchase Agreement among CGU International Holdings Luxembourg S.A., CGU Holdings LLC, CGNU PLC, the Company, Fund American Enterprises Holdings, Inc. and Fund American Companies, Inc. dated as of September 24, 2000 (incorporated by reference herein to Exhibit 99(i) of the Company's Report on Form 8-K dated February 20, 2001)

10 (d) Convertible Preferred Stock Term Sheet relating to the Company's acquisition of OneBeacon (incorporated by reference herein to Exhibit 99(e) of the Company's Report on Form 8-K dated October 19, 2000)

10 (e) Berkshire Preferred Stock and Warrants Term Sheet relating to the Company's acquisition of OneBeacon (incorporated by reference herein to Exhibit 99(f) of the Company's Report on Form 8-K dated October 19, 2000)

10 (f) $875 million Credit Agreement among Fund American Enterprises Holdings, Inc., Fund American Companies, Inc. and the Company (as borrowers), Lehman Brothers, Inc. (as arranger) and the several lenders as parties thereto relating to the Company's acquisition of OneBeacon dated March 16, 2001 (incorporated by reference herein to Exhibit 10(f) of the Company's Report on Form 10-K dated March 26, 2001)

10 (g) Amended and Restated Credit Agreement dated as of October 20, 2002, among Fund American Enterprises Holdings, Inc. and Fund American Companies, Inc. (as borrowers), Lehman Brothers, Inc. (as arranger), Fleet National Bank (as syndication agent), Bank of America, N.A. and Bank One, N.A. (as co-documentation agent), Lehman Commercial Paper Inc. (as administration agent) and the several lenders as parties thereto (incorporated by reference herein to Exhibit 99(a) of the Company's Report on Form 8-K dated October 31, 2002)

10 (h) Adverse Development Agreement of Reinsurance No. 8888 between Potomac Insurance Company and GRC dated April 13, 2001 (incorporated by reference herein to Exhibit 99(m) of the Company's Report on Form 8-K dated June 1, 2001)

10 (i) Adverse Development Agreement of Reinsurance between NICO (and certain of its affiliates) and Potomac Insurance Company dated April 13, 2001 and related documents (incorporated by reference herein to Exhibits 99(n), 99(o), 99(p) and 99(q) of the Company's Report on Form 8-K dated June 1, 2001)

10 (j) Warrant Agreement among the Registrant and Berkshire dated May 30, 2001 (incorporated by reference herein to Exhibits 99(s) of the Company's Report on Form 8-K dated June 1, 2001)

10 (k) Subscription Agreement among Berkshire, Fund American Companies, Inc. and the Registrant dated May 30, 2001 (incorporated by reference herein to Exhibits 99(t) of the Company's Report on Form 8-K dated June 1, 2001)

10 (l) Form of Subordinated Note Due 2002 issued to CGU International Holdings Luxembourg S.A. and CGU Holdings LLC dated June 1, 2001 (incorporated by reference herein to Exhibits 99(u) of the Company's Report on Form 8-K dated June 1, 2001)

10 (m) Note Purchase Option Agreement among CGU International Holdings Luxembourg S.A. and CGU Holdings LLC and the Registrant dated June 1, 2001 (incorporated by reference herein to Exhibits 99(v) of the Company's Report on Form 8-K dated June 1, 2001)

10 (n) Master Agreement by and among the Company, OneBeacon and Liberty Mutual including the Renewal Rights Agreement and related documents (incorporated by reference herein to Exhibits 99(d), 99(e), 99(f), 99(g) and 99(h) of the Company's Report on Form 8-K dated November 1, 2001)

10 (o) Asset Purchase Agreement dated as of December 4, 2001 between Folksam International Insurance Company, Ltd., Folksam Mutual General Insurance Company and Fund American Reinsurance Company, Ltd. and related documents (incorporated by reference herein to Exhibits 99(a), 99(b), 99(c) and 99(d) of the Company's Report on Form 8-K dated January 3, 2002)

10 (p) VGI Stock Acquisition Agreement dated February 10, 1999 between Unitrin, Inc. and the Company (incorporated by reference herein to Exhibit 10(n) of the Company's 1998 Annual Report on Form 10-K)

10 (q) Subscription Agreement for the purchase of Convertible Preference Shares of the Company and the related terms and conditions thereto, each dated as of October 23, 2002, among the investment funds managed by Franklin Mutual Advisors, LLC and the Company (incorporated by reference herein to Exhibits 99(a) and 99(b) of the Company's Report on Form 8-K dated October 24, 2002)

10 (r) Folksamerica Holding Company, Inc. Long-Term Incentive Plan (*) (**)

10 (s) Folksamerica Holding Company, Inc. White Mountains Performance Share Plan (*) (**)

10 (t)	White Mountains Long-Term Incentive Plan, as amended, (incorporated by reference to Appendix I of the Company's Notice of 2001 Annual General Meeting of Shareholders and Proxy Statement dated July 5, 2001) (**)
10 (u)	White Mountains Insurance Group Executive Savings Plan (incorporated by reference herein to Exhibit 10(v) of the Company's 2001 Annual Report on Form 10-K) (**)
10 (v)	OneBeacon Insurance Executive Savings Plan (incorporated by reference herein to Exhibit 10(w) of the Company's 2001 Annual Report on Form 10-K) (**)
10 (w)	OneBeacon Insurance Supplemental Plan (incorporated by reference herein to Exhibit 4(c) of the Company's Report on Form S-8 dated August 27, 2001) (**)
10 (x)	Employment Agreement dated January 1, 2001 among John D. Gillespie and Fund American Companies, Inc. (incorporated by reference herein to Exhibit 10(y) of the Company's 2001 Annual Report on Form 10-K) (**)
10 (y)	Revenue Sharing Agreement among John D. Gillespie, Fund American Companies, Inc. and Folksamerica Reinsurance Company (incorporated by reference herein to Exhibit 10(z) of the Company's 2001 Annual Report on Form 10-K) (**)
11	Statement Re Computation of Per Share Earnings (***)
21	Subsidiaries of the Registrant (*)
23 (a)	Consent of PricewaterhouseCoopers LLP dated May 13, 2003 (*)
23 (b)	Consent of PricewaterhouseCoopers dated May 13, 2003 relating to the Combined Financial Statements of Montpelier (*)
24	Powers of Attorney (*)
99 (a)	PEO Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)
99 (b)	PFO Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)
99 (c)	Text entitled "Non-Asbestos and Environmental Reserves" under the caption "Loss and Loss Adjustment Expense Reserves" (incorporated by reference herein to pages 31 through 43 of the Company's Form S-3 dated March 14, 2003)
99 (d)	The Combined Financial Statements of Montpelier and the related Report of Independent Accountants as of December 31, 2002 and 2001, for the year ended December 31, 2002 and for the period from November 14, 2001 (its date of incorporation) to December 31, 2001

(*) Included herein.

(**) Management contracts or compensation plans/arrangements required to be filed as an exhibit pursuant to Item 15c of Form 10-K.

(***) Not included herein as the information is contained elsewhere within report. See Note 1 of the Notes to Consolidated Financial Statements.

d. Financial Statement Schedules

The financial statement schedules and report of independent auditors have been filed as part of this Annual Report on Form 10-K as indicated in the Index to Financial Statements and Financial Statement Schedules appearing on page 72 of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

Date: May 13, 2003

By: /s/ J. BRIAN PALMER
Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RAYMOND BARRETTE Raymond Barrette	Director, President and CEO (Principal Executive Officer)	May 13, 2003
JOHN J. BYRNE* John J. Byrne	Chairman	May 13, 2003
MARK J. BYRNE* Mark J. Byrne	Director	May 13, 2003
HOWARD L. CLARK, JR.* Howard L. Clark, Jr.	Director	May 13, 2003
ROBERT P. COCHRAN* Robert P. Cochran	Director	May 13, 2003
STEVEN E. FASS* Steven E. Fass	Director	May 13, 2003
/s/ DAVID T. FOY David T. Foy	Executive Vice President and CFO (Principal Financial Officer)	May 13, 2003
GEORGE J. GILLESPIE, III* George J. Gillespie, III	Director	May 13, 2003
JOHN D. GILLESPIE* John D. Gillespie	Director	May 13, 2003
K. THOMAS KEMP* K. Thomas Kemp	Director	May 13, 2003
GORDON S. MACKLIN* Gordon S. Macklin	Director	May 13, 2003
FRANK A. OLSON* Frank A. Olson	Director	May 13, 2003
/s/ J. BRIAN PALMER J. Brian Palmer	Chief Accounting Officer (Principal Accounting Officer)	May 13, 2003
JOSEPH S. STEINBERG* Joseph S. Steinberg	Director	May 13, 2003
ARTHUR ZANKEL* Arthur Zankel	Director	May 13, 2003

*By: /s/ RAYMOND BARRETTE
Raymond Barrette, Attorney-in-Fact

WHITE MOUNTAINS INSURANCE GROUP, LTD.
Index to Consolidated Financial Statements and Financial Statement Schedules

	Form 10-K page(s)
Consolidated financial statements:	
Consolidated balance sheets as of December 31, 2002 and 2001	F-1
Consolidated statements of income and comprehensive income for each of the years ended December 31, 2002, 2001 and 2000	F-2
Consolidated statements of common shareholders' equity for each of the years ended December 31, 2002, 2001 and 2000	F-3
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Other financial information:	
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Financial statement schedules:	
I. Summary of investments - other than investments in related parties	FS-1
II. Condensed financial information of the Registrant	FS-2
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V. Valuation and qualifying accounts	FS-6
VI. Supplemental information for property and casualty insurance underwriters	FS-7

CONSOLIDATED BALANCE SHEETS

$ in millions, except share amounts	December 31, 2002	December 31, 2001
Assets		
Fixed maturity investments, at fair value (cost $6,407.5 and $6,156.5)	$ 6,669.1	$ 6,128.3
Short-term investments, at amortized cost (which approximated fair value)	1,790.6	2,545.8
Common equity securities, at fair value (cost $252.3 and $155.1)	275.0	173.6
Other investments (cost $142.3 and $150.0)	164.7	158.0
Total investments	8,899.4	9,005.7
Cash	121.5	67.4
Reinsurance recoverable on unpaid losses	1,461.5	1,486.7
Reinsurance recoverable on unpaid losses - Berkshire Hathaway Inc.	2,610.4	2,716.8
Reinsurance recoverable on paid losses	159.8	138.5
Insurance and reinsurance premiums receivable	830.5	1,103.5
Accounts receivable on unsettled investment sales	160.8	75.2
Deferred tax asset	430.0	696.4
Deferred acquisition costs	244.9	313.3
Investments in unconsolidated insurance affiliates	399.9	311.1
Investment income accrued	91.4	99.9
Ceded unearned premiums	163.9	174.1
Other assets	459.6	420.9
Total assets	$ 16,033.6	$ 16,609.5
Liabilities		
Loss and LAE reserves	$ 8,875.3	$ 9,527.6
Unearned insurance and reinsurance premiums	1,514.4	1,814.5
Accounts payable on unsettled investment purchases	495.2	311.2
Debt	793.2	1,125.4
Deferred credits	–	682.5
Funds held under reinsurance treaties	262.4	361.7
Other liabilities	1,285.3	1,171.7
Total liabilities	13,225.8	14,994.6
Convertible preference shares (677,966 shares issued and outstanding)	219.0	–
Minority interest - Mandatorily redeemable preferred stock of subsidiaries		
Berkshire Hathaway Inc. (redemption value $300.0)	160.9	150.3
Other mandatorily redeemable preferred stock of subsidiaries (redemption value $20.0)	20.0	20.0
Common shareholders' equity		
Common Shares at $1 par per share– authorized 50,000,000 Common Shares, issued and outstanding 8,351,387 and 8,264,681 Common Shares	8.4	8.3
Paid-in surplus	1,126.2	1,098.3
Retained earnings	1,071.9	355.1
Accumulated other comprehensive income, after-tax	206.7	4.4
Unearned compensation - Restricted Share awards	(5.3)	(21.5)
Total common shareholders' equity	2,407.9	1,444.6
Total liabilities, convertible preference shares, minority interest and common shareholders' equity	$ 16,033.6	$ 16,609.5

See Notes to Consolidated Financial Statements including Note 17 for Commitments and Contingencies.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Millions, except per share amounts	Year Ended December 31, 2002	2001	2000
Revenues			
Earned insurance and reinsurance premiums	$ 3,576.4	$ 2,656.1	$ 334.4
Net investment income	352.7	284.5	85.9
Net realized gains (losses) on investments	156.0	173.1	(8.8)
Amortization of deferred credits and other benefits	–	91.6	41.4
Other revenue	100.3	29.1	398.0
Total revenues	4,185.4	3,234.4	850.9
Expenses			
Losses and LAE	2,638.2	2,493.9	287.7
Insurance and reinsurance acquisition expenses	806.3	531.0	101.1
General and administrative expenses	469.9	476.5	87.9
Accretion of fair value adjustment to loss and LAE reserves	79.8	56.0	–
Interest expense	71.8	45.7	16.1
Share appreciation expense for Series B Warrants	–	58.8	–
Total expenses	4,066.0	3,661.9	492.8
Pretax earnings (loss)	119.4	(427.5)	358.1
Tax benefit (provision)	(11.7)	179.2	(43.1)
Net income (loss) before minority interest and equity in earnings of affiliates	107.7	(248.3)	315.0
Accretion of preferred stock of subsidiaries to face value	(10.6)	(5.1)	–
Dividends on mandatorily redeemable preferred stock of subsidiaries	(30.3)	(18.1)	–
Equity in earnings (loss) of unconsolidated affiliates	14.0	.4	(2.1)
Net income (loss) from continuing operations	80.8	(271.1)	312.9
Net income from discontinued operations	–	–	95.0
Net income (loss) before extraordinary items and changes in accounting principles	80.8	(271.1)	407.9
Cumulative effect of changes in accounting principles	660.2	–	–
Excess of fair value of acquired net assets over cost	7.1	16.6	–
Loss on early extinguishment of debt	–	(4.8)	–
Net income (loss)	748.1	(259.3)	407.9
Net change in unrealized gains for investments held	301.8	(4.5)	56.3
Net change in foreign currency translation	(4.5)	(2.0)	(.7)
Reclassification of net gains included in net realized gains (losses) on investments	(95.0)	(36.0)	(15.9)
Comprehensive net income (loss)	$ 950.4	$ (301.8)	$ 447.6
Computation of net income (loss) available to common shareholders			
Net income (loss)	$ 748.1	$ (259.3)	$ 407.9
Redemption value adjustment and dividends on Convertible Preference Shares	(19.4)	(305.4)	–
Net income (loss) available to common shareholders	$ 728.7	$ (564.7)	$ 407.9
Basic earnings per share			
Net income (loss) from continuing operations	$ 7.47	$ (86.52)	$ 53.08
Net income (loss)	88.61	(84.75)	69.19
Diluted earnings per share			
Net income (loss) from continuing operations	$ 6.80	$ (86.52)	$ 52.84
Net income (loss)	80.75	(84.75)	68.89

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

Millions	Total	Common Shares and paid-in surplus	Retained earnings	Accumulated other comprehensive income	Unearned compensation
Balances at January 1, 2000	$ 614.3	$ 72.9	$ 534.2	$ 7.2	$ –
Net income	407.9	–	407.9	–	–
Net change in unrealized investment gains	40.4	–	–	40.4	–
Net change in foreign currency translation	(.7)	–	–	(.7)	–
Dividends declared on Common Shares	(7.1)	–	(7.1)	–	–
Repurchases and retirements of Common Shares	(8.3)	(.8)	(7.5)	–	–
Balances at December 31, 2000	1,046.5	72.1	927.5	46.9	–
Net loss	(259.3)	–	(259.3)	–	–
Net change in unrealized investment gains	(40.5)	–	–	(40.5)	–
Net change in foreign currency translation	(2.0)	–	–	(2.0)	–
Dividends declared on Convertible Preference Shares	(.3)	–	(.3)	–	–
Dividends declared on Common Shares	(5.9)	–	(5.9)	–	–
Issuances of Common Shares	779.6	779.6	–	–	–
Redemption value adjustment - Convertible Preference Shares	(305.1)	–	(305.1)	–	–
Repurchases and retirements of Common Shares	(1.9)	(.1)	(1.8)	–	–
Issuance of Warrants	213.6	213.6	–	–	–
Issuance of Restricted Shares	–	31.9	–	–	(31.9)
Amortization of Restricted Shares	10.4	–	–	–	10.4
Accrued Option expense	9.5	9.5	–	–	–
Balances at December 31, 2001	1,444.6	1,106.6	355.1	4.4	(21.5)
Net income	748.1	–	748.1	–	–
Net change in unrealized investment gains	206.8	–	–	206.8	–
Net change in foreign currency translation	(4.5)	–	–	(4.5)	–
Dividends declared on Convertible Preference Shares	(.4)	–	(.4)	–	–
Dividends declared on Common Shares	(8.3)	–	(8.3)	–	–
Issuances of Common Shares	30.2	30.2	–	–	–
Redemption value adjustment - Convertible Preference Shares	(19.0)	–	(19.0)	–	–
Repurchases and retirements of Common Shares	(6.5)	(2.9)	(3.6)	–	–
Amortization of Restricted Shares	16.2	–	–	–	16.2
Accrued Option expense	.7	.7	–	–	–
Balances at December 31, 2002	**$ 2,407.9**	**$ 1,134.6**	**$ 1,071.9**	**$ 206.7**	**$ (5.3)**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions	Year Ended December 31, 2002	2001	2000
Net income (loss)	$ 748.1	$ (259.3)	$ 407.9
Charges (credits) to reconcile net income to cash flows from operations:			
Cumulative effect of changes in accounting principles	(660.2)	–	–
Excess of fair value of acquired net assets over cost	(7.1)	(16.6)	–
Loss on early extinguishment of debt	–	4.8	–
Dividends on mandatorily redeemable preferred stock of subsidiaries	30.3	18.1	–
Net realized (gains) losses on investments	(156.0)	(173.1)	8.8
Share appreciation expense for Series B Warrants	–	58.8	–
Share expense for Options and Restricted Shares	16.9	20.0	–
Amortization of deferred credits and other benefits	–	(91.6)	(41.4)
Other operating items:			
Net income tax receipts (payments)	189.6	(8.4)	(54.5)
Net change in insurance and reinsurance balances receivable	273.0	261.3	1.4
Net change in reinsurance recoverable on paid and unpaid losses	110.3	(1,410.1)	(367.2)
Net change in deferred acquisition costs	68.4	58.3	18.3
Net change in loss and LAE reserves	(652.3)	1,500.4	(72.4)
Net change in unearned insurance and reinsurance premiums	(300.1)	(247.0)	(19.9)
Net change in other assets and liabilities, net	63.4	(16.3)	5.0
Net cash used for operating activities	(275.7)	(300.7)	(114.0)
Cash flows from investing activities:			
Net decrease (increase) in short-term investments	755.2	(979.2)	(614.6)
Sales of fixed maturity investments	13,531.9	7,603.6	315.1
Maturities of fixed maturity investments	411.9	1,121.1	63.0
Sales of common equity securities and other investments	98.4	246.9	204.0
Proceeds from sales of subsidiaries and affiliates, net of cash acquired	–	23.6	570.4
Purchases of fixed maturity investments	(14,066.6)	(6,897.3)	(159.0)
Purchases of common equity securities and other investments	(244.5)	(233.8)	(205.6)
Purchases of consolidated and unconsolidated affiliates	(.5)	(1,979.8)	60.1
Net (acquisitions) dispositions of property and equipment	(12.8)	(7.7)	1.0
Net cash provided from (used for) investing activities	473.0	(1,102.6)	234.4
Cash flows from financing activities:			
Proceeds from issuances of Common Shares and Convertible Preference Shares	226.4	444.4	–
Proceeds from issuances of debt	8.0	832.0	15.0
Proceeds from issuances of preferred stock of subsidiaries	–	245.0	–
Proceeds from the issuance of Warrants	–	75.0	–
Repayments of debt	(338.6)	(103.9)	(119.0)
Dividends paid on mandatorily redeemable preferred stock of subsidiaries	(30.3)	(18.1)	–
Dividends paid on Common Shares	(8.3)	(5.9)	(7.1)
Dividends paid on Convertible Preference Shares	(.4)	(.3)	–
Common Shares repurchased and retired	–	(1.9)	(8.8)
Net cash (used for) provided from financing activities	(143.2)	1,466.3	(119.9)
Net increase in cash during year	54.1	63.0	.5
Cash balance at beginning of year	67.4	4.4	3.9
Cash balance at end of year	$ 121.5	$ 67.4	$ 4.4

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies

Basis of presentation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with GAAP in the United States. Previously defined terms used within these financial statements have the same meaning as they appear elsewhere within this report. The Company is a Bermuda limited liability company with its headquarters located at Crawford House, 23 Church Street, Hamilton, Bermuda HM 11. The Company's 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' consolidated property and casualty insurance operations are conducted primarily through OneBeacon which was acquired by White Mountains on June 1, 2001. Therefore, the Company's 2001 consolidated financial results include OneBeacon's results only for the seven months ended December 31, 2001. In connection with the acquisition of OneBeacon, the insurance and reinsurance operations of Folksamerica, Peninsula, American Centennial, British Insurance Company and Esurance were contributed by the Company to OneBeacon. OneBeacon and Folksamerica are run as separate entities, with distinct operations, management and business strategies.

White Mountains' internationally-based reinsurance operations are conducted primarily through its wholly-owned subsidiary Fund American Re, which is commercially domiciled in Bermuda, maintains its executive office and an operating branch in Stockholm, Sweden, and operates through an additional branch in Singapore. In December 2001, White Mountains formed WMU, an Ireland-domiciled consulting services provider specializing in international property excess reinsurance. In addition, through its holdings of common shares and warrants, White Mountains owns approximately 21%, on a fully-converted basis, of Montpelier, a Bermuda-domiciled insurance and reinsurance holding company.

All significant intercompany transactions have been eliminated in consolidation. The financial statements include all adjustments considered necessary by management to fairly present the Company's financial position, its results of operations and its cash flows.

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 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. Certain amounts in the prior period financial statements have been reclassified to conform with the current presentation. White Mountains has completed numerous significant transactions during the periods presented that have affected the comparability of the financial statement information presented herein.

Investment securities

White Mountains' portfolio of fixed maturity investments and common equity securities are classified as available for sale and are reported at fair value as of the balance sheet date as determined by quoted market values. Other investments principally include investments in limited partnership interests which are recorded using the equity method of accounting. Net unrealized investment gains and losses, after-tax, associated with such investments are reported as a net amount as a separate component of shareholders' equity. Changes in net unrealized investment gains and losses, after-tax, are reported as a component of other comprehensive income. Investment securities are regularly reviewed for impairment based on criteria that include the extent to which cost exceeds market value, the duration of the market decline, and the financial health of and specific prospects for the issuer. Investment losses that are other than temporary are recognized in earnings. Realized gains and losses resulting from sales of investment securities are accounted for using the specific identification method.

Premiums and discounts on 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 December 31, 2002 and 2001.

OneBeacon participates in a securities lending program whereby certain of its fixed maturity investments are loaned to other institutions for short periods of time through a lending agent. OneBeacon maintains control over the securities it lends, retains the earnings and cash flows associated with the loaned securities and receives a fee from the

borrower for the temporary use of the asset. Collateral, in the form of cash and United States government securities, is required at a rate of 102% of the fair value of the loaned securities and is monitored and maintained by the lending agent. An indemnification agreement with the lending agent protects OneBeacon in the event a borrower becomes insolvent or fails to return any of the securities on loan.

Cash

Cash includes amounts on hand and demand deposits with banks and other financial institutions. Amounts presented in the statement of cash flows are shown net of balances acquired and sold in the purchase or sale of the Company's consolidated subsidiaries.

