CONSOLIDATED BALANCE SHEETS

Dollars in millions	December 31, 2000	1999