Insurance and reinsurance operations

White Mountains accounts for insurance policies which it writes in accordance with SFAS No. 60, "Accounting and Reporting by Insurance Enterprises" ("SFAS No. 60"). Premiums written are recognized as revenues and are earned ratably over the term of the related policy or reinsurance treaty. Unearned premiums represent the portion of premiums written that are applicable to future insurance or reinsurance coverage provided by policies or treaties in force. AutoOne Insurance, which acts as a limited assigned distribution ("LAD") servicing carrier, enters into contractual arrangements with insurance companies to assume private passenger automobile assigned risk exposures in the state of New York. AutoOne Insurance receives LAD servicing fees for assuming these risks. LAD servicing fees are typically a percentage of the total premiums that AutoOne Insurance must write to fulfill the obligation of the transferor company. AutoOne Insurance's LAD servicing fees are recorded as written premium when billed and are earned ratably over the term of the related policy to which the fee relates.

Deferred acquisition costs represent commissions, premium taxes, brokerage expenses and other costs which are directly attributable to and vary with the production of new business. These costs are deferred and amortized over the applicable premium recognition period as insurance and reinsurance acquisition expenses. Deferred acquisition costs are limited to the amount expected to be recovered from future earned premiums and anticipated investment income. This limitation is referred to as a premium deficiency. A premium deficiency is recognized if the sum of expected loss and LAE, expected dividends to policyholders, unamortized acquisition costs, and maintenance costs exceeds related unearned premiums. A premium deficiency is recognized by charging any unamortized acquisition costs to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds unamortized acquisition costs then a liability is accrued for the excess deficiency. During 2002, OneBeacon recognized a $22.8 million premium deficiency charge on deferred acquisition costs associated with its business subject to the Renewal Rights Agreement.

Losses and LAE are charged against income as incurred. Unpaid insurance losses and LAE are based on estimates (generally determined by claims adjusters, legal counsel and actuarial staff) of the ultimate costs of settling claims, including the effects of inflation and other societal and economic factors. Unpaid reinsurance losses and LAE are based primarily on reports received from ceding companies and actuarial projections. Unpaid loss and LAE reserves represent management's best estimate of ultimate losses and LAE, net of estimated salvage and subrogation recoveries, if applicable. Such estimates are regularly reviewed and updated and any adjustments resulting therefrom are reflected in current operations. The process of estimating loss and LAE involves a considerable degree of judgment by management and the ultimate amount of expense to be incurred could be considerably greater than or less than the amounts currently reflected in the financial statements.

OneBeacon discounts certain of its long-term workers compensation loss and LAE reserves when such liabilities constitute unpaid but settled claims under which the payment pattern and ultimate costs are fixed and determinable on an individual claim basis. OneBeacon discounts these reserves using a discount rate which is determined based on the facts and circumstances applicable at the time the claims are settled (4.7% at December 31, 2002).

In connection with purchase accounting for the Acquisition, White Mountains was required to adjust to fair value OneBeacon's loss and LAE reserves and the related reinsurance recoverables by $646.9 million and $346.9 million, respectively, on OneBeacon's acquired balance sheet as of June 1, 2001. This net reduction to loss and LAE reserves of $300.0 million is being accreted through an income statement charge over the period that the claims to which such reserves relate are expected to be settled. See Note 3.

White Mountains' insurance and reinsurance subsidiaries enter into ceded reinsurance contracts from time to time to protect their businesses from losses due to concentration of risk, to manage their operating leverage ratios and to limit losses arising from catastrophic events. The majority of such reinsurance contracts are executed through excess of loss treaties and catastrophe contracts under which the reinsurer indemnifies for a specified part or all of certain

types of losses over stipulated amounts arising from any one occurrence or event. White Mountains has entered into quota share treaties with reinsurers under which all risks meeting prescribed criteria are covered on a pro-rata basis. The amount of each risk ceded by White Mountains is subject to maximum limits which vary by line of business and type of coverage. Amounts related to reinsurance contracts are recorded in accordance with SFAS No. 113 and Emerging Issues Task Force Topic No. D-54, as applicable.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. The collectibility of reinsurance recoverables is subject to the solvency of the reinsurers. White Mountains is selective in regard to its reinsurers, principally placing reinsurance with those reinsurers with a strong financial condition, industry ratings and underwriting ability. Management monitors the financial condition and ratings of its reinsurers on an ongoing basis.

Reinsurance premiums, commissions, expense reimbursements and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies are reported as a reduction of premiums written. Expense allowances received in connection with reinsurance ceded have been accounted for as a reduction of the related policy acquisition costs and are deferred and amortized accordingly. Funds held under reinsurance treaties represent contractual payments due to the reinsurer that White Mountains has retained to secure obligations of the reinsurer. Such amounts are recorded as liabilities in the consolidated financial statements.

Accounting for Mandatory Shared Market Mechanisms

As a condition to its licenses to do business in certain states, White Mountains' insurance operations must participate in various mandatory shared market mechanisms commonly referred to as "residual" or "involuntary" markets. These markets generally consist of risks considered to be undesirable from a standard or routine underwriting perspective. Each state dictates the levels of insurance coverage that is mandatorily assigned to participating insurers within these markets. The total amount of such business an insurer must accept in a particular state is generally based on that insurer's market share of voluntary business written within that state. In certain cases, White Mountains is obligated to write business from shared market mechanisms at a future date based on its historical market share of all voluntary policies written within that state. Involuntary business generated from mandatory shared market mechanisms is accounted for in accordance with SFAS No. 60 or as assumed reinsurance under SFAS No. 113, depending upon the structure of the mechanism.

OneBeacon's market assignments are typically required to be written in the current period, however, in certain cases OneBeacon is required to accept policy assignments at a future date. OneBeacon's residual market assignments to be written in the future primarily relate to private passenger automobile assigned risk exposures within the State of New York where several of OneBeacon's insurance subsidiaries write voluntary automobile insurance. The share of involuntary written premium for policies assigned by the NYAIP to a particular insurer in a given year is based on the proportion of the total voluntary writings in New York two years prior. Anticipated losses associated with future market assignments are recognized in accordance with SFAS No. 5, "Accounting for Contingencies", when the amount of such anticipated losses is determined to be probable and can be reasonably estimable.

Accounting for Insurance-Related Assessments

Under existing guaranty fund laws in all states, insurers licensed to do business in those states can be assessed for certain obligations of insolvent insurance companies to policyholders and claimants. In accordance with Statement of Position 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments" ("SOP 97-3"), White Mountains' insurance subsidiaries record guaranty fund assessments when such assessments are billed by the respective guaranty funds. In addition, each insurance subsidiary's policy is to accrue for any significant insolvencies when the loss is probable and the assessment amount can be reasonably estimated.

Federal and foreign income taxes

As a result of the Redomestication, income earned or losses incurred by the Bermuda and Barbados Companies will generally be subject to an overall effective tax rate lower than that imposed by the United States. The U.S. Companies are subject to U.S. income taxes. Prior to the Redomestication, the Company filed a consolidated U.S. Federal income tax return with its subsidiaries. The U.S. Companies continue to file U.S. tax returns but may no longer do so on a group-wide consolidated basis. As a result, the aggregate U.S. income tax liability of the U.S. Companies may be higher than it otherwise would have been if part of a consolidated tax return.

Deferred tax assets and liabilities are recorded when a difference between an asset or liability's financial statement value and its tax reporting value exists, and for other temporary differences as defined by SFAS No. 109, "Accounting for Income Taxes". The deferred tax asset or liability is recorded based on tax rates expected to be in effect when the difference reverses.

Foreign currency translation

Net after-tax unrealized losses from foreign currency fluctuations associated with Fund American Re's operations, WMU's operations, Folksamerica's Canadian operations and certain of British Insurance Company's loss reserves totalled $7.2 million and $2.7 million at December 31, 2002 and December 31, 2001, respectively. These net after-tax losses are recorded in shareholders' equity as a component of accumulated other comprehensive income and changes in these values are reported on the Company's statement of income and comprehensive income as a component of other comprehensive income.

Earnings (loss) per share

Basic earnings (loss) per share amounts are based on the weighted average number of Common Shares outstanding. Diluted earnings per share amounts are based on the weighted average number of Common Shares and the net effect of potentially dilutive Common Shares outstanding, based on the treasury stock method. The following table outlines the Company's computation of earnings (loss) per share for the years ended December 31, 2002, 2001 and 2000:

	Year Ended December 31,		
	2002	2001	2000
Basic earnings (loss) per share numerators (in millions):			
Net income (loss) from continuing operations	$ 80.8	$ (271.1)	$ 312.9
Redemption value adjustment and dividends on Convertible Preference Shares	(19.4)	(305.4)	–
Net income (loss) from continuing operations available to common shareholders	$ 61.4	$ (576.5)	$ 312.9
Cumulative effect of changes in accounting principles	660.2	–	–
Extraordinary income items	7.1	11.8	–
Net income from discontinued operations	–	–	95.0
Net income (loss) available to common shareholders	$ 728.7	$ (564.7)	$ 407.9
Diluted earnings (loss) per share numerators (in millions):			
Net income (loss) from continuing operations available to common shareholders	$ 61.4	$ (576.5)	$ 312.9
Other effects on diluted earnings [1]	(.1)	–	–
Net income (loss) from continuing operations available to common shareholders	$ 61.3	$ (576.5)	$ 312.9
Cumulative effect of changes in accounting principles	660.2	–	–
Extraordinary income items	7.1	11.8	–
Net income from discontinued operations	–	–	95.0
Adjusted net income (loss) available to common shareholders	$ 728.6	$ (564.7)	$ 407.9
Earnings (loss) per share denominators (in thousands):			
Basic earnings (loss) per share denominator (average Common Shares outstanding)	8,225	6,663	5,895
Average outstanding dilutive Options and warrants to acquire Common Shares [2]	799	–	26
Diluted earnings (loss) per share denominator	9,024	6,663	5,921
Basic earnings (loss) per share (in dollars):			
Net income (loss) from continuing operations	$ 7.47	$ (86.52)	$ 53.08
Cumulative effect of changes in accounting principles	80.27	–	–
Extraordinary income items	.87	1.77	–
Net income from discontinued operations	–	–	16.11
Net income (loss)	$ 88.61	$ (84.75)	$ 69.19
Diluted earnings (loss) per share (in dollars):			
Net income (loss) from continuing operations	$ 6.80	$ (86.52)	$ 52.84
Cumulative effect of changes in accounting principles	73.16	–	–
Extraordinary income items	.79	1.77	–
Net income from discontinued operations	–	–	16.05
Net income (loss)	$ 80.75	$ (84.75)	$ 68.89

(1) Includes an adjustment to White Mountains' equity in earnings recorded on its investment in the common shares of Montpelier, which is reflective of dilution in Montpelier's earnings brought about by outstanding options and warrants to acquire common shares of Montpelier that are currently in-the-money.

(2) The following potentially dilutive Common Share equivalents are not included in the dilutive share calculation as the impact of their inclusion would be anti-dilutive: (i) in 2002 and 2001, Options to acquire 61,965 and 80,665 Common Shares, respectively, at an average exercise price of $125.31 and $118.22, respectively, per Common Share; (ii) in 2001, warrants to acquire 1,714,285 Common Shares at an exercise price of $175.00 per Common Share; (iii) in 2002 and 2001, 73,500 and 94,500 Restricted Shares outstanding, respectively. See Note 9 for detailed information concerning Restricted Shares outstanding and potentially dilutive Options and warrants to acquire Common Shares.

Recently Adopted Changes in Accounting Principles

Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"), an amendment to SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). Provisions of SFAS No. 148 provide two additional alternative transition methods: modified prospective method and retroactive restatement method, for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. The Statement eliminates the use of the original SFAS No. 123 prospective method of transition alternative for those entities that change to the fair value based method in fiscal years beginning after December 15, 2003. It also amends the disclosure provisions of SFAS No. 123 to require prominent annual disclosure about the effects on reported net income in the Summary of Significant Accounting Policies and also requires disclosure about these effects in interim financial statements. These provisions are effective for financial statements for fiscal years ending after December 15, 2002. Accordingly, the Company has adopted the applicable disclosure requirements of this statement for year-end reporting.

White Mountains' share-based compensation plans, consisting primarily of performance shares, are designed to maximize shareholder value over long periods of time by aligning the financial interests of its management with those of its owners. See Note 9. White Mountains expenses all its share-based compensation, including its outstanding Options. White Mountains accounts for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees", and related interpretations, including FASB Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Options or Award Plans ("FIN 28"). The accounting treatment for White Mountains' Restricted Share awards under APB 25 is identical to the method prescribed by SFAS No. 123, whereby the Restricted Shares are valued based upon fair value at the date of issuance and charged to compensation expense ratably over the vesting period. Compensation expense charged to earnings for Restricted Shares was $16.2 million and $10.4 million for the years ended December 31, 2002 and 2001, respectively. There were no Restricted Shares outstanding in 2000. The accounting treatment for White Mountains' performance share awards under APB 25 is also identical to the method prescribed by SFAS No. 123, whereby the liability for performance share awards is measured each period based upon the current market price of the underlying Common Shares. During 2002, 2001 and 2000, White Mountains recorded compensation charges of $63.5 million, $31.6 million and $25.8 million, respectively, for outstanding performance shares.

In 2000, the Company issued a one-time award of 81,000 Options. The Options were issued at an exercise price equal to the market value of the underlying Common Shares on February 27, 2000 (the grant date). The exercise price escalates on a straight-line basis by 6% per annum over the ten-year life of the Options. As a result, the Company's outstanding Options are accounted for as variable options under FIN 28, with compensation expense charged to earnings over the service period based on the intrinsic value of the underlying Common Shares. Compensation expense charged to earnings for Options was $.7 million and $9.5 million for the years ended December 31, 2002 and 2001, respectively.

White Mountains has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" with respect to its outstanding Options and Restricted Shares. The following table illustrates the pro forma effect on net income (loss) and earnings per share for each period indicated as if the Company applied the fair value recognition provisions of SFAS No. 123 to its employee Option incentive compensation program.

Millions, except per share amounts	Year Ended December 31, 2002	2001	2000
Net income (loss), as reported	$ 748.1	$(259.3)	$ 407.9
Add: Stock-based employee compensation expense included in reported net income (loss), net of taxes	.7	9.5	–
Deduct: Stock-based employee compensation expense determined under fair value based method, net of taxes	(.1)	(.1)	–
Net income (loss), pro forma	$ 748.7	$ (249.9)	$ 407.9
Earnings (loss) per share:			
Basic - as reported	$ 88.61	$ (84.75)	$ 69.19
Basic - pro forma	88.67	(83.34)	69.19
Diluted - as reported	80.75	(84.75)	68.89
Diluted - pro forma	80.81	(83.34)	68.89

White Mountains' compensation expense related to its Options was higher in 2002 and 2001 than it would have been had the Company accounted for its Options under SFAS No. 123 primarily due to two factors. First, compensation expense under SFAS No. 123 is based on the fair value of the Options at the date of grant and subsequent changes in the market value of the underlying stock are not considered. Since the date the Options were granted, the market price of Common Shares has increased from $106.19 at February 27, 2000 (the date of grant) to $348.00 at December 31, 2001 and $323.00 at December 31, 2002. The intrinsic value method of accounting for compensation expense under FIN 28, which the Company follows, captured this increase in market value and resulted in increased compensation expense as compared to SFAS No. 123. Second, variable plan accounting under FIN 28 prescribes that compensation expense be recognized over the service period, which results in an accelerated recognition of the expense as compared to using the vesting period prescribed by SFAS No. 123.

Business Combinations

In 2001, White Mountains adopted the provisions of SFAS No. 141, "Business Combinations", which required the recognition of all existing deferred credits (defined as the excess of fair value of acquired assets over cost) arising from business combinations prior to July 1, 2001 through the income statement as a change in accounting principle on the first day of the fiscal year beginning after December 15, 2001. In accordance with SFAS No. 141, White Mountains recognized its entire December 31, 2001 unamortized deferred credit balance of $682.5 million on January 1, 2002 as a cumulative effect of a change in accounting principle. SFAS No. 141 also requires deferred credits arising from business combinations on or after July 1, 2001 to be immediately recognized through the income statement as an extraordinary gain. In accordance with SFAS No. 141, White Mountains recognized an extraordinary gain of $7.1 million during the second quarter of 2002 in connection with Folksamerica's acquisition of Imperial in April 2002 and recognized extraordinary gains of $13.6 million and $3.0 million during 2001 in connection with Folksamerica's acquisition of C-F and the acquisition of certain net assets of Folksam.

On January 1, 2002, White Mountains adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets", which calls for the amortization of existing and prospective goodwill (defined as the excess of cost over the fair value of acquired assets) only when the assets acquired are deemed to have been impaired rather than systematically over a perceived period of benefit. SFAS 142 specifically defines impairment as the condition that exists when the carrying amount of goodwill exceeds its implied fair value and requires goodwill to be evaluated for impairment periodically. Prior to the issuance of SFAS No. 142, little guidance existed as to how to determine and measure goodwill impairment. As a result of the issuance of SFAS No. 142, White Mountains performed a discounted cash flow analysis to determine the fair value of the net assets supporting its unamortized goodwill relating primarily to its 2000 acquisition of substantially all the reinsurance operations of Risk Capital and recognized a transitional impairment loss of $22.3 million on January 1, 2002 as a cumulative effect of a change in accounting principle.

Net income (loss) from continuing operations, net income (loss) and earnings (loss) per Common Share amounts for the years ended December 31, 2001 and 2000, adjusted to exclude charges from goodwill amortization and revenues from deferred credit amortization, are as follows:

Millions, except per share amounts	Year Ended December 31, 2001		Year Ended December 31, 2000	
	Net loss before extraordinary items	Net loss	Net income (loss) before extraordinary items	Net income
Net income (loss)				
Reported net income (loss)	$ (271.1)	$ (259.2)	$ 312.9	$ 407.9
Amortization of deferred credits	(91.6)	(91.6)	(41.4)	(41.4)
Amortization of goodwill	3.1	3.1	3.5	3.5
Adjusted net income (loss)	$ (359.6)	$ (347.8)	$ 275.0	$ 370.0
Basic earnings (loss) per share				
Reported net income (loss) per share	$ (86.52)	$ (84.75)	$ 53.08	$ 69.19
Amortization of deferred credits	(13.75)	(13.75)	(7.02)	(7.02)
Amortization of goodwill	.47	.47	.60	.60
Adjusted net income (loss) per share	$ (99.80)	$ (98.03)	$ 46.66	$ 62.77
Diluted earnings (loss) per share				
Reported net income (loss) per share	$ (86.52)	$ (84.75)	$ 52.84	$ 68.89
Amortization of deferred credits	(13.75)	(13.75)	(6.99)	(6.99)
Amortization of goodwill	.47	.47	.60	.60
Adjusted net income (loss) per share	$ (99.80)	$ (98.03)	$ 46.45	$ 62.50

Recent Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which addresses consolidation issues surrounding special purpose entities, often termed variable interest entities ("VIE"), to which the usual condition for consolidation does not apply because the VIE either has no voting interests or otherwise is not subject to financial control through ownership of voting interests. Under FIN 46, the primary beneficiary of a VIE is required consolidate the VIE. FIN 46 is required to be adopted for financial periods ending after June 15, 2003. At December 31, 2002, White Mountains held certain investments that, for purposes of FIN 46, are being evaluated to determine whether such investments should be consolidated or disclosed as a variable interest entity in the Company's future financial statements. Such investments include limited partnerships currently accounted for under the equity method and OneBeacon's surplus note investment in New Jersey Skylands.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), which expands the disclosures to be made by a guarantor in the consolidated financial statements and generally requires recognition of a liability for the fair value of a guarantee at its inception. The disclosure requirements of this interpretation are effective for the Company for fiscal periods ending after December 15, 2002. The measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. This interpretation does not apply to guarantees issued by insurance companies accounted for under insurance-specific accounting literature. White Mountains is currently evaluating the impact of the adoption of the measurement provisions of FIN 45 and does not expect the adoption of FIN 45 to have material impact.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement replaces Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" and requires companies to recognize a liability for costs associated with exit or disposal activities at fair value when they are incurred, as defined in SFAS No. 146, rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. Accordingly, SFAS 146 will impact all exit or disposal activities initiated by White Mountains after December 31, 2002.

NOTE 2. Significant Transactions

Equity Issuance and Debt Refinancing

On October 24, 2002, White Mountains sold $225.0 million of its equity securities in private transactions. Investment funds managed by Franklin Mutual, which were existing shareholders of White Mountains, purchased $200.0 million of convertible preference shares based on a value of $295.00 per common share. See Note 10. In addition, investment funds managed by Highfields Capital Management LP purchased 84,745 Common Shares for $25.0 million ($295.00 per Common Share).

On October 31, 2002, Fund American completed an amendment of the Bank Facility, which included the issuance of a new $143.8 million Tranche C term loan that was utilized to refinance a portion of the existing $228.8 million Tranche A term loan. See Note 6.

OneBeacon

On June 1, 2001, White Mountains acquired OneBeacon from Aviva for $2,114.3 million, of which $260.0 million consisted of the Seller Note with the balance paid in cash. Also, as part of the financing of the Acquisition, White Mountains issued $437.6 million of a new class of non-voting convertible preference shares of the Company, which were subsequently converted into Common Shares upon shareholder approval on August 23, 2001, and issued the Warrants to Berkshire to acquire 1,714,285 Common Shares at an exercise price of $175.00 per Common Share. See Note 11. Of the total Warrants purchased by Berkshire, the Series A Warrants to purchase 1,170,000 Common Shares were immediately exercisable and the Series B Warrants to purchase 544,285 Common Shares became exercisable upon shareholder approval at the 2001 Annual Meeting.

On November 1, 2001, OneBeacon transferred its regional agency business, agents and operations in 42 states and the District of Columbia to Liberty Mutual pursuant to the Renewal Rights Agreement. This transfer amounted to approximately $1.5 billion in net written premiums, or approximately 45% of OneBeacon's total business at the time the agreement was put in place. A reinsurance agreement between OneBeacon and Liberty Mutual pro-rates results so that OneBeacon shares in approximately two-thirds and one-third of the operating results of the transferred business corresponding to renewal premiums written in the first and second years following the execution of the Renewal Rights Agreement, respectively.

Purchase Accounting Associated with the Acquisition

The Acquisition was accounted for by the purchase method of accounting in accordance with the treatment of a purchase business combination under APB No. 16, "Business Combinations" and, therefore, the assets and liabilities of OneBeacon were recorded by White Mountains at their fair values on June 1, 2001. The process of determining the fair value of such assets and liabilities acquired, as required under purchase accounting, was undertaken as follows: (i) the purchase price of OneBeacon was preliminarily allocated to the acquired assets and liabilities, based on their respective estimated fair values at June 1, 2001; (ii) the excess of the fair value of acquired net assets over the purchase price was used to reduce the estimated fair values of all non-current, non-financial assets acquired to zero; and (iii) the remaining $682.0 million excess of the estimated fair value of net assets over the purchase price was recorded as a deferred credit.

In accordance with the purchase method of accounting, on June 1, 2001, White Mountains increased the net assets of OneBeacon by $134.0 million ($87.1 million after-tax) representing adjustments to reflect the estimated fair value of OneBeacon's assets and liabilities assumed. This increase was primarily comprised of a pretax adjustment of $300.0 million resulting from fair value adjustments made to OneBeacon's loss and LAE reserves and related reinsurance recoverables, offset by (i) $28.0 million of liabilities associated with the fair value of obligations under National Accounts and National Programs contracts, (ii) $15.3 million in liabilities associated with the expected costs to exit certain business activities of OneBeacon and (iii) $86.0 million to recognize the fair value of employee benefit obligations. White Mountains also decreased the net assets of OneBeacon by an additional $246.5 million ($175.0 million after-tax) representing an allocation of the excess of acquired net assets over the purchase price to OneBeacon's non-current, non-financial assets existing at the time of the Acquisition, primarily its property, plant and equipment.

The fair value of assets and liabilities acquired on June 1, 2001 were as follows (millions):

Fair value of assets acquired	$ 11,895.1
Fair value of liabilities acquired	9,098.8
Fair value of net assets acquired	2,796.3
Total purchase price, including expenses	(2,114.3)
Resulting deferred credit	$ 682.0

Significant assets and liabilities acquired through OneBeacon included $34.0 million of cash, $7,408.6 million of investments, $2,448.9 million of reinsurance recoverable on paid and unpaid losses, $1,267.3 million of insurance premiums receivable, $6,364.2 million of loss and LAE reserves and $1,897.7 million of unearned insurance premiums.

In conjunction with its adoption of SFAS No. 141, White Mountains recognized its entire unamortized deferred credit balance on January 1, 2002, including its unamortized deferred credit balance relating to OneBeacon of $625.1 million at December 31, 2001, as a change in accounting principle. Had the Acquisition occurred on or after July 1, 2001, White Mountains would have immediately recognized this deferred credit on its income statement as an extraordinary gain as with its acquisitions of C-F and the Folksam net assets.

Pro Forma Financial Information for the Acquisition - Years Ended December 31, 2001 and 2000

Supplemental unaudited pro forma condensed combined income statement information for the years ended December 31, 2001 and 2000, which gives effect to the Acquisition as if it had occurred on January 1, 2001 and 2000, respectively, follows:

(Unaudited)	Pro Forma Year Ended December 31,	
Millions, except per share amounts	2001	2000
Total revenues as reported	$ 3,234.4	$ 850.9
Pro forma effect of the Acquisition	2,494.2	5,515.9
Total pro forma revenues	$ 5,728.6	$ 6,366.8
Pro forma net loss from continuing operations	$ (254.4)	$ (59.0)
Basic and diluted loss per share numerator:		
Pro forma net loss from continuing operations available to common shareholders	$ (564.6)	$ (322.7)
Basic and diluted loss per share:		
Pro forma net loss from continuing operations	$ (84.29)	$ (54.74)

The unaudited pro forma information presented above for the years ended December 31, 2001 and 2000 has been supplied for comparative purposes only and does not purport to reflect the actual results that would have been reported had the Acquisition been consummated at January 1, 2001 and 2000, respectively. Additionally, such pro forma financial information is not expected to be reflective of results that may occur in the future, particularly in light of significant non-recurring transactions such as the NICO Cover and the GRC Cover, which are not included therein. The NICO Cover and the GRC Cover would have reduced revenues by $1.5 billion and increased the net loss from continuing operations by $306.9 million during the pro forma periods presented. In addition, the pro forma results presented above do not reflect the effects of the Renewal Rights Agreement, which would have reduced revenues by $277.5 million and $474.5 million, respectively, and reduced expenses by $322.9 million and $547.5 million, respectively, during the 2001 and 2000 pro forma periods presented.

Other Acquisitions and Dispositions

In April 2002, Folksamerica acquired Imperial for $4.2 million including related expenses ($.5 million net of cash acquired). Significant assets and liabilities acquired included investments of $22.8 million and gross loss and LAE reserves of $11.9 million. In accordance with SFAS No. 141, White Mountains recognized a $7.1 million extraordinary gain during 2002 representing the excess of the fair value of Imperial's net assets over its cost.

In December 2001, White Mountains, through OneBeacon, invested $180.0 million in Montpelier. See Note 14.

In December 2001, Fund American Re acquired substantially all of the international reinsurance operations of Folksam. The $64.0 million purchase price was paid in a combination of cash, a note and Common Shares. Additionally, in August 2002, $24.2 million of total assets and total liabilities of Folksam's Singapore-based reinsurance operations were transferred to Fund American Re. At December 31, 2002, Fund American Re had $149.9 million of total assets and $58.1 million of shareholder's equity. In accordance with SFAS No. 141, White Mountains recognized a $3.0 million extraordinary gain during 2001 representing the excess of the fair value of Folksam's net assets over its cost.

In September 2001, Folksamerica acquired C-F for total consideration of $49.2 million plus related expenses. The purchase consideration included the issuance of a $25.0 million, four-year note by Folksamerica which may be reduced by adverse loss development experienced by C-F post-acquisition. In accordance with SFAS No. 141, White Mountains recognized a $13.6 million extraordinary gain during 2001 representing the excess of the fair value of C-F's net assets over its cost.

In January 2001, the Company sold Waterford to a third party for consideration of $23.6 million in cash, net of transaction related expenses. White Mountains recognized a $12.4 million pretax gain on the sale of Waterford in 2001.

In October 2000, Folksamerica purchased 80% of Esurance for $9.0 million. During the fourth quarter of 2001, Folksamerica purchased the remaining outstanding stock for $1.4 million. At and for the year ended December 31, 2002, Esurance had total assets of $38.2 million, total revenues of $10.9 million and an accumulated shareholder's deficit of $24.9 million.

In October 2000, the Company was informed that the Internal Revenue Service agreed with its position taken in its 1991 tax return concerning the sale of Fireman's Fund and, accordingly, released a $95.0 million reserve during 2000 to income which is presented as a gain from discontinued operations.

In July 2000, White Mountains sold its indirect, wholly-owned subsidiary, White Mountains Holdings, Inc. (which controlled a substantial amount of its holdings of FSA) and all its other holdings of FSA Common Stock to Dexia for proceeds of $620.4 million. White Mountains recognized a $391.2 million pretax gain on the Dexia Sale in 2000.

In May 2000, Folksamerica completed its acquisition of Risk Capital for $20.3 million in cash plus related expenses. Because the cost of Risk Capital was more than the fair value of its net identifiable assets at that date, White Mountains recorded $24.9 million in goodwill at acquisition, which was being amortized to income over the estimated period of benefit of ten years prior to the adoption of SFAS 142.

In March 2000, Folksamerica acquired PCA for $122.3 million in cash. Because the cost of PCA was less than the fair value of its net identifiable assets acquired at that date, White Mountains recorded a $37.9 million deferred credit at acquisition, which was being amortized to income over the estimated period of benefit of six years prior to the adoption of SFAS No. 141 on January 1, 2002.

NOTE 3. Reserves for Unpaid Losses and Loss Adjustment Expenses

Insurance

White Mountains' insurance subsidiaries establish loss and LAE reserves that are estimates of amounts needed to pay claims and related expenses in the future for insured events that have already occurred. White Mountains establishes estimates of amounts recoverable from its reinsurers in a manner consistent with the claim liability covered by the reinsurance contracts, net of an allowance for uncollectible amounts. Net insurance loss reserves represent loss and LAE reserves reduced by reinsurance recoverable on unpaid losses The process of estimating reserves involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain.

Reserve estimates at OneBeacon are subject to additional uncertainty as a consequence of a number of factors that occurred prior to and since the Acquisition. As previously discussed, OneBeacon is the result of the merger of the U.S. operations of General Accident and Commercial Union. While relatively the same size, the legacy companies had

different underwriting and claims management practices, which produced different business and underwriting results. The operational integration of the two companies was complex and included changes in underwriting and claims operations. Beginning in the mid-1990s, and continuing through the Merger, the subsequent operational integration of the legacy companies and the Acquisition, OneBeacon experienced an environment of significant change, both in its business and operations. Generally accepted actuarial techniques used to estimate reserves rely in large degree on projecting historical trends, such as patterns of claim development (i.e., reported claims and paid losses), into the future. Accordingly, estimating reserves becomes more uncertain if business mix, coverage limits, case reserve adequacy, claims payment rates and other factors change over time. The breadth and depth of the business and operational changes that occurred at OneBeacon (1) led to a wider range in the reserve estimates produced by a variety of actuarial loss reserving techniques, especially those that rely upon consistent claim development patterns, and (2) introduced greater complexity to the judgments required to be made by management in determining the impact of the business and operational changes on the development patterns.

Reserves are typically comprised of (1) case reserves for claims reported and (2) reserves for losses that have occurred but for which claims have not yet been reported, referred to as incurred but not reported ("IBNR") reserves, which include a provision for expected future development on case reserves. Case reserves are estimated based on the experience and knowledge of claims staff regarding the nature and potential cost of each claim and are adjusted as additional information becomes known or payments are made. IBNR reserves are regarded as the most uncertain reserve segment and are derived by subtracting paid loss and LAE and case reserves from estimates of ultimate loss and LAE. Actuaries estimate ultimate loss and LAE using various generally accepted actuarial methods applied to known losses and other relevant information. Like case reserves, IBNR reserves are adjusted as additional information becomes known or payments are made.

Ultimate loss and LAE are generally determined by extrapolation of claim emergence and settlement patterns observed in the past that can reasonably be expected to persist into the future. In forecasting ultimate loss and LAE with respect to any line of business, past experience with respect to that line of business is the primary resource, but cannot be relied upon in isolation. White Mountains' own experience, particularly claims development experience, such as trends in case reserves, payments on and closings of claims, as well as changes in business mix and coverage limits, is the most important information for estimating its reserves. External data, available from organizations such as statistical bureaus, consulting firms and reinsurance companies, is sometimes used to supplement or corroborate White Mountains' own experience, and can be especially useful for estimating costs of new business. For some lines of business, such as "long-tail" coverages discussed below, claims data reported in the most recent accident year is often too limited to provide a meaningful basis for analysis due to the typical delay in reporting of claims. For this type of business, White Mountains uses a selected loss ratio method for the initial accident year or years. This is a standard and accepted actuarial reserve estimation method in these circumstances in which the loss ratio is selected based upon information used in pricing policies for that line of business, as well as any publicly available industry data, such as industry pricing, experience and trends, for that line of business.

In determining ultimate loss and LAE, the cost to indemnify claimants, provide needed legal defense and other services for insureds and administer the investigation and adjustment of claims are considered. These claim costs are influenced by many factors that change over time, such as expanded coverage definitions as a result of new court decisions, inflation in costs to repair or replace damaged property, inflation in the cost of medical services and legislated changes in statutory benefits, as well as by the particular, unique facts that pertain to each claim. As a result, the rate at which claims arose in the past and the costs to settle them may not always be representative of what will occur in the future. Often the factors influencing changes in claim costs are difficult to isolate or quantify and developments in paid and incurred losses from historical trends are frequently subject to multiple and conflicting interpretations. Changes in coverage terms or claims handling practices may also cause future experience and/or development patterns to vary from past. A key objective of actuaries in developing estimates of ultimate loss and LAE, and resulting IBNR reserves, is to identify aberrations and systemic changes occurring within historical experience and accurately adjust for them so that the future can be projected reliably. Because of the factors previously discussed, this process requires the use of informed judgment.

Uncertainties in estimating ultimate loss and LAE are magnified by the time lag between when a claim actually occurs and when it is reported and settled. This time lag is sometimes referred to as the "claim-tail". The claim-tail for most property coverages is typically short (usually a few days up to a few months). The claim-tail for liability/casualty coverages, such as automobile liability, general liability, products liability, D&O, multiple peril coverage, and workers

compensation, can be especially long as claims are often reported and ultimately paid or settled years, even decades, after the related loss events occur. During the long claims reporting and settlement period, additional facts regarding coverages written in prior accident years, as well as about actual claims and trends may become known and, as a result, White Mountains may adjust its reserves. If management determines that an adjustment is appropriate, the adjustment is booked in the accounting period in which such determination is made in accordance with GAAP. Accordingly, should reserves need to be increased or decreased in the future from amounts currently established, future results of operations would be negatively or positively impacted, respectively.

Reinsurance

White Mountains' reinsurance subsidiaries establish reserves that are estimates of future amounts needed to pay claims and related expenses for insured events that have already occurred. The process of estimating reserves for White Mountains' reinsurance subsidiaries is similar to the process described above for White Mountains' insurance subsidiaries and, as of any given date, is inherently uncertain. Reserve estimates reflect the judgment of both the ceding company and White Mountains, based on the experience and knowledge of their respective claims personnel, regarding the nature and value of the claim. The ceding company may periodically adjust the amount of the case reserves as additional information becomes known or partial payments are made. Upon notification of a loss from a ceding company, White Mountains establishes case reserves, including LAE reserves, based upon White Mountains' share of the amount of reserves established by the ceding company and White Mountains' independent evaluation of the loss. In cases where available information indicates that reserves established by the ceding company are inadequate, White Mountains establishes case reserves in excess of its share of the reserves established by the ceding company.

White Mountains' reinsurance subsidiaries use a combination of actuarial methods to determine IBNR reserves. These methods fall into two general categories: (1) methods by which ultimate claims are estimated based upon historical patterns of paid and reported claim development experienced, as supplemented by reported industry patterns, and (2) methods in which the level of IBNR reserves are established based upon the application of expected loss ratios relative to earned premium by accident year, line of business and type of reinsurance written.

As described previously, uncertainties in projecting estimates of ultimate loss and LAE are magnified by the time lag between when a claim actually occurs and when it is reported and settled, i.e., the "claim-tail". During the long claims reporting and settlement period, additional facts regarding coverages written in prior accident years, as well as about claims and trends may become known and, as a result, White Mountains may adjust its loss and LAE reserves. If management determines that an adjustment is appropriate, the adjustment is booked in the accounting period in which such determination is made in accordance with GAAP. Management believes that loss and LAE reserves as of December 31, 2002 are reasonably stated; however, ultimate loss and LAE may deviate, perhaps materially, from the amounts currently reflected in the reserve balance. Adverse development, if any, would impact White Mountains' future results of operations.

Loss and loss adjustment expense reserve summary

The following table summarizes the loss and LAE reserve activities of White Mountains' insurance and reinsurance subsidiaries for the years ended December 31, 2002, 2001 and 2000:

Millions	Year Ended December 31, 2002	2001	2000
Gross beginning balance	$ 9,527.6	$ 1,556.3	$ 851.0
Less beginning reinsurance recoverable on unpaid losses	(4,203.5)	(726.5)	(169.0)
Net loss and LAE reserves	5,324.1	829.8	682.0
Loss and LAE reserves acquired - Imperial	11.0	–	–
Loss and LAE reserves acquired - Fund American Re [1]	17.5	4.4	–
Loss and LAE reserves acquired - OneBeacon [1]	–	4,394.4	–
Loss and LAE reserves acquired - C-F [1]	–	2.3	–
Loss and LAE reserves transferred [2]	(22.4)	(22.2)	(270.6)
Loss and LAE reserves acquired - PCA [1]	–	–	253.8
Loss and LAE reserves acquired - Risk Capital Operations [1]	–	–	312.6
Losses and LAE incurred relating to:			
Current year losses	2,548.2	2,390.6	264.1
Prior year losses	90.0	103.3	23.6
Total incurred losses and LAE	2,638.2	2,493.9	287.7
Accretion of fair value adjustment to loss and LAE reserves	79.8	56.0	–
Loss and LAE paid relating to:			
Current year losses	(1,072.9)	(1,093.4)	(16.0)
Prior year losses	(2,171.9)	(1,341.1)	(419.7)
Total loss and LAE payments	(3,244.8)	(2,434.5)	(435.7)
Net ending balance	4,803.4	5,324.1	829.8
Plus ending reinsurance recoverable on unpaid losses	4,071.9	4,203.5	726.5
Gross ending balance	$ 8,875.3	$ 9,527.6	$ 1,556.3

(1) Reinsurance recoverables on unpaid losses acquired in the OneBeacon, Fund American Re, Risk Capital Operations, PCA and USF Re acquisitions were $1,969.8 million, $21.0 million, $59.1 million, $153.3 million and $21.8 million, respectively.

(2) Represents $22.2 million and $270.6 million of loss reserves ceded to Imagine Re during 2001 and 2000, respectively. See Note 4.

Prior accident year losses of $90.0 million incurred in 2002 consisted primarily of $57.4 million recorded during the fourth quarter of 2002 at OneBeacon, $17.0 million recorded at Folksamerica, $10.5 million recorded at Fund American Re and $5.1 million recorded at White Mountains' other insurance subsidiaries.

OneBeacon's prior year development was comprised of a $97.4 million increase related to accident years 2000 and prior, while reserves for accident year 2001 were reduced by $40.0 million. Reserve increases for 2000 and prior accident years primarily relate to increases in reserves for workers compensation coverages reduced by decreases in reserves for unallocated LAE. Workers compensation reserves for accident years 2000 and prior increased $155.3 million (on reserves as of December 31, 2001 of $1.2 billion). These reserve increases related primarily to a continuing unfavorable trend of increases in workers compensation medical claims and indemnity costs. Based on a study provided by the NCCI, workers compensation medical claims costs rose an average of 14% during 2002, compared with an average of 12% during 2001. Average workers compensation indemnity costs rose 11% during 2002 compared with an increase of 9% during 2001. Decreases in reserves for unallocated LAE resulted from completion of an activity-based-cost study which indicated future claim servicing costs were less than originally projected. This decrease primarily related to multiple peril and general liability coverages. The reduction in reserves for accident year 2001 was due in large part to favorable development on property losses from the Attacks.

The prior year development at Folksamerica consisted primarily of (i) additional losses of $9.7 million relating to the Attacks, (ii) additional losses of $7.3 million from aviation insurance coverage, in relation to the Risk Capital business, (iii) reserve additions relating to asbestos and environmental losses of $11.4 million, (iv) $3.5 million of adverse development relating to the remaining business from the USF Re acquisition, offset by (v) $17.0 million of net income recorded during the first quarter relating to the reversal of an allowance for doubtful reinsurance recoveries related to

PCA. These losses, with exception of the those relating to the Attacks, are covered under the Imagine Cover, and were partially offset by amortization of the deferred gain related to retroactive reinsurance.

Included in the prior accident year losses of $103.3 million incurred in 2001 was $64.6 million recorded at OneBeacon. OneBeacon's increases in net reserves related to long-tail lines of business, primarily for accident years 1998 through 2000. Reserve increases before recoveries under the GRC Cover were $205.4 million for workers compensation (on reserves as of December 31, 2000 of $998.2 million), $34.0 million for general liability (on reserves as of December 31, 2000 of $1.2 billion), $152.2 million for multiple peril (on reserves as of December 31, 2000 of $1.3 billion) and $58.9 million for commercial automobile liability (on reserves as of December 31, 2000 of $676.1 million).

Prior accident year losses reported in 2001 also included $22.2 million in reserve increases recorded by Folksamerica on business ceded under the Imagine Cover during the 2000 fourth quarter - See Note 4 for details of this agreement. Because the Imagine Cover was retroactive, the offsetting benefit (reinsurance recoverable) of $22.2 million has been deferred and is being recognized into underwriting income over the expected settlement period of the underlying claims. An additional $16.5 million in prior accident year losses incurred in 2001 were primarily due to higher than expected reported losses in Folksamerica's property excess line.

Incurred losses for the year ended December 31, 2000 related to prior accident years of $23.6 million were principally from the portfolios acquired with USF Re and Risk Capital. In connection with the USF Re acquisition, Folksamerica issued the USF Re Seller Note for $20.8 million under which Folksamerica was not required to repay the loan should loss and LAE acquired in the acquisition develop adversely. In response to adverse development experienced on reserves acquired in the USF Re acquisition, the USF Re Seller Note was reduced by $6.8 million during the year ended December 31, 2000.

In connection with purchase accounting for the Acquisition, White Mountains was required to adjust to fair value OneBeacon's loss and LAE reserves and the related reinsurance recoverables by $646.9 million and $346.9 million, respectively, on OneBeacon's acquired balance sheet. This reduction to net loss and LAE reserves of $300.0 million is being accreted through an income statement charge over the period that the claims are expected to be settled. As a result, White Mountains recognized $79.8 million and $56.0 million of accretion to loss and LAE reserves during 2002 and 2001, respectively. White Mountains will accrete the remaining $164.2 million over the future periods in which the claims are settled, which is expected to be seven or eight years from the Acquisition.

The fair values of OneBeacon's loss and LAE reserves and related reinsurance recoverables acquired on June 1, 2001 were based on the present value of their expected cash flows with consideration for the uncertainty inherent in both the timing of, and the ultimate amount of, future payments for losses and receipts of amounts recoverable from reinsurers. In estimating fair value, management adjusted OneBeacon's nominal loss reserves (net of the effects of reinsurance obtained from the NICO Cover and the GRC Cover) and discounted them to their present value using an applicable risk-free discount rate. The series of future cash flows related to such loss payments and reinsurance recoveries were developed using OneBeacon's historical loss data. The resulting discount was reduced by the "price" for bearing the uncertainty inherent in OneBeacon's net loss reserves in order to estimate fair value. This was assumed to be approximately 11% of the present value of the expected underlying cash flows of the loss reserves and reinsurance recoverables, which is believed to be reflective of the cost OneBeacon would incur if it had attempted to reinsure the full amount of its net loss and LAE reserves with a third party reinsurer.

Asbestos and environmental loss and loss adjustment expense reserve activity

White Mountains' reserves include provisions made for claims that assert damages from A&E related exposures. Asbestos claims relate primarily to injuries asserted by those who came in contact with asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up costs obligations, particularly as mandated by federal and state environmental protection agencies. In addition to the factors described above regarding the reserving process, White Mountains estimates it's A&E reserves based upon, among other factors, facts surrounding reported cases and exposures to claims, such as policy limits and deductibles, current law, past and projected claim activity and past settlement values for similar claims, as well as analysis of industry studies and events, such as recent settlements and asbestos-related bankruptcies.

Immediately prior to the Acquisition, Aviva caused OneBeacon to purchase a reinsurance contract with NICO for a premium of $1.3 billion under which OneBeacon is entitled to recover from NICO up to $2.5 billion in the future for asbestos claims arising from business written by OneBeacon in 1992 and prior, environmental claims arising from business written by OneBeacon in 1987 and prior, and certain other exposures. Under the terms of the NICO Cover, NICO receives the economic benefit of reinsurance recoverables from certain of OneBeacon's third party reinsurers in existence at the time the NICO Cover was executed ("Third Party Recoverables"). As a result, the Third Party Recoverables serve to protect the $2.5 billion limit of NICO coverage for the benefit of OneBeacon. Third Party Recoverables are typically for the amount of loss in excess of a stated level each year. Of claim payments in the past 11 years, approximately 58% of asbestos losses and 40% of environmental losses have been recovered under the historical third party reinsurance.

White Mountains estimates that on an incurred basis it has exhausted approximately $1,771 million of the coverage provided by NICO at December 31, 2002. Approximately $419 million of the estimated $1,771 million of incurred losses have been paid by NICO through December 31, 2002. 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 $729 million protection remaining under the NICO Cover.

White Mountains' reserves for A&E losses at December 31, 2002 represent management's best estimate of its ultimate liability based on information currently available. However, as case law expands, medical and clean-up costs increase and industry settlement practices change, OneBeacon may be subject to asbestos and environmental losses beyond currently estimated amounts. White Mountains cannot reasonably estimate at the present time loss reserve additions arising from any such future unfavorable developments and cannot be sure that allocated loss reserves, plus the remaining capacity under the NICO Cover, will be sufficient to cover additional liability arising from any such unfavorable developments.

The following tables summarize reported asbestos and environmental loss and LAE reserve activities (gross and net of reinsurance) for OneBeacon for the periods ended December 31, 2002 and 2001 and for the Reinsurance Segment and White Mountains' other operations, consisting of American Centennial and British Insurance Company, for the years ended December 31, 2002, 2001 and 2000, respectively. OneBeacon's loss and LAE activity has been presented for the periods subsequent to the Acquisition.

OneBeacon

Net Asbestos and Environmental Loss Reserve Activity (in millions)	Period Ended December 31, 2002 Gross	2002 Net	2001 Gross	2001 Net
Asbestos:				
Beginning balance	$ 1,194.8	$ 5.8	$ 222.0	$ 6.9
Incurred losses and LAE	–	–	1,050.0	–
Paid losses and LAE	(57.8)	(4.5)	(77.2)	(1.1)
Ending balance	1,137.0	1.3	1,194.8	5.8
Environmental:				
Beginning balance	749.8	18.4	779.7	25.4
Incurred losses and LAE	–	–	–	–
Paid losses and LAE	(48.5)	(6.4)	(29.9)	(7.0)
Ending balance	701.3	12.0	749.8	18.4
Total asbestos and environmental:				
Beginning balance	1,944.6	24.2	1,001.7	32.3
Incurred losses and LAE	–	–	1,050.0	–
Paid losses and LAE	(106.3)	(10.9)	(107.1)	(8.1)
Ending balance	$ 1,838.3	$ 13.3	$ 1,944.6	$ 24.2

Reinsurance Segment

Net Asbestos and Environmental Loss Reserve Activity (in millions)	Year Ended December 31, 2002 Gross	2002 Net	2001 Gross	2001 Net	2000 Gross	2000 Net
Asbestos:						
Beginning balance	$ 46.2	$ 34.1	$ 51.4	$ 36.6	$ 53.2	$ 37.1
Incurred losses and LAE	9.5	6.4	6.0	4.9	3.0	3.8
Paid losses and LAE	(5.9)	(1.7)	(11.2)	(7.4)	(4.8)	(4.3)
Ending balance	49.8	38.8	46.2	34.1	51.4	36.6
Environmental:						
Beginning balance	30.8	17.4	30.8	17.6	26.7	16.8
Incurred losses and LAE	5.1	4.4	2.4	2.6	7.2	2.7
Paid losses and LAE	(6.4)	(5.0)	(2.4)	(2.8)	(3.1)	(1.9)
Ending balance	29.5	16.8	30.8	17.4	30.8	17.6
Total asbestos and environmental:						
Beginning balance	77.0	51.5	82.2	54.2	81.0	53.9
Incurred losses and LAE	14.6	10.8	8.4	7.5	11.0	6.5
Paid losses and LAE	(12.3)	(6.7)	(13.6)	(10.2)	(7.8)	(6.2)
Ending balance	$ 79.3	$ 55.6	$ 77.0	$ 51.5	$ 84.2	$ 54.2

Other operations

Net Asbestos and Environmental Loss Reserve Activity[1] (in millions)	Year Ended December 31,					
	2002		2001		2000	
	Gross	Net	Gross	Net	Gross	Net
Asbestos:						
Beginning balance	$ 23.0	$ 21.9	$ 17.4	$ 16.2	$ 18.9	$ 17.7
Incurred losses and LAE	10.2	10.1	8.5	7.9	1.7	1.6
Paid losses and LAE	(3.8)	(3.6)	(2.9)	(2.2)	(3.2)	(3.1)
Ending balance	29.4	28.4	23.0	21.9	17.4	16.2
Environmental:						
Beginning balance	8.2	7.8	9.7	9.0	10.3	9.7
Incurred losses and LAE	(1.5)	(1.3)	(1.1)	(.9)	1.5	1.4
Paid losses and LAE	(.7)	(.7)	(.4)	(.3)	(2.1)	(2.1)
Ending balance	6.0	5.8	8.2	7.8	9.7	9.0
Total asbestos and environmental:						
Beginning balance	31.2	29.7	27.1	25.2	29.2	27.4
Incurred losses and LAE	8.7	8.8	7.4	7.0	3.2	3.0
Paid losses and LAE	(4.5)	(4.3)	(3.3)	(2.5)	(5.3)	(5.2)
Ending balance	$ 35.4	$ 34.2	$ 31.2	$ 29.7	$ 27.1	$ 25.2

(1) The asbestos and environmental reserve activity for White Mountains' other operations is comprised of American Centennial and British Insurance Company, two insurance subsidiaries that have been in run-off since 1985. The majority of the A&E reserves from other operations are recorded at American Centennial. At December 31, 2002, American Centennial had 29 open asbestos and environmental claims of which 16 were asbestos related claims and 13 were environmental related claims.

NOTE 4. Third Party Reinsurance

In the normal course of business, White Mountains' insurance and reinsurance subsidiaries 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 even if the reinsurer does not honor its obligations under reinsurance contracts. The effects of reinsurance on White Mountains' insurance and reinsurance subsidiaries' written and earned premiums and on loss and LAE were as follows:

Year ended December 31, 2002 Millions	OneBeacon[1]	Folksamerica	Other Insurance Operations	Total
Gross written premiums:				
Direct	$ 2,782.6	$ 7.2	$ 34.9	$ 2,824.7
Assumed	569.0	958.1	69.8	1,596.9
Ceded	(828.8)	(286.6)	(12.7)	(1,128.1)
Net written premiums	$ 2,522.8	$ 678.7	$ 92.0	$ 3,293.5
Gross earned premiums:				
Direct	$ 3,181.8	$ 7.2	$ 34.8	$ 3,223.8
Assumed	504.6	901.1	62.0	1,467.7
Ceded	(815.5)	(287.8)	(11.8)	(1,115.1)
Net earned premiums	$ 2,870.9	$ 620.5	$ 85.0	$ 3,576.4
Losses and LAE:				
Direct	$ 2,405.5	$ (27.7)	$ 31.1	$ 2,408.9
Assumed	389.0	589.5	51.2	1,029.7
Ceded	(663.2)	(129.9)	(7.3)	(800.4)
Net losses and LAE	$ 2,131.3	$ 431.9	$ 75.0	$ 2,638.2

Year ended December 31, 2001 Millions	OneBeacon	Folksamerica	Other Insurance Operations	Total
Gross written premiums:				
Direct	$ 2,104.6	$ 6.0	$ 32.0	$ 2,142.6
Assumed	174.7	636.4	1.3	812.4
Ceded	(401.1)	(183.5)	(5.0)	(589.6)
Net written premiums	$ 1,878.2	$ 458.9	$ 28.3	**$ 2,365.4**
Gross earned premiums:				
Direct	$ 2,374.2	$ 6.0	$ 30.7	$ 2,410.9
Assumed	64.2	648.8	–	713.0
Ceded	(230.2)	(233.3)	(4.3)	(467.8)
Net earned premiums	$ 2,208.2	$ 421.5	$ 26.4	**$ 2,656.1**
Losses and LAE:				
Direct	$ 3,379.5	$ (5.4)	$ 21.8	$ 3,395.9
Assumed	68.6	661.5	15.5	745.6
Ceded	(1,374.3)	(271.1)	(2.2)	(1,647.6)
Net losses and LAE	$ 2,073.8	$ 385.0	$ 35.1	**$ 2,493.9**

Year ended December 31, 2000 Millions	OneBeacon	Folksamerica	Other Insurance Operations	Total
Gross written premiums:				
Direct	$ –	$ 6.3	$ 25.9	$ 32.2
Assumed	–	484.7	–	484.7
Ceded	–	(158.4)	(3.3)	(161.7)
Net written premiums	$ –	$ 332.6	$ 22.6	$ 355.2
Gross earned premiums:				
Direct	$ –	$ 4.1	$ 28.4	$ 32.5
Assumed	–	476.1	.4	476.5
Ceded	–	(167.7)	(6.9)	(174.6)
Net earned premiums	$ –	$ 312.5	$ 21.9	$ 334.4
Losses and LAE:				
Direct	$ –	$ (.6)	$ 20.6	$ 20.0
Assumed	–	468.5	.3	468.8
Ceded	–	(197.1)	(4.0)	(201.1)
Net losses and LAE	$ –	$ 270.8	$ 16.9	$ 287.7

(1) Assumed amounts relate to business assumed under the Renewal Rights Agreement.

OneBeacon

In the ordinary course of its business, OneBeacon purchases reinsurance from high-quality, highly rated third party reinsurers in order to provide diversification of its business and minimize loss from large risks or catastrophic events.

The timing and size of catastrophe losses are unpredictable and the level of losses experienced in any year could be material to OneBeacon's operating results and financial position. Examples of catastrophes include losses caused by earthquakes, wildfires, hurricanes and other types of storms and terrorist acts. The extent of losses caused by catastrophes is both a function of the amount and type of insured exposure in an area affected by the event and the severity of the event. OneBeacon continually assesses and implements programs to manage its exposure to catastrophe losses through individual risk selection, by limiting its concentration of insurance written in catastrophe-prone areas, such as coastal regions. OneBeacon's largest single natural catastrophe risk is a Northeast windstorm.

OneBeacon seeks to further reduce its exposure to catastrophe losses through the purchase of catastrophe reinsurance. OneBeacon uses PML forecasting to quantify its exposure to catastrophic losses. PML is a statistical

modeling technique that measures a company's catastrophic exposure as the maximum probable loss in a given time period.

As a result of the Attacks, OneBeacon incurred approximately $75.0 million of pretax loss and LAE net of reinsurance, or approximately $248.0 million gross of reinsurance. In light of the Attacks, OneBeacon has sought to mitigate the risk associated with any future terrorist attacks by seeking to exclude coverage for such losses from their policies.

On November 26, 2002, President Bush signed the Terrorism Act, which established a federal "backstop" for commercial property and casualty losses, including workers compensation, resulting from acts of terrorism by or on behalf of any foreign person or foreign interest. The Terrorism Act requires primary commercial insurers to make terrorism coverage available immediately and provides Federal protection above individual company retention and aggregate industry retention levels. OneBeacon estimates its individual retention level under the Terrorism Act to be approximately $100 million in 2003. Aggregate industry retention levels are $10.0 billion from the date the Terrorism Act was enacted through December 31, 2003, $12.5 billion for 2004 and $15.0 billion for 2005. The Federal government will pay 90% of covered terrorism losses that exceed either OneBeacon's or the industry's retention levels, up to $100.0 billion. The Terrorism Act is in effect until December 31, 2004, at which time certain members of the U.S. government have the authority to renew it for another year. Should the Terrorism Act be renewed on December 31, 2004, it will expire on December 31, 2005.

OneBeacon's 2002 catastrophe reinsurance program was through a group of reinsurers, with a $125.0 million retention for losses resulting from any single catastrophe. Property catastrophe losses from a single event in excess of $125.0 million and up to $200.0 million were reinsured for 75% of the loss. Property catastrophe losses from a single event in excess of $200.0 million and up to $750.0 million were reinsured for 95% of the loss. The 2002 catastrophe program was developed based on OneBeacon's exposure to a one-in-250 year Northeast windstorm.

When evaluating its catastrophe reinsurance program for 2003, OneBeacon determined that its exposure to risks resulting from a catastrophic Northeast windstorm are mitigated in the early part of calendar years due to the seasonality of such storms. Accordingly, for the first four months of 2003, OneBeacon entered into a catastrophe reinsurance program under which (1) the first $125.0 million of losses resulting from any single catastrophe are retained by OneBeacon and (2) property catastrophe losses from a single event in excess of $125.0 million and up to $325.0 million are reinsured for 99% of the loss. Effective May 1, 2003, OneBeacon intends to enter into a property catastrophe cover that is consistent with the coverage provided by its 2002 catastrophe reinsurance program.

OneBeacon's property catastrophe reinsurance program does not cover personal or commercial property losses resulting from nuclear, biological or chemical terrorist attacks or from "certified" events as defined under the Terrorism Act. The program covers personal property losses resulting from other types of terrorist attacks and commercial property losses from other types of domestic terrorist attacks. As a result, OneBeacon does not have reinsurance protection under either the Terrorism Act or its catastrophe reinsurance program for personal property losses resulting from a nuclear, biological or chemical attack. In the event of a catastrophe, OneBeacon can reinstate its property catastrophe reinsurance program for the remainder of the original contract term by paying a reinstatement premium which is based on the product of the percentage of coverage reinstated and its original property catastrophe coverage premium. OneBeacon also maintains a casualty reinsurance program which provides protection for catastrophe losses involving worker's compensation, general liability or automobile liability in excess of $5.0 million up to $60.0 million. This program provides one full $55.0 million limit for either "certified" or "non-certified" terrorism losses but does not provide for losses resulting from nuclear, biological or chemical attacks. OneBeacon also purchases reinsurance coverage for certain risks at levels below $125.0 million, on either a facultative or treaty basis, where it deems appropriate.

In connection with the Acquisition, OneBeacon obtained the NICO Cover under which OneBeacon is entitled to recover up to $2.5 billion in ultimate losses and LAE incurred related to asbestos claims arising from business written by OneBeacon prior to 1992, environmental claims arising from business written by OneBeacon prior to 1987 and certain other exposures. See Note 3 for a description of the NICO Cover.

Also in connection with the Acquisition, OneBeacon obtained the GRC Cover which provided up to $570.0 million of reinsurance protection, consisting of $400.0 million of adverse development coverage on losses occurring in years 2000 and prior, in addition to $170.0 million of reserves ceded as of the date of the Acquisition. 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 has recorded $531.7 million in recoverables due from

GRC at December 31, 2002 and December 31, 2001. OneBeacon will only seek reimbursement from GRC for claims which result in payment patterns similar to those supporting its recoverables recorded pursuant to the GRC Cover.

At December 31, 2002, OneBeacon had $77.9 million of reinsurance currently recoverable on paid losses and $3,560.6 million that will become recoverable if claims are paid in accordance with current reserve estimates. Because reinsurance contracts do not relieve OneBeacon of its primary obligation to its policyholders, the financial position and solvency of OneBeacon's reinsurers is critical to the collectibility of its reinsurance coverages. OneBeacon is selective with regard to its reinsurers, placing reinsurance with only those reinsurers having strong financial strength ratings. OneBeacon monitors the financial strength of its reinsurers on an ongoing basis. As a result, uncollectible amounts have not historically been significant. Excluding industry pools and associations of $376.2 million, which are not rated by A.M. Best, 96% of OneBeacon's total reinsurance recoverables at December 31, 2002 were with reinsurers that had an A.M. Best rating of "A-" (Excellent, the fourth highest of fifteen ratings) or better. The following table provides a listing of OneBeacon's top reinsurers, excluding industry pools and associations, based upon recoverable amounts, the percentage of total reinsurance recoverables and the reinsurer's A.M. Best rating.

Top Reinsurers ($ in millions)	Balance at December 31, 2002	% of Total	A.M. Best Rating[3]
Subsidiaries of Berkshire (NICO and GRC)	$ 2,585.1	71%	A++
Liberty Mutual and subsidiaries [1]	273.8	8	A
Tokio Fire and Marine Insurance Company	67.1	2	A++
American Re-Insurance Company	47.0	1	A+
Aviva plc and its affiliates [2]	34.9	1	not rated

(1) At December 31, 2002, OneBeacon had assumed balances payable and expenses payable of approximately $266.9 million under the Renewal Rights Agreement. In the event of Liberty Mutual's insolvency, OneBeacon has the right to offset these balances against its reinsurance recoverable due from Liberty Mutual.

(2) Represents non-U.S. insurance entities whose balance is fully collateralized through funds held, letters of credit and/or trust agreements.

(3) 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).

Folksamerica

Folksamerica has exposure to losses caused by hurricanes, earthquakes, winter storms, windstorms, terrorist acts and other catastrophic events. In the normal course of business, Folksamerica seeks to reduce the risk of loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance and reinsurance enterprises and by closely monitoring aggregate property exposures and related PMLs. To manage and analyze aggregate exposures and PML, Folksamerica utilizes a variety of tools and analyses, including catastrophe modeling software packages. Folksamerica regularly assesses its concentration of underwriting exposures in catastrophe prone areas and develops strategies to manage this exposure, primarily through limiting accumulation of exposure to acceptable levels and the purchase of catastrophe reinsurance. Folksamerica's current catastrophe protection program includes $35.0 million of protection in excess of a $60.0 million retention for a second loss. The current program also includes coverage of $15.0 million in excess of a $5.0 million retention for Folksamerica's proportional property portfolio. Each of the above contracts are 100% placed with a single, top quality reinsurer and have reinstatement provisions whereby, in the event of one loss, the coverage is reinstated for additional premium. Folksamerica's reinsurance program also includes annual aggregate stop loss protection from London Life, which protects the Company's accident year loss ratio from the effect of a very large catastrophic event or a number of smaller events. Folksamerica's limit of coverage under its accident year 2002 contract with London Life was $50.0 million, attaching at a 78% loss ratio. All balances due from London Life are fully collateralized, either in the form of funds held or a letter of credit.

In 2000, Folksamerica purchased the Imagine Cover to reduce its statutory operating leverage and protect its surplus from adverse development relating to A&E exposures as well as the reserves assumed in several recent acquisitions. Specifically, the Imagine Cover provided an aggregate of $115.0 million in reinsurance protection on:

- adverse development on loss and LAE reserves as of December 31, 2000 from the USF Re acquisition and as of September 30, 2000 from the Risk Capital acquisition;

- adverse development on Folksamerica's A&E reserves as of December 31, 2000; and
- losses, LAE and acquisition expenses incurred in excess of premiums earned after September 30, 2000 on underwriting year 2000 and prior Risk Capital contracts.

In accordance with SFAS No. 113, amounts related to reserves transferred to Imagine for liabilities incurred as a result of past insurable events have been accounted for as retroactive reinsurance. At December 31, 2002 and 2001, Folksamerica's reinsurance recoverables included $381.2 million and $442.3 million, respectively, recorded under the Imagine Cover. All balances due from Imagine are fully collateralized, either with Folksamerica as the beneficiary of invested assets in a trust, with funds held, or through a letter of credit. As of December 31, 2002, there was approximately $9.9 million of coverage remaining under this contract. At December 31, 2002 and 2001, Folksamerica had also recorded $53.9 million and $40.0 million in deferred gains, respectively, related to adverse development on loss reserves transferred to Imagine at the inception of the Imagine Cover. Folksamerica is recognizing these deferred gains into income over the expected settlement period of the underlying claims, and accordingly recognized $8.5 million and $2.8 million of such deferred gains during 2002 and 2001.

Folksamerica has a quota share retrocessional arrangement with Olympus which is designed to increase Folksamerica's capacity to capitalize on the improved pricing trends which accelerated after the Attacks and to reduce its potential loss exposure to any large, or series of smaller, property catastrophe events. Olympus is a Bermuda-domiciled insurance and reinsurance company that was formed in December 2001 with an initial capitalization of more than $500.0 million to respond to the favorable underwriting and pricing environment in the reinsurance market. Olympus is rated "A-" (Excellent, the fourth highest of fifteen ratings) by A.M. Best. Under the quota share treaty with Olympus, Folksamerica cedes 75% of its short-tailed excess of loss business, mainly property and marine, to Olympus and receives an override commission on the premiums ceded to Olympus. During 2002, Folksamerica received $17.1 million in override and profit commissions from Olympus.

At December 31, 2002, Folksamerica had $67.9 million of reinsurance currently recoverable on paid losses and $807.1 million that will become recoverable if claims are paid in accordance with current reserve estimates. Because reinsurance contracts do not relieve Folksamerica of its obligation to its ceding companies, the financial position and solvency of Folksamerica's reinsurers is critical to the collectibility of its reinsurance coverages. Folksamerica is selective with regard to its reinsurers, placing reinsurance with only those reinsurers having strong financial strength ratings. Folksamerica monitors the financial strength of its reinsurers on an ongoing basis. The following table provides a listing of Folksamerica's top reinsurers based upon recoverable amounts, the percentage of total recoverables and the reinsurer's A.M. Best Rating.

Top Reinsurers ($ in millions)	Balance at December 31, 2002	% of Total	A.M. Best Rating[2]
Imagine Re [1]	$381.2	42%	A-
London Life [1]	135.4	15	A
Olympus [1]	45.5	5	A-
GRC and affiliates	34.9	4	A++
Federal Insurance Company	34.6	4	A++

(1) Represents non-U.S. insurance entities which balances are fully collateralized through Funds Held, Letters of Credit or Trust Agreements.
(2) A.M. Best ratings as detailed above are: A++ (Superior, which is the highest of fifteen ratings), A (Excellent, which is the third highest of fifteen ratings) and A- (Excellent, which is the fourth highest of fifteen ratings).

NOTE 5. Investment Securities

White Mountains' net investment income is comprised primarily of interest income associated with the fixed maturity investments of its consolidated insurance and reinsurance operations, dividend income from its equity investments and interest income from its short-term investments. Net investment income for 2002, 2001 and 2000 consisted of the following:

	Year Ended December 31,		
Millions	2002	2001	2000
Investment income:			
Fixed maturity investments	$ 332.7	$276.1	$ 63.1
Short-term investments	19.3	12.2	19.9
Common equity securities	6.6	4.7	2.8
Other	11.8	.8	.7
Total investment income	370.4	293.8	86.5
Less investment expenses and other charges	(17.7)	(9.3)	(.6)
Net investment income, before tax	$ 352.7	$284.5	$ 85.9

The composition of realized investment gains (losses) for investments sold consisted of the following:

	Year Ended December 31,		
Millions	2002	2001	2000
Fixed maturity investments	$ 156.0	$170.4	$ (9.2)
Common equity securities	(3.0)	10.3	(4.7)
Other investments	3.0	(7.6)	5.1
Net realized investment gains (losses), before tax	156.0	173.1	(8.8)
Income taxes attributable to realized investment gains and losses	(33.1)	(55.1)	4.2
Net realized investment gains (losses), after-tax	$ 122.9	$118.0	$ (4.6)

White Mountains recognized gross realized investment gains of $265.2 million, $290.8 million and $22.3 million and gross realized investment losses of $109.2 million, $117.7 million and $31.1 million on sales of investment securities during 2002, 2001 and 2000, respectively.

In 2001, the Company received warrants to acquire 4,781,572 common shares of Montpelier at $16.67 per share (as adjusted for stock splits) that are exercisable until December 2011. White Mountains' investment in the Montpelier warrants constitutes a derivative security under SFAS No. 133, thereby requiring the instruments to be recorded at fair value with the resulting gain or loss recognized currently through the income statement as a realized investment gain. In accordance with SFAS No. 133, White Mountains has determined the fair value of the Montpelier warrants to be $58.0 million as of December 31, 2002 and has correspondingly recognized a realized investment gain of $58.0 million for the year ended December 31, 2002.

Net realized investment gains were reduced by mark-to-market realized losses of $47.4 million and $4.8 million for the years ended December 31, 2002 and 2001, respectively in connection with White Mountains' interest rate swap agreements, which were undertaken to achieve a fixed interest rate on the Bank Facility.

Temporary losses on investment securities are recorded as unrealized losses. Temporary losses do not impact net income and earnings per common share but do reduce comprehensive net income, shareholders' equity and tangible book value. Unrealized losses subsequently identified as other-than-temporary impairments are recorded as realized losses. Other-than-temporary impairments previously recorded as unrealized losses do not impact comprehensive net income, shareholders' equity and tangible book value but do reduce net income and earnings per common share.

White Mountains' methodology of assessing other-than-temporary impairments is based on security-specific facts, circumstances and intentions as of the balance sheet date. During the year ended December 31, 2002, White Mountains experienced $9.6 million in pre-tax other-than-temporary impairment charges. Of the charge recorded in 2002, $4.9 million was related to White Mountains' investment in Insurance Partners and $3.5 million was related to White Mountains' investment in the Conning Connecticut Insurance Fund. Both of these investments are limited

partnerships carried in other investments. White Mountains did not experience any other material impairment charges relating to any other individual investment security during the three years ended December 31, 2002.

The components of White Mountains' change in unrealized investment gains, after-tax, as recorded on the statements of income and comprehensive income were as follows:

	Year Ended December 31,		
Millions	2002	2001	2000
Net change in pretax unrealized gains for investment securities held	$ 453.2	$ (13.9)	$ 65.1
Net change in pretax unrealized gains from investments in unconsolidated affiliates held	9.3	.3	6.2
Net change in pretax unrealized investment gains for investments held	462.5	(13.6)	71.3
Income taxes attributable to investments held	(160.7)	9.1	(15.0)
Net change in unrealized gains for investments held, after-tax	301.8	(4.5)	56.3
Recognition of pretax net unrealized gains for investments sold	(144.8)	(46.3)	(23.7)
Income taxes attributable to investments sold	49.8	10.3	7.8
Recognition of net unrealized gains for investments sold, after-tax	(95.0)	(36.0)	(15.9)
Change in net unrealized investment gains, after-tax	206.8	(40.5)	40.4
Net realized investment gains (losses), after-tax	122.9	118.0	(4.6)
Total investment gains recorded during the period, after-tax	$ 329.7	$ 77.5	$ 35.8

The components of White Mountains' ending net unrealized investment gains and losses on its investment portfolio and its investments in unconsolidated insurance affiliates were as follows:

	December 31,	
Millions	2002	2001
Investment securities:		
Gross unrealized investment gains	$ 354.9	$ 108.4
Gross unrealized investment losses	(48.2)	(110.1)
Net unrealized gains (losses) from investment securities	306.7	(1.7)
Net unrealized gains from investments in unconsolidated insurance affiliates.	12.5	3.2
Total net unrealized investment gains, before tax	319.2	1.5
Income taxes attributable to such gains	(105.4)	5.6
Total net unrealized investment gains, after-tax	$ 213.8	$ 7.1

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains' fixed maturity investments as of December 31, 2002 and 2001, were as follows:

	December 31, 2002			
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
U.S. Government obligations	$ 2,052.4	$ 66.4	$ –	$ 2,118.8
Debt securities issued by industrial corporations	3,120.0	171.8	(3.7)	3,288.1
Municipal obligations	62.7	4.4	–	67.1
Asset-backed securities	892.0	9.3	(0.3)	901.0
Foreign government obligations	90.8	3.0	(0.1)	93.7
Preferred stocks	189.6	28.0	(17.2)	200.4
Total fixed maturity investments	$6,407.5	$ 282.9	$ (21.3)	$6,669.1

Millions	December 31, 2001 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
U.S. Government obligations	$ 1,846.0	$ 18.7	$ (17.7)	$ 1,847.0
Debt securities issued by industrial corporations	3,512.5	12.7	(54.3)	3,470.9
Municipal obligations	69.1	1.5	(.3)	70.3
Asset-backed securities	468.0	4.2	(1.7)	470.5
Foreign government obligations	66.3	1.1	(.4)	67.0
Preferred stocks	194.6	30.0	(22.0)	202.6
Total fixed maturity investments	$ 6,156.5	$ 68.2	$(96.4)	$ 6,128.3

The cost or amortized cost and carrying value of White Mountains' fixed maturity investments at December 31, 2002 is presented below by contractual maturity. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

Millions	December 31, 2002 Cost or amortized cost	Carrying value
Due in one year or less	$ 408.6	$ 412.3
Due after one year through five years	2,793.3	2,917.0
Due after five years through ten years	1,846.0	1,945.1
Due after ten years	278.0	293.3
Asset-backed securities	892.0	901.0
Preferred stocks	189.6	200.4
Total	$ 6,407.5	$ 6,669.1

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains' common equity securities and other investments as of December 31, 2002 and 2001, were as follows:

Millions	December 31, 2002 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Common equity securities	$252.3	$ 43.7	$ (21.0)	$275.0
Other investments	$142.3	$ 28.3	$ (5.9)	$164.7

Millions	December 31, 2001 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Common equity securities	$ 155.1	$ 26.0	$ (7.5)	$ 173.6
Other investments	$ 150.0	$ 14.2	$(6.2)	$ 158.0

White Mountains' consolidated insurance and reinsurance operations are required to maintain deposits with certain insurance regulatory agencies in order to maintain their insurance licenses. The fair value of such deposits totalled $552.2 million and $510.1 million as of December 31, 2002 and 2001, respectively.

Sales and maturities of investments, excluding short-term investments, totalled $14,042.2 million, $8,971.6 million and $582.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. There were no non-cash exchanges or involuntary sales of investment securities during 2002, 2001 or 2000.

OneBeacon participates in a securities lending program whereby it loans investment securities to other institutions for short periods of time. OneBeacon receives a fee from the borrower in return for the use of its assets. OneBeacon's policy is to require collateral equal to approximately 102% of the fair value of the loaned securities, which is held by a third party. All securities loaned can be redeemed on short notice. The total market value of OneBeacon's securities on loan at December 31, 2002 was $1,211.1 million with corresponding collateral of $1,232.8 million.

NOTE 6. Debt

Debt outstanding as of December 31, 2002 and 2001 consisted of the following:

Millions	December 31, 2002	2001
Bank Facility:		
Revolving loan	$ 125.0	$ 125.0
Tranche A term loan	85.0	300.0
Tranche B term loan	393.0	400.0
Tranche C term loan	143.4	–
Total Bank Facility	746.4	825.0
Seller Note	–	260.0
C-F seller note	25.0	25.0
Fund III notes	15.0	7.0
Other Debt	6.8	8.4
Total debt	$ 793.2	$ 1,125.4

A schedule of contractual repayments of White Mountains' debt as of December 31, 2002 follows:

Millions	December 31, 2002
Due in one year or less	$ 33.4
Due in 2 to 3 years	90.5
Due in four to five years	669.3
Due after five years	–
Total	$ 793.2

At December 31, 2002 the Company had $33.4 million of debt outstanding due within one year, consisting of $28.3 million of term loans under the Bank Facility and $5.1 million of medium term notes.

Bank Facility

General

In connection with the Acquisition, Fund American, a wholly-owned subsidiary of the Company, borrowed $825.0 million under the Bank Facility, which is comprised of two term loan facilities and a revolving credit facility. On October 31, 2002, Fund American completed an amendment of the Bank Facility, which included the issuance of a new $143.8 million Tranche C term loan that was utilized to refinance a portion of the existing $228.8 million Tranche A term loan. The new Tranche C term loan has nominal amortization until its final maturity in March 2007. The refinancing reduced the amount of quarterly amortization payments Fund American must make over the next four years (see amortization table below). The applicable eurodollar rate margin on the new Tranche C term loan is 87.5 basis points higher than the margin on the existing Tranche A term loan, and the applicable eurodollar rate margin on the existing and otherwise unchanged Tranche B term loan was increased by 12.5 basis points. The revolving credit facility provides for revolving credit loans of up to $175.0 million, including up to $25.0 million available for the issuance of letters of credit. The revolving credit facility expires on June 1, 2006. As of December 31, 2002, $50.0 million was available under the revolving credit facility.

Repayments and Prepayments

The Tranche A, Tranche B and Tranche C term loans are repaid quarterly in amounts equal to a specified percentage rate multiplied by the principal amount borrowed. The term loans may be prepaid at any time without premium or penalty.

The credit facilities are subject to mandatory prepayments with (i) 50% of the net proceeds in excess of $5.0 million from certain equity issuances by subsidiaries of White Mountains and (ii) 100% of the net proceeds in excess of $10.0 million from certain asset sales.

The following table illustrates the amortization of the Bank Facility, both before and after giving effect to the refinancing (in millions):

Year Ended	Original Bank Facility			After the Refinancing				Annual Change
	Tranche A	Tranche B	Total	Tranche A	Tranche B	Tranche C	Total	
2002[1]	$ 13.1	$ 1.0	$ 14.1	$ –	$ 1.0	$ .4	$ 1.4	$ (12.7)
2003	58.1	4.0	62.1	22.9	4.0	1.4	28.3	(33.8)
2004	65.6	4.0	69.6	25.9	4.0	1.4	31.3	(38.3)
2005	73.2	4.0	77.2	28.8	4.0	1.4	34.2	(43.0)
2006	18.8	4.0	22.8	7.4	4.0	1.4	12.8	(10.0)
2007	–	377.0	377.0	–	377.0	137.8	514.8	137.8
Total	$ 228.8	$ 394.0	$ 622.8	$ 85.0	$ 394.0	$ 143.8	$ 622.8	$ –

(1) The $1.4 million amortization payment for 2002 was made by the Company on December 30, 2002. It is included in the above table to fully reflect the net change in the amortization as a result of the refinancing of the Bank Facility.

Interest Rate and Related Swaps

As of December 31, 2002, interest on all borrowings under the Bank Facility was calculated at a rate per annum equal to the eurodollar rate (the rate based on a formula relating to the rate for dollar deposits in the interbank eurodollar market for a given interest period) plus (i) 2.125%, for borrowings under the revolving credit facility and the Tranche A term loan, and (ii) 3.0%, for borrowings under the Tranche B and Tranche C term loans. As of December 31, 2002, the weighted average interest rate for the $621.4 million outstanding under the term portion and $78.6 million of the revolving portion of the Bank Facility, after giving effect to the interest rate swaps described below, was approximately 7.13%. As of December 31, 2002, the interest rate on the remaining $46.4 million outstanding under the revolving portion of the Bank Facility was based on the eurodollar rate in effect at that time plus 2.125%, or 3.525%.

During 2001, Fund American entered into a series of interest rate swaps with large financial institutions that were undertaken to achieve a fixed interest rate on the term loans under the Bank Facility. The interest rate swaps consist of a $200.0 million notional contract that is indexed to a 6.050% ten-year rate, a $200.0 million notional contract that is indexed to a 3.955% three-year rate, and $300.0 million of notional contracts that are indexed to a 3.825% three-year rate.

The swap investments do not match the duration of the Bank Facility and as a result do not satisfy the criteria for hedge accounting under SFAS No. 133. Pursuant to SFAS No. 133, the interest rate swaps are carried at fair value on White Mountains' balance sheet as other invested assets, with changes in their fair value reported directly through the income statement as realized gains or losses. For the years ended December 31, 2002 and 2001, White Mountains recorded realized losses of $47.4 million and $4.8 million, respectively, representing the decrease in fair value of the swap investments as a result of decreases in market interest rates. As of December 31, 2002 and 2001, the aggregate fair value of the interest rate swaps was a net liability of $52.2 million and $4.8 million.

Guarantees

The obligations of Fund American with respect to the Bank Facility are unconditionally guaranteed by OneBeacon, each of its subsidiaries (other than insurance company subsidiaries, certain foreign subsidiaries, and Dewar) and FAEH, a wholly owned subsidiary of White Mountains and immediate parent company of Fund American.

The obligations of Fund American and each guarantor with respect to the Bank Facility are secured by a perfected first priority security interest in all their assets including the capital stock of their non-insurance company subsidiaries (other than Dewar) and each of their first-tier insurance company subsidiaries.

Certain Covenants

The Bank Facility contains various affirmative, negative and financial covenants which are customary for such borrowings and include requirements to meet certain minimum net worth and financial ratio standards. Failure to meet one or more of these covenants could result in an event of default which ultimately could accelerate required principal repayments. In connection with the amendment, certain financial and other covenants that currently govern the Bank Facility were relaxed or eliminated, thereby increasing the Company's operational and financial flexibility. At December 31, 2002, Fund American was in compliance with all of the covenants under the Bank Facility, and anticipates it will continue to meet the financial covenants under the Bank Facility for the foreseeable future.

Events of Default

The Bank Facility contains customary events of default including payment defaults, breaches of representations and warranties, covenant defaults, cross-default to certain other indebtedness, bankruptcy and insolvency events, ERISA violations, material judgments, invalidity of any guarantee or security document and a change of control.

Other Debt

On June 1, 2001, White Mountains issued the Seller Note of $260.0 million to Aviva. The Seller Note had an eighteen-month term and bore interest at a rate equal to 50 basis points over the rate on White Mountains' Bank Facility. The Seller Note was repaid on November 29, 2002.

In September 2001, Folksamerica acquired C-F, an inactive insurance company in run-off, for total consideration of $49.2 million plus related expenses. The purchase consideration included the issuance of a $25.0 million, four-year note by Folksamerica which may be reduced by adverse loss development experienced by C-F post-acquisition.

OBPP and FSUI have borrowed $8.0 million and $7.0 million, respectively, from Fund III in connection with an incentive program sponsored by the State of Connecticut known as the Connecticut Insurance Reinvestment Act. The loans mature in April 2007 and bear interest at the option of OBPP and FSUI at either (1) the greater of (a) the prime rate minus 1% and (b) the federal funds rate minus 0.50% or (2) the eurodollar rate plus 0.325%.

White Mountains' other debt of $6.8 million at December 31, 2002 consisted of $5.1 million in medium term notes, that the Company has prepaid through the Debt Escrow, and $1.7 million outstanding under a seller note issued in connection with Fund American Re's 2001 acquisition of Folksam's international reinsurance business. The Fund American Re seller note contains an acquisition protection clause whereby the amount due under the note may be reduced by post-acquisition adverse loss development.

Interest

Total interest expense incurred by White Mountains for its indebtedness was $71.8 million, $45.7 million and $16.1 million in 2002, 2001 and 2000, respectively. Total interest paid by White Mountains for its indebtedness was $79.8 million, $35.0 million and $16.1 million in 2002, 2001 and 2000, respectively.

NOTE 7. Income Taxes

The Company is domiciled in Bermuda and has subsidiaries domiciled in several countries. The majority of the Company's worldwide operations are taxed in the United States. Income earned or losses incurred by non-U.S. companies will generally be subject to an overall effective tax rate lower than that imposed by the United States.

The total income tax provision (benefit) consisted of the following:

Millions	Year Ended December 31, 2002	2001	2000
U.S. income tax provision (benefit)	$ 4.7	$ (180.3)	$ 38.6
State and local income tax provision	–	2.0	1.7
U.S. withholding tax and foreign income tax provision (benefit)	7.0	(.9)	2.8
Total income tax provision (benefit)	$ 11.7	$ (179.2)	$ 43.1
Net income tax receipts (payments)	$ 189.6	$ (8.4)	$ (54.5)
Income taxes recorded directly to shareholders' equity related to:			
Changes in net unrealized investment gains and losses	$ (111.0)	$ 19.4	$ (7.2)
Changes in net foreign currency translation gains and losses	$ (.5)	$ .8	$ .4

The components of the income tax provision (benefit) on pretax earnings follow:

Millions	Year Ended December 31, 2002	2001	2000
Current	$ (152.2)	$ 11.7	$ 58.2
Deferred	163.9	(190.9)	(15.1)
Total income tax provision (benefit) on pretax earnings	$ 11.7	$ (179.2)	$ 43.1

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes. Deferred income tax assets and liabilities are shown net in circumstances where a consolidated income tax return is filed. An outline of the significant components of White Mountains' deferred tax assets and liabilities follows:

Millions	December 31, 2002	2001
Deferred income tax assets related to:		
Net operating loss and tax credit carryforwards	$ 192.4	$ 363.2
Discounting of loss reserves	134.0	122.8
Compensation and benefit accruals	128.2	121.0
Unearned insurance and reinsurance premiums	90.0	114.5
Involuntary pool and guaranty fund accruals	35.3	51.3
Fixed assets	34.3	43.5
Allowance for doubtful accounts	26.7	35.0
Deferred gain on reinsurance contract	23.2	16.3
Other items	47.2	48.0
Total deferred income tax assets	$ 711.3	$ 915.6
Deferred income tax liabilities related to:		
Net unrealized investment gains	105.4	3.3
Deferred acquisition costs	84.8	107.0
Receivable from trust	26.8	24.1
Prepaid pension cost	13.7	18.9
Other items	20.6	10.9
Total deferred income tax liabilities	251.3	164.2
Net deferred tax assets before valuation allowance	460.0	751.4
Valuation allowance	(30.0)	(55.0)
Net deferred tax assets	$ 430.0	$ 696.4

The Company believes that it is more likely than not that results of future operations will generate sufficient taxable income to realize the deferred tax asset balances carried as of December 31, 2002 and 2001. During 2002, the valuation allowance was reduced by $25.0 million. Approximately $10.0 million of this reduction was related to deferred tax assets which will be fully realized. The remaining $15.0 million was offset against previously recorded deferred tax assets. The valuation allowance at December 31, 2002 reflects management's assessment that it is more likely than not that the benefit related to certain foreign tax credit carryforwards may not be realized before expiration of the carryforward period.

A reconciliation of taxes calculated using the 35% U.S. statutory rate (the tax rate at which the majority of the Company's worldwide operations are taxed) to the income tax provision on pretax earnings follows:

	Year Ended December 31,		
Millions	2002	2001	2000
Tax (benefit) provision at the U.S. statutory rate	$ 41.8	$ (149.6)	$ 125.3
Differences in taxes resulting from:			
Deferred credit amortization and purchase price adjustments	(7.0)	(23.8)	(6.3)
Tax reserve adjustments	15.4	5.1	5.5
State income taxes, net	–	1.3	1.2
Non-U.S. net earnings	(34.2)	(.3)	(88.6)
U.S. income tax incurred upon the Redomestication	–	–	11.0
Tax exempt interest and dividends	(4.5)	(4.5)	(3.9)
Foreign and withholding taxes	7.0	(.9)	2.8
Change in valuation allowance	(10.0)	–	–
Non deductible interest expense	4.3	3.6	–
Other, net	(1.1)	(10.1)	(3.9)
Total income tax (benefit) provision on pretax earnings	$ 11.7	$ (179.2)	$ 43.1

The non-U.S. component of pretax earnings was $97.8 million, $.8 million and $401.3 million for the years ended December 31, 2002, 2001 and 2000, respectively.

During 2000, the Company released a $95.0 million tax reserve relating to its 1991 sale of Fireman's Fund.

At December 31, 2002, there were net operating loss carryforwards of approximately $380.3 million available, the majority of which will expire in 2020. Certain of these tax losses are subject to an annual limitation on utilization under Internal Revenue Code Section 382.

At December 31, 2002, there were foreign tax credit carryforwards and alternative minimum tax credit carryforwards available of approximately $45.0 million and $14.4 million, respectively. The foreign tax credits expire in 2003 to 2005. The alternative minimum tax credits do not expire.

The U.S. federal income tax returns of the U.S. Companies are routinely audited by taxing authorities. In management's opinion, adequate tax liabilities have been established for all open tax years.

NOTE 8. Retirement and Postretirement Plans

Certain subsidiaries of the Company offer various retirement and postretirement benefits to its employees. Under the terms of these plans, White Mountains reserves the right to change, modify or discontinue the plans. Prior to the purchase of OneBeacon, the cost associated with retirement and postretirement benefits was not material to White Mountains' financial statements.

Certain subsidiaries of the Company sponsor qualified and non-qualified, non-contributory, defined benefit plans covering substantially all employees. The benefits for the plans are based primarily on years of service and employees' pay near retirement. Participants generally vest after five years of continuous service. White Mountains' funding policy is consistent with the funding requirements of federal laws and regulations.

In addition to the defined benefit plans, certain of the Company's subsidiaries have multiple contributory postretirement benefit plans which provide medical and life insurance benefits to pensioners and survivors. White Mountains' funding policy is to make contributions to the plan that are necessary to cover its current obligations.

The majority of OneBeacon's pension and retiree medical plans were curtailed in the fourth quarter of 2002. The OneBeacon Insurance Pension Plan will no longer add new participants or increase benefits for existing participants. Non-vested participants already in the plan will continue to vest during their employment with OneBeacon, this effectively causes the projected benefit obligation to equal the accumulated benefit obligation. Retirees are also eligible for medical benefits if they meet certain age and service requirements. However, due to the curtailment, the plan will no longer accept new retirees after a grace period ending May 31, 2003. The majority of retiree medical costs are capped at defined dollar amounts, with retirees contributing the remainder.

Effective January 1, 2003, OneBeacon adopted an employee stock ownership plan, which is a OneBeacon-funded, qualified retirement plan. This new plan provides current and future employees alternative retirement benefits since the freeze of the OneBeacon Insurance Pension Plan at December 31, 2002.

The following table sets forth (i) the change in the benefit obligation, (ii) the change in the fair value of plan assets, (iii) the resulting funded status reconciled with amounts reported in White Mountains' consolidated financial statements, and (iv) the weighted average assumptions associated with the various pension plan and postretirement benefits as of December 31, 2002 and 2001:

	December 31, 2002 [1],[2]		December 31, 2001	
Millions	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Benefit obligation at beginning of year	$ 605.1	$ 136.6	$ 34.2	$ –
Benefit obligation in respect of companies acquired	–	–	552.3	137.6
Service cost	14.6	1.8	13.0	2.1
Interest cost	36.3	8.3	24.4	5.6
Curtailment	(64.1)	(30.5)	(15.1)	(15.7)
Plan amendments	.1	(41.6)	15.1	–
Actuarial (gain) loss	(12.0)	–	11.6	11.4
Liability net loss	1.1	4.7	–	–
Benefits and expenses paid, net of participant contributions	(86.5)	(9.3)	(30.4)	(4.4)
Benefit obligation at end of year	**$ 494.6**	**$ 70.0**	$ 605.1	$ 136.6
Fair value of plan assets at beginning of year	$ 551.6	$ –	$ 34.0	$ –
Fair value of plan assets in respect of companies acquired	–	–	540.0	–
Actual return on plan assets	11.6	–	5.5	–
Employer contributions	6.0	9.4	2.5	4.4
Benefits and expenses paid, net of participant contributions	(98.1)	(9.4)	(30.4)	(4.4)
Fair value of plan assets at end of year	**$ 471.1**	**$ –**	$ 551.6	$ –
Funded status at end of year	$ (23.5)	$ (70.0)	$ (53.5)	$ (136.6)
Unrecognized actuarial loss	7.4	–	20.4	11.4
Unrecognized net loss	4.3	–	–	–
Unrecognized prior service cost	–	(41.1)	16.2	–
Net liability at end of year	**$ (11.8)**	**$ (111.1)**	$ (16.9)	$ (125.2)
Weighted average assumptions:				
Effective discount rate	6.5%	6.5%	6.5%	6.5%
Expected return on plan assets	7.0%	–	7.5%	–
Rate of compensation increase	0.3%	–	4.1%	–

(1) Effective December 31, 2002, the participants' benefits in the OneBeacon Insurance Pension Plan were frozen. The benefit cessation resulted in a reduction in the projected benefit obligation at December 31, 2002 of $61.0 million, of which $20.7 million was recognized as a curtailment gain.

(2) During 2002, OneBeacon made several design changes to its post-retirement benefit plan including reducing the Company's share of retiree health costs and eliminating the subsidy for the majority of future retirees. As a result, the Company recorded $14.4 million in curtailment gains.

The components of net pension costs were as follows:

Millions	December 31, 2002 Pension Benefits	December 31, 2002 Other Postretirement Benefits	December 31, 2001 Pension Benefits	December 31, 2001 Other Postretirement Benefits
Service cost	$ 14.6	$ 1.8	$ 13.0	$ 2.1
Interest cost	36.3	8.3	24.4	5.6
Expected return on plan assets	(38.4)	–	(31.4)	–
Amortization of prior service cost	1.5	(.5)	.1	–
Recognized actuarial loss	.1	.1	–	–
Net periodic pension cost before settlements, curtailments and special termination benefits	14.1	9.7	6.1	7.7
Settlement expense	3.5	–	–	–
Curtailment gain	(20.7)	(14.4)	–	–
Special termination benefits expense	3.4	–	–	–
Net periodic pension cost (income)	$ .3	$ (4.7)	$ 6.1	$ 7.7

The funded status of the consolidated pension plans is ($23.5) million, of which $3.9 million relates to the qualified pension plans and ($27.2) million is related to the non-qualified plan which is unfunded.

For measurement purposes, a 9.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. The rate was assumed to decrease gradually to 5% over a five year period and remain constant thereafter.

A one percent change in assumed health care cost trend rates would have the following pre-tax effects:

Millions	One Percent Increase	One Percent Decrease
Effect on total service and interest cost components	$ .1	$ (.1)
Effect on postretirement benefit obligation	1.1	(1.0)

Certain of the Company's subsidiaries sponsor various employee savings plans (defined contribution plans) covering the majority of employees. The contributory plans provide qualifying employees with matching contributions of up to six percent of qualifying employees' salary (subject to federal limits on allowable contributions in a given year). Total expense for the plans was $7.4 million, $9.6 million and $1.5 million in 2002, 2001 and 2000, respectively.

OneBeacon had a post-employment benefit liability of $14.1 million and $16.6 million related to its long-term disability plan at December 31, 2002 and 2001, respectively.

NOTE 9. Employee Share-Based Compensation Plans

White Mountains' share-based compensation expenses, consisting primarily of performance share expense, are designed to maximize shareholder value over long periods of time by aligning the financial interests of its management with those of its owners. The Board believes that share-based compensation for its key employees should be payable in full only if the Company achieves superior returns for its owners. Performance shares are payable upon achievement of pre-defined business goals and are valued based on the market value of Common Shares at the time awards are earned. Performance shares are typically paid in cash, though they may be paid in Common Shares at the election of the Board. The target of White Mountains' performance share programs is linked to achievement of an overall annualized return of at least equal to the market yield available from a ten-year U.S. Treasury note plus 700 basis points at the time of grant. White Mountains expenses all its share-based compensation, including its outstanding Options. As a result, the Company's calculation of return includes the full expense of all outstanding share-based compensation awards.

White Mountains' Long-Term Incentive Plan (the "Incentive Plan")

The Incentive Plan provides for granting to certain officers of the Company, and certain of its subsidiaries, various types of share-based incentive awards including performance shares, Restricted Shares and Options. The Incentive Plan was adopted by the Board and was approved by the Company's sole shareholder in 1985 and was subsequently amended by its shareholders in 1995 and 2001.

Performance Shares. Performance shares are conditional grants of a specified maximum number of Common Shares or an equivalent amount of cash. Grants are generally earned, subject to the attainment of pre-specified performance goals (which bear the cost of all projected compensation awards), at the end of a three-year period or as otherwise determined by the Compensation Committee of the Board. Results that significantly exceed pre-specified targets can result in a performance share payout of up to 200% of value whereas results significantly less than target result in no payout. For the three-year performance periods beginning 2002, 2001 and 2000, White Mountains granted a total of 66,000, 84,600 and 39,500 performance shares, respectively, under the Incentive Plan. During 2002, White Mountains paid a total of 31,300 performance shares (relating to the 1999-2001 performance period) at a 200% value to its participants in cash, Common Shares or by deferral into certain non-qualified compensation plans of the Company or its subsidiaries. Performance shares paid during 1999 included 43,250 performance shares paid early relating to the 1998-2000 performance period and 40,300 performance shares paid early relating to the 1997-1999 performance period.

The targeted performance goal for full payment of performance shares granted during 2002 is the attainment of a 12% annual after-tax return on equity (as specifically defined by the Company's Compensation Committee) which would result in such performance shares being fully earned. With respect to 50% of the 2002 performance shares granted to certain participants, target performance is the attainment of a 12% after-tax return. The remaining 50% is based on the attainment of a Trade Ratio of 102% on OneBeacon's core insurance operations. With respect to 50% of the 2002 performance shares granted to certain other participants, target performance is the attainment of a 12% after-tax return with the remaining 50% based on the attainment of a return on invested assets of 150 basis points over the applicable return on the ten-year U.S. treasury rate. At a return on invested assets of 5% or less, no such performance shares would be earned and at a return on invested assets of 8% or more, 200% of such performance shares would be earned.

The targeted performance goal for full payment of performance shares granted during 2001 is the attainment of a 12.1% annual after-tax return which would result in such performance shares being fully earned. With respect to 50% of the 2001 performance shares granted to certain participants, target performance is the attainment of a 12.1% after-tax return with the remaining 50% based on the attainment of a Trade Ratio of 105% on OneBeacon's core insurance operations. With respect to 50% of the 2001 performance shares granted to certain other participants, target performance is the attainment of a 12.1% after-tax return with the remaining 50% based on the attainment of a return on invested assets of 100 basis points over the applicable return on the two-year U.S. treasury bill.

The targeted performance goal for full payment of performance shares granted during 2000 is the attainment of a 13% annual after-tax return which would result in such performance shares being fully earned.

Restricted Shares. In 2001, the Compensation Committee made an award of Restricted Shares to key officers of the Company. Pursuant to the Incentive Plan, White Mountains issued 94,500 Restricted Shares, of which 250 were vested in December, 2002 and 73,500 vest in June 2003. In addition, during 2002 the Company repurchased 20,750 outstanding Restricted Shares held by certain key employees and said employees were instead granted an equivalent value in various non-qualified deferred compensation plans of the Company and its subsidiaries. Vesting of Restricted Share awards is dependent on continuous service by the employee throughout the award period. There are no other restrictions on the Restricted Shares once they have become fully vested. No Restricted Shares were awarded during 2002.

Options. At December 31, 2002 and 2001, the Company had outstanding 61,965 Options (10,305 of which were exercisable) and 80,665 Options (15,865 of which were exercisable). These Options were issued in 2000 to certain key employees as a one-time incentive and vest ratably over a ten-year period. The Options had a weighted average exercise price of $125.31 and $118.22 per Common Share at December 31, 2002 and 2001. During 2002 and 2001, 11,500 and 335 Options were exercised at an exercise price of $120.55 and $118.15 per Common Share. During 2002, 7,200 Options were forfeited.

OneBeacon Performance Plan

OneBeacon's Performance Plan (the "Performance Plan") provides for granting of performance shares to certain key employees of OneBeacon. The performance goals for full payment of performance shares issued under the Performance Plan are similar to those of the Incentive Plan. The Performance Plan was approved by the Board but was not subject to shareholder approval.

As of December 31, 2002, there were 130,724 performance shares outstanding under the Performance Plan with respect to the 2001-2003 performance period and there were 170,853 performance shares outstanding with respect to the 2002-2004 performance period. No performance shares were paid during 2001 or 2002 under the Performance Plan.

Other Share-Based Compensation

The defined contribution plans of OneBeacon and Folksamerica (the "401(k) Plans") offer its participants the ability to invest their balances in several different investment options, including the Company's Common Shares. As of December 31, 2002 and 2001, the 401(k) Plans owned less than 1% of the total Common Shares outstanding. In connection with the Acquisition, during 2001 eligible OneBeacon employees received a one-time contribution of two Common Shares which resulted in the issuance of 11,980 Common Shares.

NOTE 10. Minority Interest - Mandatorily Redeemable Preferred Stock of Subsidiaries and Convertible Preference Shares

Berkshire Preferred Stock

On June 1, 2001, Berkshire purchased for $225.0 million, $300.0 million in face value of cumulative non-voting preferred stock of a subsidiary of the Company. The Berkshire Preferred Stock is entitled to a dividend of no less than 2.35% per quarter and is mandatorily redeemable after seven years. During 2002 and 2001, White Mountains declared and paid dividends of $28.2 million and $16.4 million, respectively, on the Berkshire Preferred Stock and recorded $10.6 million and $5.1 million, respectively, of related accretion charges (See Note 2).

Zenith Preferred Stock

On June 1, 2001, Zenith purchased $20.0 million in cumulative non-voting preferred stock of a subsidiary of the Company. The Zenith Preferred Stock is entitled to a dividend of no less than a 2.5% per quarter through June 30, 2007 and a dividend of no less than 3.5% per quarter thereafter and is mandatorily redeemable after ten years. During 2002 and 2001, White Mountains declared and paid dividends of $2.1 million and $1.7 million, respectively, on the Zenith Preferred Stock.

Convertible Preference Shares

On October 24, 2002, investment funds managed by Franklin Mutual Advisers, LLC, existing shareholders of White Mountains, purchased 677,966 convertible preference shares of the Company at a price of $200.0 million ($295.00 per share), which had the effect of increasing the Franklin Mutual-managed investment funds' ownership in White Mountains from 12% to 17% on a fully converted basis. The convertible preference shares bear an annual dividend of $2.95 per share, payable in installments on June 30 and December 31, and will be repurchased and cancelled by the Company in consideration of 677,966 Common Shares upon approval by shareholders. White Mountains intends to seek shareholder approval at its 2003 Annual Meeting. If shareholder approval has not been obtained prior to March 31, 2005, each holder of convertible preference shares will thereafter have the right to require the Company to repurchase for cash the convertible preference shares on an "as converted" basis at the then-current market price of a Common Share. This requires the convertible preference shares to be marked-to-market, (i.e., redemption value) until they are converted to shareholders' equity. This resulted in a $19.0 million charge to retained earnings during 2002, with an offsetting increase to paid-in surplus. During 2002, White Mountains declared and paid dividends of $.4 million on the convertible preference shares.

On June 1, 2001, a small group of private investors purchased 2,184,583 convertible preference shares. Upon approval by shareholders at the 2001 Annual Meeting, the convertible preference shares were repurchased and cancelled in consideration of 2,184,583 Common Shares. This required the convertible preference shares to be marked-to-market, (i.e., redemption value) until the date the convertible preference shares were converted to shareholders' equity, which occurred on August 23, 2001. This resulted in a $305.1 million charge to retained earnings,

with an offsetting increase to paid-in surplus. During 2001, the Company declared and paid dividends of $.3 million on the convertible preference shares.

NOTE 11. Common Shareholders' Equity

Common Shares repurchased and retired

During 2002, 2001 and 2000 the Company repurchased for cash 489 Common Shares for $.2 million, 6,000 Common Shares for $1.9 million and 65,838 Common Shares for $8.3 million, respectively. In addition, during 2002 the Company repurchased 20,750 outstanding Restricted Shares held by certain key employees and said employees were instead granted the market value of such Shares in various non-qualified deferred compensation plans of the Company and its subsidiaries (See Note 9). In conformance with Bermuda law, the Company retires all Common Shares it repurchases.

Common Shares issued

During 2002, the Company issued a total of 107,945 Common Shares, which consisted of 84,745 Common Shares issued in a private equity transaction with Highfields Capital Management LP and 23,200 Common Shares issued to employees in connection with various White Mountains share-based compensation plans. During 2001, the Company issued a total of 2,390,566 Common Shares which consisted of 2,184,583 Common Shares issued in connection with the repurchase and cancellation of the Convertible Preference Shares, 86,385 Common Shares issued in connection with the purchase of the Folksam net assets, 94,500 Restricted Shares issued to key employees and 25,098 Common Shares issued to employees in connection with various White Mountains share-based compensation plans. No Common Shares were issued during 2000.

Dividends on Common Shares

During 2002, 2001 and 2000, the Company declared and paid cash dividends totalling $8.3 million (or $1.00 per Common Share), $5.9 million (or $1.00 per Common Share) and $7.1 million (or $1.20 per Common Share), respectively.

Warrants to acquire Common Shares

On June 1, 2001, Berkshire purchased the Warrants from the Company for $75.0 million in cash entitling it to acquire 1,714,285 Common Shares at an exercise price of $175.00 per Common Share. The Warrants have a term of seven years from the date of issuance although the Company has the right to call the Warrants for $60.0 million in cash commencing on the fourth anniversary of their issuance. See Note 2. As a result of White Mountains' private equity issuances in the fourth quarter of 2002, customary anti-dilution provisions applicable to the Warrants increased the number of Common Shares purchasable on exercise of the Warrants to 1,724,200 and decreased the exercise price per Common Share of the Warrants to $173.99.

NOTE 12. Statutory Capital and Surplus

White Mountains' insurance and reinsurance operations are subject to regulation and supervision in each of the jurisdictions where they are domiciled and licensed to conduct business. Generally, regulatory authorities have broad supervisory and administrative powers over such matters as licenses, standards of solvency, premium rates, policy forms, investments, security deposits, methods of accounting, form and content of financial statements, reserves for unpaid loss and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, periodic examinations and annual and other report filings. In general, such regulation is for the protection of policyholders rather than shareholders. Over the last several years most states have implemented laws that establish standards for current, as well as continued, state accreditation. In addition, the NAIC uses risk-based capital ("RBC") standards for property and casualty companies as a means of monitoring certain aspects affecting the overall financial condition of insurance companies. At December 31, 2002, White Mountains' active insurance and reinsurance subsidiaries met their respective RBC requirements.

OneBeacon's consolidated combined policyholders' surplus (which includes Folksamerica and its subsidiaries), as reported to various regulatory authorities as of December 31, 2002 and 2001, was $2,640.9 million and $2,406.5 million,

respectively. OneBeacon's consolidated combined statutory net income (loss) for the years ended December 31, 2002 and 2001 was $280.5 million and $(408.4) million, respectively. The principal differences between OneBeacon's combined statutory amounts and the amounts reported in accordance with GAAP include deferred acquisition costs, gains recognized under retroactive reinsurance contracts, market value adjustments for debt securities and recognition of pension plan curtailment gains. OneBeacon's insurance subsidiaries' statutory policyholders' surplus at December 31, 2002 was in excess of the minimum requirements of relevant state insurance regulations.

Folksamerica Reinsurance Company's policyholders' surplus, as reported to various regulatory authorities as of December 31, 2002 and 2001, was $857.1 million and $804.8 million, respectively. Folksamerica Reinsurance Company's statutory net income (loss) for the years ended December 31, 2002, 2001 and 2000 was $58.2 million, $(35.3) million and $(20.0) million, respectively. The principal differences between Folksamerica Reinsurance Company's statutory amounts and the amounts reported in accordance with GAAP include deferred acquisition costs, gains recognized under retroactive reinsurance contracts and market value adjustments for debt securities. Folksamerica Reinsurance Company's statutory policyholders' surplus at December 31, 2002 was in excess of the minimum requirements of relevant state insurance regulations.

Under the insurance laws of the states under which OneBeacon's insurance subsidiaries are domiciled, OneBeacon's insurance subsidiaries may pay dividends only from unassigned funds as determined on a statutory basis. Generally, the maximum amount of cash dividends that OneBeacon's insurance subsidiaries may pay out of their statutory earned surplus without prior regulatory approval in any twelve month period is the greater of the company's prior year statutory net income or 10% of prior year end statutory surplus. Accordingly, there is no assurance that dividends may be paid by OneBeacon's insurance subsidiaries in the future. At December 31, 2002, OneBeacon's first tier insurance subsidiaries had the ability to pay dividends to their parent holding company of $261.5 million in 2003 without prior approval of regulatory authorities.

NOTE 13. Segment Information

White Mountains has determined that its reportable segments include "OneBeacon" (consisting solely of the operations of OneBeacon), "Reinsurance" (consisting of Folksamerica, Fund American Re, WMU and White Mountains' investment in Montpelier) and "Other Operations" (consisting of Peninsula, American Centennial, British Insurance Company, Esurance, the operations of the Company and the Company's intermediate subsidiary holding companies).

White Mountains has made its segment determination based on consideration of the following criteria: (i) the nature of the business activities of each of the Company's subsidiaries and affiliates; (ii) the manner in which the Company's subsidiaries and affiliates are organized; (iii) the existence of primary managers responsible for specific subsidiaries and affiliates; and (iv) the organization of information provided to the Board. There are no significant intercompany transactions among White Mountains' segments other than occasional intercompany sales and transfers of investment securities (gains and losses resulting from such transfers have been eliminated herein).

Certain amounts in the prior periods have been reclassified to conform with the current presentation. Selected financial information for White Mountains' segments follows:

Millions	OneBeacon	Reinsurance	Other Operations	Total
Year ended December 31, 2002				
Earned insurance and reinsurance premiums	$ 2,870.9	$ 675.8	$ 29.7	$ 3,576.4
Net investment income	300.7	52.7	(.7)	352.7
Net realized gains (losses)	113.0	88.3	(45.3)	156.0
Other revenue	1.0	53.6	45.7	100.3
Total revenues	$ 3,285.6	$ 870.4	$ 29.4	$ 4,185.4
Pretax earnings (loss)	$ 200.3	$ 165.5	$ (246.4)	$ 119.4
Income tax (provision) benefit	(66.7)	(21.8)	76.8	(11.7)
Accretion and dividends on preferred stock of subsidiaries	–	–	(40.9)	(40.9)
Equity in earnings (loss) of unconsolidated affiliates	(5.9)	19.9	–	14.0
Net income (loss) from continuing operations	$ 127.7	$ 163.6	$ (210.5)	$ 80.8
Year ended December 31, 2001				
Earned insurance and reinsurance premiums	$ 2,208.2	$ 421.5	$ 26.4	$ 2,656.1
Net investment income	228.4	46.1	10.0	284.5
Net realized gains (losses)	183.1	23.9	(33.9)	173.1
Amortization of deferred credits and other revenue	–	17.3	103.4	120.7
Total revenues	$ 2,619.7	$ 508.8	$ 105.9	$ 3,234.4
Pretax loss	$ (265.8)	$ (46.1)	$ (115.6)	$ (427.5)
Income tax benefit	111.8	19.4	48.0	179.2
Accretion and dividends on preferred stock of subsidiaries	–	–	(23.2)	(23.2)
Equity in earnings (loss) of unconsolidated affiliates	(.2)	(2.0)	2.6	.4
Net loss from continuing operations	(154.2)	(28.7)	(88.2)	(271.1)
Year ended December 31, 2000				
Earned insurance and reinsurance premiums	$ –	$ 312.5	$ 21.9	$ 334.4
Net investment income	–	57.6	28.3	85.9
Net realized gains (losses)	–	(12.3)	3.5	(8.8)
Amortization of deferred credits and other revenue	–	20.2	419.2	439.4
Total revenues	$ –	378.0	472.9	850.9
Pretax earnings (loss)	$ –	$ (29.4)	$ 387.5	$ 358.1
Income tax (provision) benefit	–	19.4	(62.5)	(43.1)
Equity in loss of unconsolidated affiliates	–	–	(2.1)	(2.1)
Net income from continuing operations	$ –	$ (10.0)	$ 322.9	$ 312.9

Ending assets				
December 31, 2002	$ 12,247.9	$ 3,621.6	$ 164.1	$ 16,033.6
December 31, 2001	13,218.6	3,394.6	(3.7)	16,609.5

The following table provides further information on OneBeacon's four underwriting sub-segments consisting of its Personal, Commercial, Specialty and Non-Core insurance products:

Twelve Months Ended December 31, 2002	OneBeacon					
Millions	Personal	Commercial	Specialty	Total Core	Non-Core	Total
Net written premiums	$ 1,092.1	$ 454.6	$ 284.1	$ 1,830.8	$ 692.0	$ 2,522.8
Earned insurance premiums	$ 1,015.5	$ 527.4	$ 253.4	$ 1,796.3	$ 1,074.6	$ 2,870.9
Loss and LAE	(714.3)	(351.9)	(143.3)	(1,209.5)	(921.8)	(2,131.3)
Insurance acquisition expenses	(160.4)	(75.2)	(67.6)	(303.2)	(325.9)	(629.1)
Other underwriting expenses	(103.5)	(72.2)	(28.2)	(203.9)	(120.0)	(323.9)
Net pre-tax underwriting gain (loss)	**$ 37.3**	**$ 28.1**	**$ 14.3**	**$ 79.7**	**$ (293.1)**	**$ (213.4)**

Seven Months Ended December 31, 2001	OneBeacon					
Millions	Personal	Commercial	Specialty	Total Core	Non-Core	Total
Net written premiums	$ 513.2	$ 358.0	$ 139.8	$ 1,011.0	$ 867.2	$ 1,878.2
Earned insurance premiums	$ 521.5	$ 427.5	$ 127.0	$ 1,076.0	$ 1,132.2	$ 2,208.2
Loss and LAE	(444.7)	(449.6)	(79.9)	(974.2)	(1,099.6)	(2,073.8)
Insurance acquisition expenses	(87.5)	(77.8)	(26.3)	(191.6)	(211.6)	(403.2)
Other underwriting expenses	(53.1)	(100.6)	(16.0)	(169.7)	(238.8)	(408.5)
Net pre-tax underwriting gain (loss)	$ (63.8)	$ (200.5)	$ 4.8	$ (259.5)	$ (417.8)	$ (677.3)

NOTE 14. Investments in Unconsolidated Insurance Affiliates

White Mountains' investments in unconsolidated insurance affiliates represent operating investments in other insurers in which White Mountains has a significant voting and economic interest but does not own more than 50.0% of the entity. White Mountains' voting percentages and directorships in its unconsolidated affiliates do not provide White Mountains the ability to exercise significant influence over the operating and financial policies of its investees.

Investment in Montpelier

In December 2001, White Mountains, the Benfield Group plc and several other private investors established Montpelier and its wholly owned subsidiary Montpelier Re. Montpelier Re was formed with approximately $1.0 billion in capital to respond to the then current favorable underwriting and pricing environment in the reinsurance industry. Montpelier has initially focused on property reinsurance business. Montpelier Re is rated "A-" (Excellent, the fourth highest of fifteen ratings) by A.M. Best. At December 31, 2002 and 2001, as adjusted for stock splits, White Mountains' investment in Montpelier consisted of 10,800,000 common shares and warrants to acquire 4,781,572 common shares at $16.67 per share that are exercisable until December 2011. On October 9, 2002, Montpelier completed an IPO whereby it sold 10,952,600 of its common shares for total proceeds of $201.2 million. White Mountains did not acquire or sell any shares through the IPO.

Through its holdings of common shares, White Mountains owns approximately 17% of the outstanding common shares of Montpelier and accounts for this investment using the equity method. White Mountains' ownership in Montpelier when considering its warrants is approximately 21% on a fully-converted basis. White Mountains accounts for its warrants in Montpelier as derivative instruments and recognizes changes in the fair value of the warrants during a given period in its income statement as a realized gain or loss. The fair value of the warrants to acquire Montpelier common stock was immaterial at December 31, 2001, as the book value of Montpelier at that time was less than the Company's exercise price. No dividends were declared or paid by Montpelier during 2002 or 2001.

The following table summarizes financial information for Montpelier for the year ended December 31, 2002 and for the approximately one-month period ended December 31, 2001:

Millions	Period ended December 31, 2002	2001
Montpelier balance sheet data:		
Total cash and investments	$ 1,581.5	$ 991.0
Premiums receivable	147.2	.1
Total assets	1,833.9	1,021.8
Unearned premium	241.0	.2
Long-term debt	150.0	150.0
Loss and LAE reserve	146.1	–
Total liabilities	581.4	161.1
Common shareholders' equity	1,252.5	860.7
Montpelier income statement data:		
Net premiums written	$ 565.9	$ .2
Net premiums earned	329.9	.2
Net investment income	41.4	1.1
Loss and LAE	150.0	–
Net income	152.0	(61.6)
Comprehensive net income (loss)	185.7	(59.7)
Amounts recorded by White Mountains:		
Investment in Montpelier common shares and warrants	$ 271.8	$ 177.4
Realized investment gains on Montpelier Warrants	$ 58.0	$ –
After-tax equity in earnings from Montpelier common shares	19.9	(2.0)
Equity in net unrealized investment gains (losses) from Montpelier's investment portfolio (1)	3.7	.3
Comprehensive net income from Montpelier	$ 81.6	$ (1.7)

(1) Recorded directly to shareholders' equity (after-tax) with related changes in net unrealized investment gains and losses (after-tax) reported as a component of comprehensive net income.

Investment in MSA

At December 31, 2002, 2001 and 2000, White Mountains owned 222,093 shares of the common stock of MSA. This represented 50.0% of the total shares of MSA common stock outstanding at those times. White Mountains' investment in MSA is accounted for using the equity method. The following table provides summary financial amounts recorded by White Mountains relating to its investment in MSA common stock:

Millions	2002	2001	2000
Amounts recorded by White Mountains:			
Investment in MSA common stock (1)	$ 128.1	$ 133.7	$ 130.6
Equity in earnings (losses) from MSA common stock (2)	(5.9)	2.4	1.0
Equity in net unrealized investment gains (losses) from MSA's investment portfolio (3)	2.3	.9	6.2

(1) Includes related goodwill of $2.5 million and $3.7 million at December 31, 2001 and 2000, respectively.
(2) 2001 and 2000 recorded net of related amortization of goodwill.
(3) Recorded directly to shareholders' equity (after-tax) as a component of other comprehensive income.

At December 31, 2002 and 2001, White Mountains' consolidated retained earnings included $23.0 million and $28.9 million, respectively, of accumulated undistributed earnings of MSA (net of related amortization of goodwill). No dividends were declared or paid by MSA during 2002, 2001 and 2000.

Investment in Financial Security Assurance Holdings Ltd. ("FSA")

During 2000, White Mountains concluded the Dexia Sale, which included all its holdings of FSA at that time, for proceeds of $620.4 million and recognized a pretax gain of $391.2 million. Prior to the Dexia Sale, White Mountains owned 6,943,316 shares of FSA common stock , which represented approximately 21.2% of the total shares of FSA Common Stock outstanding at that time. White Mountains' accounted for its investment in FSA common stock using the equity method and recorded a $3.0 million loss on the equity in FSA's losses and received $1.4 million in dividends from FSA during 2000, prior to the Dexia Sale.

NOTE 15. Fair Value of Financial Instruments

SFAS No. 107, "Disclosure about Fair Value of Financial Instruments", requires disclosure of fair value information of financial instruments. For certain financial instruments where quoted market prices are not available, other independent valuation techniques and assumptions are used. Because considerable judgment is used, these estimates are not necessarily indicative of amounts that could be realized in a current market exchange. SFAS No. 107 excludes certain financial instruments from disclosure, including insurance contracts, other than financial guarantees and investment contracts. White Mountains carries its financial instruments on its balance sheet at fair value with the exception of its fixed-rate, long-term indebtedness. As of December 31, 2002 and 2001, White Mountains had fixed-rate long-term indebtedness with a carrying value of $5.1 million, which approximates its fair value.

NOTE 16. Related Party Transactions

Berkshire

NICO and GRC, which have provided the NICO Cover and the GRC Cover to subsidiaries of White Mountains, are wholly-owned subsidiaries of Berkshire (see **"Reinsurance Protection"** within the **"ONEBEACON"** section of Item 1 of this report). Through the Warrants, at December 31, 2002, Berkshire has the right to acquire 1,724,200 Common Shares at an exercise price of $173.99 per Common Share, which represented approximately 16.1% of the total outstanding Common Shares on a fully-converted basis. Reinsurance recoverable from, and preferred stock of White Mountains' subsidiaries owned by, Berkshire are shown as separate line items in White Mountains' consolidated balance sheet.

Olympus

In January 2002, Folksamerica entered into a quota share retrocessional arrangement with Olympus. Under the quota share treaty, Folksamerica cedes 75% of substantially all of its property and marine excess of loss business to Olympus. During 2002, Folksamerica ceded approximately $229.7 million in written premiums and approximately $54.4 million in losses and LAE to Olympus.

White Mountains, through either Folksamerica or WMU, receives fee income on reinsurance placements referred to Olympus and is entitled to additional fees based on net underwriting profits on referred business. During 2002, White Mountains earned $48.9 million from management and service fee revenues on business referred to Olympus.

In June 2002, OneBeacon supplemented its existing catastrophe reinsurance protection through a new contract with Folksamerica which was subsequently reinsured to Olympus through the 75% quota share retrocessional arrangement. Pursuant to the terms of this arrangement, Folksamerica and Olympus are responsible for 25% and 75%, respectively, of the first $25 million of any losses in excess of $100 million incurred by OneBeacon related to a catastrophic event. Under this arrangement, Olympus has received $2.6 million in premiums. All balances related to the Folksamerica portion of the reinsurance cover have been eliminated in consolidation.

Certain directors, officers and affiliates of White Mountains own approximately 5% of the common shares of Olympus Holdings. Mr. Joseph S. Steinberg, a director of the Company, is Chairman of Olympus Holdings. White Mountains does not have an ownership stake in Olympus Holdings.

Montpelier

In December 2001, White Mountains invested $180.0 million in Montpelier, which was formed to respond to the favorable underwriting and pricing environment in the reinsurance industry with approximately $1.0 billion of capital. As of December 31, 2002, as adjusted for stock splits, White Mountains' investment in Montpelier consisted of 10,800,000 common shares and warrants to acquire 4,781,572 common shares at $16.67 per share that are exercisable until December 6, 2011. Through its holdings of common shares and warrants, White Mountains owns approximately 21% of Montpelier on a fully-converted basis, as adjusted for the IPO.

Four of White Mountains' directors serve on Montpelier's eleven member board of directors. John J. Byrne, Chairman of the Company, serves as Montpelier's non-executive Chairman, and Raymond Barrette, John D. Gillespie and K. Thomas Kemp serve as Directors of Montpelier. In addition, Mr. Kemp is the Chief Financial Officer of Montpelier. Certain directors, officers and affiliates of White Mountains own approximately 3% of the common shares of Montpelier.

Other relationships

Mr. Howard Clark, a Director of the Company, is Vice Chairman of Lehman. Lehman has, from time to time, provided various services to White Mountains including investment banking services, brokerage services, underwriting of debt and equity securities and financial consulting services. Lehman is the arranger, the administrative agent and a lender under the $875.0 million Bank Facility. In addition, Fund American paid Lehman approximately $1.5 million in fees related to the October 2002 refinancing of the Bank Facility. See Note 6.

Mr. George Gillespie, a Director of the Company, is a Partner at Cravath, Swaine & Moore, which has been retained by White Mountains from time to time to perform legal services.

Pursuant to an employment agreement with White Mountains, Mr. John Gillespie, a Director and Deputy Chairman of the Company and President of WM Advisors, may continue his active involvement with Prospector, so long as Mr. Gillespie devotes the requisite time required to fulfill his responsibilities to WM Advisors. The agreement specifies procedures pursuant to which Prospector's funds have the ability to invest first in opportunities appropriate for both White Mountains and such funds. Pursuant to revenue sharing agreements, Mr. Gillespie has agreed to pay White Mountains a portion of the revenues and distributions allocable to him in connection with Prospector, in return for White Mountains agreeing to pay the operational expenses of his investment management companies. At December 31, 2002, White Mountains had $64.9 million invested in funds managed by Prospector.

In September 2001, White Mountains entered into a five-year lease at a market-based rate for a building partially owned by Mr. John Gillespie and the Gillespie Trusts. For 2002, the rental payments attributable to Mr. Gillespie's ownership in the building totalled approximately $13,000 and the rental payments attributable to the Gillespie Trusts' ownership in the building totalled approximately $104,000.

Mr. John Gillespie indirectly through general and limited partnership interests holds a 44% interest in Fund III. OBPP and FSUI have borrowed approximately $8 million and $7 million, respectively, from Fund III in connection with the Act. The loans mature in April 2007 and bear interest at the option of OBPP and FSUI at either (1) the greater of (a) the prime rate minus 1% and (b) the federal funds rate minus 0.50% or (2) the eurodollar rate plus 0.325%. The Act provides for Connecticut income tax credits to be granted for qualifying investments made by approved fund managers. The loans made by Fund III to OBPP and FSUI are qualifying investments and, together, have the potential to generate up to $15 million of tax credits that would be shared equally between Fund III on the one hand and OBPP and FSUI on the other. As a result of his interest in Fund III, Mr. Gillespie could realize up to $3.3 million from the tax credits, although any such amount would be subject to the revenue sharing agreements with White Mountains described above.

Mr. Zankel is Senior Managing Member of the General Partner of High Rise Capital Advisors LLC, which is the General Partner of High Rise Partners, L.P. At December 31, 2002, White Mountains had $8.8 million in limited partnership investment interests in High Rise Partners, L.P. and White Mountains owned $36.6 million in investments that are managed by High Rise Capital Advisors LLC.

WM Advisors provides investment advisory and management services to Montpelier Re and Olympus. Montpelier Re and Olympus pay investment management fees based on month-end market values of investments held under custody to WM Advisors. The fees, which vary depending on the amount of assets under management, are between 0.15% and 0.30%. This agreement may be terminated by either party upon 30 days written notice. At December 31, 2002, WM Advisors had $1.4 billion and $653.9 million of assets under management from Montpelier Re and Olympus, respectively. During 2002, WM Advisors had received $2.1 million and $1.1 million in fees from Montpelier Re and Olympus, respectively.

NOTE 17. Commitments and Contingencies

White Mountains leases certain office space under noncancellable operating leases expiring at various dates through 2010. Rental expense for all of White Mountains' locations was approximately $25.0 million, $22.3 million and $2.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. White Mountains also has various other lease obligations which are immaterial in the aggregate.

White Mountains' future annual minimum rental payments required under noncancellable leases for office space are $35.6 million, $29.0 million, $26.7 million, $25.5 million and $46.1 million for 2003, 2004, 2005, 2006 and 2007 and thereafter, respectively.

As a condition of its license to do business in certain states, White Mountains' insurance operations are required to participate in mandatory shared market mechanisms. Each state dictates the types of insurance and the level of coverage that must be provided. The total amount of such business an insurer is required to accept is based on its market share of voluntary business in the state. In certain cases, White Mountains is obligated to write business from mandatory shared market mechanisms at some time in the future based on the market share of voluntary policies it is currently writing. Underwriting results related to assigned risk plans are typically adverse and are not subject to the predictability associated with White Mountains' voluntarily written business.

The NYAIP is a residual insurance market that obtains personal automobile insurance for those individuals who cannot otherwise obtain it in the voluntary insurance market. The NYAIP assigns such individuals to insurers to underwrite and service policies based on the proportion of the automobile insurance premiums each company voluntarily wrote in New York two years prior. The NYAIP allows insurers to either provide insurance coverage to these individuals or to transfer their NYAIP obligation to certain other insurance companies approved by the New York State Insurance Department. This latter process is referred to as a Limited Assigned Distribution ("LAD") and the companies that assume this obligation are referred to as "LAD servicing carriers". Companies who transfer their NYAIP business pay a fee to LAD servicing carriers in addition to the policy premium. To mitigate some of its NYAIP exposure, OneBeacon entered the LAD servicing business in December 2001 through the formation of its wholly owned subsidiary, General Assurance Company, which does business under the trade name "AutoOne Insurance".

Several of OneBeacon's insurance subsidiaries write voluntary automobile insurance in the state of New York. In doing so, they are obligated to accept NYAIP assignments during the next two years. At December 31, 2002 and 2001, White Mountains' liabilities for discharging its obligations associated with NYAIP assignments resulting from voluntary business written by OneBeacon in the preceding two-year periods were $103.0 million and $131.1 million, respectively. This estimate is based on projections of the total NYAIP assigned premiums over the next two years, OneBeacon's share of such assignments, fees charged by LAD servicing carriers to transfer NYAIP business and credits OneBeacon is able to generate for its own use as a result of being a LAD servicing carrier (i.e., AutoOne Insurance).

Under existing guaranty fund laws in all states, insurers licensed to do business in those states can be assessed for certain obligations of insolvent insurance companies to policyholders and claimants. In accordance with SOP 97-3, White Mountains' insurance subsidiaries record guaranty fund assessments when such assessments are billed by the respective guaranty funds. In addition, each insurance subsidiary's policy is to accrue for any significant insolvencies when the loss is probable and the assessment amount can be reasonably estimated. The actual amount of such assessments will depend upon the final outcome of rehabilitation proceedings and will be paid over several years. At December 31, 2002, the reserve for such assessments at White Mountains' insurance subsidiaries totalled $24.7 million.

White Mountains, and the insurance and reinsurance industry in general, are subject to litigation and arbitration in the normal course of its business. Other than those items listed below, White Mountains was not a party to any material litigation or arbitration other than as routinely encountered in claims activity, none of which is expected by management to have a material adverse effect on its financial condition and/or cash flows as of December 31, 2002.

On December 20, 2002, a jury in Federal District Court in Arkansas returned a verdict against OneBeacon in a case involving a claim by an insurance agent that its agency agreement had been improperly terminated in 1999. The award against OneBeacon consisted of $1.2 million in compensatory damages and $32.6 million in punitive damages. OneBeacon strongly believes there are meritorious grounds for setting aside the verdict and intends to vigorously pursue those matters with the District Court. If necessary, OneBeacon will appeal to the U.S. Court of Appeals for the Eighth Circuit.

On May 15, 2002, The Robert Plan Corporation and several of its subsidiaries filed a lawsuit against the Company, certain of its subsidiaries and several individuals employed by such subsidiaries. The suit alleges that the defendants misappropriated confidential information of the plaintiffs and used such information to enter into the New York automobile assigned risk business in direct competition with the plaintiffs. The plaintiffs seek approximately $120 million in damages which they allege represents three years of their lost profits in the subject business. The Company, its named subsidiaries and its named employees do not believe they engaged in any improper or actionable conduct. White Mountains and its subsidiaries have no reason to believe they have any liability to The Robert Plan Corporation and intend to vigorously defend the lawsuit. In addition, OneBeacon has brought a counterclaim against the plaintiffs that it believes to be meritorious. OneBeacon is seeking compensatory damages of $8.8 million as a result of the breach by the plaintiffs of the LAD servicing contract that OneBeacon had entered into with them.

In December 2001, American Centennial filed for arbitration against Gerling, a reinsurer of American Centennial, based on Gerling's failure to pay American Centennial amounts due under a reinsurance contract. At December 31, 2002, American Centennial had recorded $22.6 million in recoverables from Gerling under this reinsurance contract, of which $10.2 million is currently due. Approximately $16.7 million of this obligation is collateralized. Gerling may owe American Centennial significantly greater amounts in the future should additional losses which are covered by the reinsurance contract emerge. Gerling has requested the arbitration panel to rescind the contract as of December 31, 2000 based upon, among other things, White Mountains' acquisition of American Centennial in 1999. White Mountains, American Centennial and their counsel believe that Gerling's claims are meritless and intend to pursue collection of any and all amounts due under the Gerling reinsurance contract.

In August 2000, Aramarine, a former insurance broker of OneBeacon's, filed a lawsuit alleging that OneBeacon had wrongfully terminated its business relationship with Aramarine. The suit claims $410 million in compensatory damages for lost commissions. OneBeacon does not believe it has engaged in any actionable conduct, has filed a motion for summary judgment and intends to vigorously defend the lawsuit.

In June 1999, White Mountains sold VGI to Unitrin. As part of the VGI Sale, White Mountains has provided Unitrin with adverse loss development protection of up to $50.0 million on loss reserves sold to Unitrin. Unitrin has made a demand for the full $50.0 million.

NOTE 18. Consolidating Financial Information

In December 2001, White Mountains filed a definitive Form S-3 (the "Form S-3") with the Securities and Exchange Commission which will permit the Company or its wholly-owned subsidiary, Fund American, to offer up to $1.0 billion of debt securities, preference shares or trust preferred securities. The Company will fully and unconditionally guarantee any debt securities, preference shares or trust preferred securities issued by Fund American pursuant to the Form S-3.The following tables present White Mountains' consolidating balance sheets as of December 31, 2002 and December 31, 2001 and statements of income and cash flows for the years then ended. These financial statements reflect the Company's financial position, results of operations and cash flows on a stand-alone basis, that of Fund American and of the Company's other entities, as well as the necessary adjustments to eliminate intercompany balances and transactions.

Consolidating Balance Sheet as of December 31, 2002	The Company	Other Entities	Fund American	Eliminations	Total
(in millions)					
ASSETS					
Fixed maturity investments, at fair value	$ –	$ 47.1	$ 6,622.0	$ –	$ 6,669.1
Short-term investments, at amortized cost	15.6	220.0	1,555.0	–	1,790.6
Common equity securities, at fair value	–	–	275.0	–	275.0
Other investments	30.6	45.0	89.1	–	164.7
Total investments	46.2	312.1	8,541.1	–	8,899.4
Cash	(.7)	41.3	80.9	–	121.5
Reinsurance recoverable on paid and unpaid losses	–	5.2	4,226.5	–	4,231.7
Insurance and reinsurance premiums receivable	–	28.6	801.9	–	830.5
Accounts receivable on unsettled investment sales	–	–	160.8	–	160.8
Deferred tax asset	–	18.2	411.8	–	430.0
Deferred acquisition costs	–	2.7	242.2	–	244.9
Investments in subsidiaries	2,500.9	11,779.9	–	(14,280.8)	–
Investments in unconsolidated insurance affiliates	58.0	–	341.9	–	399.9
Investment income accrued	–	.7	90.7	–	91.4
Ceded unearned premiums	–	1.3	162.6	–	163.9
Other assets	42.6	55.1	361.9	–	459.6
Total assets	$ 2,647.0	$12,245.1	$15,422.3	$(14,280.8)	$16,033.6
LIABILITIES, CONVERTIBLE PREFERENCE SHARES, MINORITY INTEREST AND COMMON SHAREHOLDERS' EQUITY					
Loss and LAE reserves	$ –	$ 61.4	$8,813.9	$ –	$8,875.3
Unearned insurance and reinsurance premiums	–	17.3	1,497.1	–	1,514.4
Debt	5.1	9.7	778.4	–	793.2
Accounts payable on unsettled investment purchases	–	–	495.2	–	495.2
Funds held under reinsurance treaties	–	–	262.4	–	262.4
Other liabilities	15.0	222.1	1,048.2	–	1,285.3
Total liabilities	20.1	310.5	12,895.2	–	13,225.8
Convertible preference shares	219.0	–	–	–	219.0
Minority interest - mandatorily redeemable preferred stock of subsidiaries	–	20.0	160.9	–	180.9
Common shareholders' equity	2,407.9	11,914.6	2,366.2	(14,280.8)	2,407.9
Total liabilities, convertible preference shares, minority interest and common shareholders' equity	$2,647.0	$12,245.1	$15,422.3	$(14,280.8)	$16,033.6

Consolidating Balance Sheet as of December 31, 2001	The Company	Other Entities	Fund American	Eliminations	Total
(in millions)					
ASSETS					
Fixed maturity investments, at fair value	$ —	$ —	$ 6,128.3	$ —	$ 6,128.3
Short-term investments, at amortized cost	54.7	104.1	2,387.0	—	2,545.8
Common equity securities, at fair value	—	—	173.6	—	173.6
Other investments	30.4	40.2	87.4	—	158.0
Total investments	85.1	144.3	8,776.3	—	9,005.7
Cash	(.2)	1.2	66.4	—	67.4
Reinsurance recoverable on paid and unpaid losses	—	22.2	4,319.8	—	4,342.0
Insurance and reinsurance premiums receivable	—	.1	1,103.4	—	1,103.5
Accounts receivable on unsettled investment sales	—	—	75.2	—	75.2
Deferred tax asset	—	11.2	685.2	—	696.4
Deferred acquisition costs	—	7.7	305.6	—	313.3
Investments in subsidiaries	1,350.2	6,699.3	—	(8,049.5)	—
Investments in unconsolidated insurance affiliates	—	—	311.1	—	311.1
Investment income accrued	.1	.1	99.7	—	99.9
Ceded unearned premiums	—	—	174.1	—	174.1
Other assets	51.5	34.8	334.6	—	420.9
Total assets	$ 1,486.7	$ 6,920.9	$ 16,251.4	$ (8,049.5)	$ 16,609.5
LIABILITIES, CONVERTIBLE PREFERENCE SHARES, MINORITY INTEREST AND COMMON SHAREHOLDERS' EQUITY					
Loss and LAE reserves	$ —	25.8	9,501.8	—	$ 9,527.6
Unearned insurance and reinsurance premiums	—	31.7	1,782.8	—	1,814.5
Debt	5.1	263.3	857.0	—	1,125.4
Deferred credits	16.3	—	666.2	—	682.5
Accounts payable on unsettled investment purchases	—	—	311.2	—	311.2
Funds held under reinsurance treaties	—	—	361.7	—	361.7
Other liabilities	20.7	91.0	1,060.0	—	1,171.7
Total liabilities	42.1	411.8	14,540.7	—	14,994.6
Minority interest - mandatorily redeemable preferred stock of subsidiaries	—	20.0	150.3	—	170.3
Common shareholders' equity	1,444.6	6,489.1	1,560.4	(8,049.5)	1,444.6
Total liabilities, convertible preference shares, minority interest and common shareholders' equity	$ 1,486.7	$ 6,920.9	$ 16,251.4	$ (8,049.5)	$ 16,609.5

Consolidating Statement of Income for the Year Ended December 31, 2002	The Company	Other Entities	Fund American	Eliminations	Total
(in millions)					
Earned insurance and reinsurance premiums	$ —	$ 55.4	$ 3,521.0	$ —	$ 3,576.4
Net investment income	1.7	3.2	347.8	—	352.7
Net realized gains on investments	58.0	3.2	94.8	—	156.0
Other revenue	25.0	25.3	50.0	—	100.3
Total revenues	84.7	87.1	4,013.6	—	4,185.4
Losses and LAE	—	47.0	2,591.2	—	2,638.2
Insurance and reinsurance acquisition expenses	—	5.7	800.6	—	806.3
General and administrative expenses	24.5	11.0	434.4	—	469.9
Accretion of fair value adjustment to loss and LAE reserves	—	—	79.8	—	79.8
Interest expense	.4	12.3	59.1	—	71.8
Total expenses	24.9	76.0	3,965.1	—	4,066.0
Pretax income	59.8	11.1	48.5	—	119.4
Income tax provision	—	(5.7)	(6.0)	—	(11.7)
Accretion and dividends on preferred stock of subsidiaries	—	(2.1)	(38.8)	—	(40.9)
Equity in earnings of subsidiaries	672.0	3,291.6	—	(3,963.6)	-
Equity in earnings of unconsolidated insurance affiliates	—	—	14.0	—	14.0
Cumulative effect of changes in accounting principles	16.3	—	643.9	—	660.2
Excess of fair value of acquired net assets over cost	—	—	7.1	—	7.1
Net income	$ 748.1	$ 3,294.9	$ 668.7	$ (3,963.6)	$ 748.1

Consolidating Statement of Income for the Year Ended December 31, 2001	The Company	Other Entities	Fund American	Eliminations	Total
(in millions)					
Earned insurance and reinsurance premiums	$ —	$ 219.0	$ 2,437.1	$ —	$ 2,656.1
Net investment income	4.5	42.1	237.9	—	284.5
Net realized gains on investments	.9	28.5	143.7	—	173.1
Other revenue	33.0	.8	86.9	—	120.7
Total revenues	38.4	290.4	2,905.6	—	3,234.4
Losses and LAE	—	192.7	2,301.2	—	2,493.9
Insurance and reinsurance acquisition expenses	—	54.7	476.3	—	531.0
General and administrative expenses	8.1	30.1	438.3	—	476.5
Accretion of fair value adjustment to loss and LAE reserves	—	—	56.0	—	56.0
Interest expense	2.5	10.3	32.9	—	45.7
Share appreciation expense for Series B Warrants	58.8	—	—	—	58.8
Total expenses	69.4	287.8	3,304.7	—	3,661.9
Pretax income (loss)	(31.0)	2.6	(399.1)	—	(427.5)
Income tax (provision) benefit	(1.0)	(.1)	180.3	—	179.2
Accretion and dividends on preferred stock of subsidiaries	—	(1.7)	(21.5)	—	(23.2)
Equity in losses of subsidiaries	(222.5)	(1,206.4)	—	1,428.9	-
Equity in earnings (losses) of unconsolidated insurance affiliates	—	2.6	(2.2)	—	.4
Excess of fair value of acquired net assets over cost	—	3.0	13.6	—	16.6
Loss on early extinguishment of debt	(4.8)	—	—	—	(4.8)
Net loss	$ (259.3)	$ (1,200.0)	$ (228.9)	$ 1,428.9	$ (259.3)

Consolidating Statement of Cash Flows for the Year Ended December 31, 2002	The Company	Other Entities	Fund American	Total
(in millions)				
Cash flows from operations:				
Net income	$ 76.1	$ 3.3	$ 668.7	$ 748.1
Charges (credits) to reconcile net income to cash flows from operations:				
Cumulative effect of changes in accounting principles	(16.3)	—	(643.9)	(660.2)
Net realized gains on investments	(57.9)	(3.3)	(94.8)	(156.0)
Other operating items:				
Net change in reinsurance recoverables on paid and unpaid losses	—	17.0	93.3	110.3
Net change in loss and LAE reserves	—	35.6	(687.9)	(652.3)
Net change in insurance and reinsurance premiums receivable	—	(28.5)	301.5	273.0
Net change in unearned insurance and reinsurance premiums	—	(14.4)	(285.7)	(300.1)
Net change in deferred acquisition costs	—	5.0	63.4	68.4
Net change in other assets and liabilities	41.1	74.6	177.4	293.1
Net cash flows provided from (used for) operations	43.0	89.3	(408.0)	(275.7)
Cash flows from investing activities:				
Net decrease (increase) in short-term investments	39.0	(115.8)	832.0	755.2
Sales of fixed maturity investments	—	1.3	13,530.6	13,531.9
Maturities of fixed maturity investments	—	—	411.9	411.9
Sales of common equity securities and other investments	—	1.0	97.4	98.4
Purchases of fixed maturity investments	—	(46.1)	(14,020.5)	(14,066.6)
Purchases of common equity securities and other investments	(.2)	—	(244.3)	(244.5)
Purchases of consolidated and unconsolidated affiliates	—	—	(.5)	(.5)
Net acquisitions of property and equipment	—	(.5)	(12.3)	(12.8)
Net cash flows provided from (used for) investing activities	38.8	(160.1)	594.3	473.0
Cash flows from financing activities:				
Repayments of debt	—	(260.0)	(78.6)	(338.6)
Proceeds from issuance of debt	—	8.0	—	8.0
Intercompany dividends and contributions	(300.0)	365.0	(65.0)	—
Cash dividends paid to common shareholders	(8.3)	—	—	(8.3)
Cash dividends paid to preferred shareholders	(.4)	(2.1)	(28.2)	(30.7)
Proceeds from issuances of equity securities and Convertible Preference Shares	226.4	—	—	226.4
Net cash (used for) provided from financing activities	(82.3)	110.9	(171.8)	(143.2)
Net (decrease) increase in cash during period	(.5)	40.1	14.5	54.1
Cash balances at beginning of period	(.2)	1.2	66.4	67.4
Cash balances at end of period	$ (.7)	$ 41.3	$ 80.9	121.5

Consolidating Statement of Cash Flows for the Year Ended December 31, 2001	The Company	Other Entities	Fund American	Total
(in millions)				
Cash flows from operations:				
Net income (loss)	$ (36.8)	$ 6.4	$ (228.9)	$ (259.3)
Charges (credits) to reconcile net income to cash flows from operations:				
Loss on early extinguishment of debt	4.8	—	—	4.8
Excess of fair value of net assets acquired over cost	—	(3.0)	(13.6)	(16.6)
Net realized (gains) losses on investments	(.9)	(28.5)	(143.7)	(173.1)
Other operating items:				
Net change in reinsurance recoverables on paid and unpaid losses	—	(48.3)	(1,361.8)	(1,410.1)
Net change in loss and LAE reserves	—	6.9	1,493.5	1,500.4
Net change in insurance and reinsurance premiums receivable	—	(197.6)	458.9	261.3
Net change in unearned insurance and reinsurance premiums	—	8.0	(255.0)	(247.0)
Net change in deferred acquisition costs	—	(6.2)	64.5	58.3
Net change in other assets and liabilities	32.1	104.9	(156.4)	(19.4)
Net cash flows used for operations	(.8)	(157.4)	(142.5)	(300.7)
Cash flows from investing activities:				
Net decrease (increase) in short-term investments	41.7	289.3	(1,310.2)	(979.2)
Sales of fixed maturity investments	—	316.0	7,287.6	7,603.6
Maturities of fixed maturity investments	—	34.0	1,087.1	1,121.1
Sales of common equity securities and other investments	31.0	86.2	129.7	246.9
Purchases of fixed maturity investments	—	(187.9)	(6,709.4)	(6,897.3)
Purchases of common equity securities and other investments	(30.1)	(36.0)	(167.7)	(233.8)
Sales of consolidated affiliates	23.6	—	—	23.6
Purchases of consolidated and unconsolidated affiliates	—	(29.7)	(1,950.1)	(1,979.8)
Net (acquisitions) dispositions of property and equipment	(.8)	(3.0)	(3.9)	(7.7)
Net cash flows provided from (used for) investing activities	65.4	468.9	(1,636.9)	(1,102.6)
Cash flows from financing activities:				
Repayments of debt	(100.8)	—	(3.1)	(103.9)
Proceeds from issuance of debt	—	—	832.0	832.0
Intercompany dividends and contributions	(475.2)	(333.1)	808.3	—
Cash dividends paid to common shareholders	(5.9)	—	—	(5.9)
Cash dividends paid to preferred shareholders	(.3)	(1.7)	(16.4)	(18.4)
Proceeds from issuances of equity securities and Convertible Preference Shares	519.4	20.0	225.0	764.4
Common Shares repurchased and retired	(1.9)	—	—	(1.9)
Net cash (used for) provided from financing activities	(64.7)	(314.8)	1,845.8	1,466.3
Net (decrease) increase in cash during period	(.1)	(3.3)	66.4	63.0
Cash balances at beginning of period	(.1)	4.5	—	4.4
Cash balances at end of period	$ (.2)	$ 1.2	$ 66.4	$ 67.4

REPORT ON MANAGEMENT'S RESPONSIBILITIES

The financial information included in this report, including the audited consolidated financial statements, has been prepared by the management of White Mountains. The consolidated financial statements have been prepared in accordance with GAAP and, where necessary, include amounts based on informed estimates and judgments. In those instances where there is no single specified accounting principle or standard, management makes a choice from reasonable, accepted alternatives which are believed to be most appropriate under the circumstances. Financial information presented elsewhere in this report is consistent with that shown in the financial statements.

White Mountains maintains internal financial and accounting controls designed to provide reasonable and cost effective assurance that assets are safeguarded from loss or unauthorized use, that transactions are recorded in accordance with management's policies and that financial records are reliable for preparing financial statements. The internal controls structure is documented by written policies and procedures which are communicated to all appropriate personnel and is updated as necessary. White Mountains' business ethics policies require adherence to ethical standards in the conduct of its business. Compliance with these controls, policies and procedures is continuously maintained and monitored by management.

PricewaterhouseCoopers LLP has audited the consolidated financial statements of White Mountains as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002. PricewaterhouseCoopers LLP has issued their unqualified report thereon, which appears on page F-55.

In connection with their financial statement audit, PricewaterhouseCoopers LLP considers the structure of internal controls to the extent considered necessary. Management reviews all recommendations of PricewaterhouseCoopers LLP concerning the structure of internal controls and responds to such recommendations with corrective actions, as appropriate.

The Audit Committee of the Board, which is comprised solely of independent, qualified directors, has general responsibility for the oversight and surveillance of the accounting, reporting and financial control practices of White Mountains as well as establishing and maintaining the Company's Audit Committee Charter. The Audit Committee, which reports to the full Board, annually reviews the overall quality and effectiveness of the independent auditors and management with respect to the financial reporting process and the adequacy of internal controls. The independent auditors have free access to the Audit Committee, without members of management present, to discuss the results of their audits, the adequacy of internal controls and any other matter that they believe should be brought to the attention of the Audit Committee. The Report of the Audit Committee appears on page 17 of the Company's 2003 Proxy Statement, herein incorporated by reference.

Raymond Barrette Director, President and CEO (Principal Executive Officer)	David T. Foy Executive Vice President and CFO (Principal Financial Officer)	J. Brian Palmer Chief Accounting Officer (Principal Accounting Officer)

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of White Mountains Insurance Group, Ltd.:

In our opinion, the consolidated financial statements listed in the index referenced under Item 15(a) on page 72 present fairly, in all material respects, the financial position of White Mountains Insurance Group, Ltd. and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index referenced under Item 15(a) on page 72 present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for business combinations in 2001.

PricewaterhouseCoopers LLP

Boston, Massachusetts
February 14, 2003

SELECTED QUARTERLY FINANCIAL DATA
(Unaudited)

Selected quarterly financial data for 2002 and 2001 is shown in the following table. The quarterly financial data includes, in the opinion of management, all recurring adjustments necessary for a fair presentation of the results of operations for the interim periods. Certain reclassifications have been made to prior quarterly results to conform with the 2002 annual presentation.

	2002 Three Months Ended				2001 Three Months Ended [1]			
Millions, except per share amounts	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues	$ 1,000.7	$1,078.8	$ 1,015.1	$ 1,090.8	$ 1,192.2	$ 1,338.0	$ 550.2	$ 154.0
Expenses	941.1	996.8	1,028.2	1,099.9	1,424.8	1,418.3	679.0	139.8
Pretax earnings (loss)	59.6	82.0	(13.1)	(9.1)	(232.6)	(80.3)	(128.8)	14.2
Tax benefit (provision)	(10.4)	(20.3)	6.0	13.0	107.4	44.4	24.8	2.6
Equity in earnings (losses) of subsidiaries	6.2	3.2	3.6	1.0	(3.1)	.9	2.3	.3
Accretion and dividends on preferred stock of subsidiaries	(10.5)	(10.3)	(10.1)	(10.0)	(10.3)	(9.8)	(3.1)	–
Net income (loss) from continuing operations	44.9	54.6	(13.6)	(5.1)	(138.6)	(44.8)	(104.8)	17.1
Cumulative effect of accounting changes	–	–	–	660.2	–	–	–	–
Extraordinary items	–	–	7.1	–	3.0	13.6	(4.8)	–
Net income (loss)	$ 44.9	$ 54.6	$ (6.5)	$ 655.1	$ (135.6)	$ (31.2)	$ (109.6)	$ 17.1
Net income (loss) from continuing operations per share:								
Basic	$ 3.09	$ 6.67	$ (1.66)	$ (.62)	$ (17.14)	$ 5.07	$ (83.30)	$ 2.91
Diluted	2.78	6.04	(1.68)	(.62)	(17.14)	4.56	(83.30)	2.88
Net income (loss) per share:								
Basic	$ 3.09	$ 6.67	$ (.79)	$ 80.09	$ (16.77)	$ 7.08	$ (84.12)	$ 2.91
Diluted	2.78	6.04	(.81)	80.09	(16.77)	6.36	(84.12)	2.88
Fully converted tangible book value per share	$ 258.82	$ 249.38	$ 235.62	$ 221.80	$ 225.81	$ 243.41	$ 247.34	$ 185.44

(1) The quarterly amounts subsequent to March 31, 2001 reflect the acquisition of OneBeacon on June 1, 2001.

SCHEDULE I

WHITE MOUNTAINS INSURANCE GROUP, LTD.

SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES
At December 31, 2002

Millions	Cost	Fair Value
Fixed maturities:		
Bonds:		
U.S. Government and government agencies and authorities [1]	$ 2,630.8	$ 2,702.6
Corporate bonds and asset-backed securities	3,433.6	3,605.3
States, municipalities and political subdivisions	62.7	67.1
Foreign governments	90.8	93.7
Redeemable preferred stocks	189.6	200.4
Total fixed maturities	6,407.5	6,669.1
Short-term investments	1,790.6	1,790.6
Common equity securities:		
Banks, trust and insurance companies	61.0	87.8
Public utilities	83.3	83.9
Industrial, miscellaneous and other	108.0	103.3
Total common equity securities	252.3	275.0
Other investments	142.3	164.7
Total investments	$ 8,592.7	$ 8,899.4

(1) Includes mortgage-backed securities issued by GNMA, FNMA and FHLMC.

Note - fair value was equal to carrying value at December 31, 2002.

SCHEDULE II

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Registrant Only)

CONDENSED BALANCE SHEETS

Millions	December 31, 2002	2001
Assets:		
Common equity securities and other investments	$ 30.6	$ 30.4
Short-term investments, at amortized cost	15.6	54.7
Other assets	41.9	51.4
Investments in consolidated and unconsolidated affiliates	2,558.9	1,350.2
Total assets	$ 2,647.0	$ 1,486.7
Liabilities:		
Long-term debt	$ 5.1	$ 5.1
Deferred credits	–	16.3
Accounts payable and other liabilities	15.0	20.7
Total liabilities	20.1	42.1
Convertible preference shares	219.0	–
Common shareholders' equity	2,407.9	1,444.6
Total liabilities, convertible preference shares and common shareholders' equity	$ 2,647.0	$ 1,486.7

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Millions	Year Ended December 31, 2002	2001	2000
Revenues	$ 84.7	$ 38.4	$ 26.8
Expenses	24.9	69.4	43.5
Pretax income (loss)	59.8	(31.0)	(16.7)
Income tax provision	–	(1.0)	(26.6)
Net income (loss)	59.8	(32.0)	(43.3)
Earnings (losses) from consolidated affiliates	672.0	(222.5)	356.2
Earnings from discontinued operations, after-tax	–	–	95.0
Cumulative effect of changes in accounting principles	16.3	–	–
Extraordinary loss on early extinguishment of debt	–	(4.8)	–
Consolidated net income (loss)	748.1	(259.3)	407.9
Other comprehensive net income (loss) items, after-tax	202.3	(42.5)	39.7
Consolidated comprehensive net income (loss)	$ 950.4	$(301.8)	$447.6
Computation of net income (loss) available to common shareholders:			
Consolidated net income (loss)	$ 748.1	$(259.3)	$407.9
Redemption value adjustment - Convertible Preference Shares	(19.0)	(305.1)	–
Dividends on Convertible Preference Shares	(.4)	(.3)	–
Consolidated comprehensive net income (loss)	$ 728.7	$(564.7)	$407.9

SCHEDULE II
(continued)

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Registrant Only)

CONDENSED STATEMENTS OF CASH FLOWS

Millions	Year Ended December 31, 2002	2001	2000
Net income (loss)	$ 748.1	$ (259.3)	$ 407.9
Reconciliation of net income to net cash from operating activities:			
Cash dividends to holders of Convertible Preference Shares	.4	.3	–
Cumulative effect of changes in accounting principles	(16.3)	–	–
Loss on early extinguishment of debt	–	4.8	–
Share appreciation expense for Options and Restricted Shares	16.9	20.0	–
Share appreciation expense for Series B Warrants	–	58.8	–
Net realized gains on sales of investments and other assets	(57.9)	(13.3)	(2.7)
Undistributed current (earnings) losses from consolidated subsidiaries	(648.7)	278.0	(250.1)
Amortization of deferred credits	–	(20.7)	(20.8)
Release of tax reserve on sale of former insurance subsidiary	–	–	(95.0)
Net change in other assets and other liabilities	12.4	18.5	(24.3)
Net change in accounts payable and other liabilities	(11.4)	(32.3)	37.3
Net cash provided from operating activities	43.5	54.8	52.3
Cash flows from investing activities:			
Net decrease (increase) in short-term investments, net of balances acquired	39.0	41.7	(84.8)
Sales of investment securities	–	31.0	53.8
Purchases of investment securities and other assets	(.2)	(30.9)	(1.4)
Contributions to subsidiaries	(300.0)	(530.7)	–
Investments in consolidated affiliates, net of balances acquired	–	–	–
Investments in unconsolidated affiliates	–	–	–
Proceeds from sales of affiliates	–	23.6	–
Net cash (used for) provided from investing activities	(261.2)	(465.3)	(32.4)
Cash flows from financing activities:			
Proceeds from issuances of Common Shares and Convertible Preference Shares	226.4	444.4	–
Proceeds from issuances and exercises of warrants to acquire Common Shares	–	75.0	–
Common Shares repurchased and retired	–	(1.9)	(8.8)
Repayments of long-term debt	–	(100.8)	(4.0)
Cash dividends paid to holders of Common Shares	(8.3)	(5.9)	(7.1)
Cash dividends to holders of Convertible Preference Shares	(.4)	(.3)	–
Net provided from (cash used) for financing activities	217.7	410.5	(19.9)
Net change in cash during year	–	–	–
Cash balance at beginning of year	–	–	–
Cash balance at end of year	$ –	$ –	$ –

SCHEDULE III

WHITE MOUNTAINS INSURANCE GROUP, LTD.

SUPPLEMENTARY INSURANCE INFORMATION
(Millions)

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K
Segment	Deferred acquisition costs	Future policy benefits, losses, claims and loss expenses	Unearned premiums	Other policy claims and benefits payable	Premiums earned	Net investment income [1]	Benefits, claims, losses, and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses	Premiums written
Years ended:										
December 31, 2002:										
OneBeacon	$ 188.4	$ 7,149.4	$ 1,269.5	$ –	$ 2,870.9	$ 300.7	$ 2,131.3	$ 629.6	$ 317.4	$ 2,522.8
Reinsurance and other insurance operations	56.5	1,725.9	244.9	–	705.5	57.7	506.9	176.7	97.6	770.7
December 31, 2001:										
OneBeacon	$ 267.4	$ 7,857.4	$ 1,612.0	$ –	$ 2,208.2	$ 228.4	$ 2,073.8	$ 456.5	$ 356.2	$ 1,878.2
Reinsurance and other insurance operations	45.9	1,670.2	202.5	–	447.9	51.7	420.1	127.8	62.4	487.2
December 31, 2000:										
Reinsurance and other insurance operations	$ 27.2	$ 1,556.3	$ 182.0	$ –	$ 334.4	$ 65.7	$ 287.7	$ 101.1	$ 31.6	$ 355.2

(1) The amounts shown exclude net investment income(expense) relating to non-insurance operations of $(5.7) million, $4.4 million and $20.2 million for the twelve months ended December 31, 2002, 2001 and 2000, respectively.

SCHEDULE IV

WHITE MOUNTAINS INSURANCE GROUP, LTD.
REINSURANCE

Column A	Column B	Column C	Column D	Column E	Column F
Premiums earned ($ in millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Years ended:					
December 31, 2002:					
OneBeacon	$ 3,181.8	$ (815.5)	$ 504.6	$ 2,870.9	17.6%
Reinsurance and other insurance operations	42.0	(299.6)	963.1	705.5	136.5%
December 31, 2001:					
OneBeacon [1]	$ 2,374.2	$ (230.2)	$ 64.2	$ 2,208.2	2.9%
Reinsurance and other insurance operations	36.7	(237.6)	648.8	447.9	144.9%
December 31, 2000:					
Reinsurance and other insurance operations	$ 32.5	$ (174.6)	$ 476.5	$ 334.4	142.5%

(1) Amounts shown for OneBeacon in columns B through F represent activity from June 1, 2001 through December 31, 2001.

SCHEDULE V

WHITE MOUNTAINS INSURANCE GROUP, LTD.
VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C		Column D	Column E
		Additions (subtractions)			
Millions	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions described [1]	Balance at end of period
Years ended:					
December 31, 2002:					
Reinsurance recoverable:					
Allowance for reinsurance balances	$ 25.2	$ (6.1)	$ –	$ (.6)	$ 18.5
Property and casualty insurance:					
Allowance for uncollectible accounts	96.9	(22.0)	–	(5.8)	69.1
December 31, 2001:					
Reinsurance recoverable:					
Allowance for reinsurance balances	$ 1.2	$ –	$ 24.0 [2]	$ –	$ 25.2
Property and casualty insurance:					
Allowance for uncollectible accounts	1.1	–	96.8 [2]	(1.0)	96.9
December 31, 2000:					
Reinsurance recoverable:					
Allowance for reinsurance balances	$ 1.2	$ –	$ –	$ –	$ 1.2
Property and casualty insurance:					
Allowance for uncollectible accounts	1.1	–	–	–	1.1

(1) Represent charge-offs of balances receivables.
(2) Includes $21.9 million and $95.7 million of reinsurance recoverable and property and casualty insurance allowances, respectively, acquired from OneBeacon. Remaining amounts represent activity for OneBeacon from June 1, 2001 through December 31, 2001.

SCHEDULE VI

WHITE MOUNTAINS INSURANCE GROUP, LTD.
SUPPLEMENTAL INFORMATION FOR PROPERTY AND CASUALTY INSURANCE UNDERWRITERS
(Millions)

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H		Column I	Column J	Column K
							Claims and Claims Adjustment Expenses Incurred Related to				
Affiliation with registrant	Deferred acquisition costs	Reserves for Unpaid Claims and Claims Adjustment Expenses	Discount, if any, deducted in Column C	Unearned Premiums	Earned Premiums	Net investment income	(1) Current Year	(2) Prior Year	Amortization of deferred policy acquisition costs	Paid Claims and Claims Adjustment Expenses	Premiums written
OneBeacon:											
2002	$ 188.4	$ 7,149.4	$ 299.5	$ 1,269.5	$ 2,870.9	$ 300.7	$ 2,073.9	$ 57.4	$ 629.6	$ 2,877.0	$ 2,522.8
2001 [1]	267.4	7,857.4	278.1 [3]	1,612.0	2,208.2	228.4	2,009.2	64.6	456.5	1,952.7	1,878.2
Consolidated reinsurance and other insurance operations:											
2002	$ 56.5	$ 1,725.9	–	$ 244.9	$ 705.5	$ 57.7	$ 474.3	$ 32.6	$ 176.7	$ 367.9	$ 770.7
2001	45.9	1,670.2	–	202.5	447.9	51.7	381.4	38.7	127.8	481.8	487.2
2000	27.2	1,556.3	–	182.0	334.4	65.7	264.1	23.6	101.1	435.7	355.2
50%-or-less owned property and casualty investees: [2]											
2002	$ 24.5	$ 125.8	–	$ 86.6	$ 167.0	$ 11.5	$ 113.2	$ 7.8	$ 47.6	$ 106.1	$ 178.7
2001	21.5	104.9	–	74.9	143.3	11.2	95.2	(1.8)	41.4	92.7	153.4
2000	18.8	101.1	–	64.8	127.1	11.8	91.9	(3.3)	37.2	89.0	132.7

(1) The amounts shown in columns F through K represent activity for OneBeacon from June 1, 2001 through December 31, 2001.

(2) The amounts shown represent White Mountains' share of MSA, its 50% owned unconsolidated property and casualty insurance affiliate. Excludes White Mountains' share of Montpelier, its 21% owned unconsolidated property and casualty reinsurance affiliate whose information is available publicly.

(3) The amounts shown exclude unamortized fair value adjustments to reserves of $79.8 million and $56.0 million for unpaid claims and claims adjustment expenses made in purchase accounting as a result of White Mountains' purchase of OneBeacon for the years ended December 31, 2002 and 2001, respectively.

CERTIFICATIONS

I, Raymond Barrette, certify that:

1. I have reviewed this annual report on Form 10-K/A of White Mountains Insurance Group, Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 13, 2003

/s/ Raymond Barrette

President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS (continued)

I, David T. Foy, certify that:

1. I have reviewed this annual report on Form 10-K/A of White Mountains Insurance Group, Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 13, 2003

/s/ David T. Foy

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 99(a)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of White Mountains Insurance Group, Ltd. (the "Company") on Form 10-K, as amended, for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond Barrette, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Raymond Barrette

President and Chief Executive Officer
(Principal Executive Officer)

Date: May 13, 2003

Exhibit 99(b)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of White Mountains Insurance Group, Ltd. (the "Company") on Form 10-K, as amended, for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David T. Foy, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ David T. Foy

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 13, 2003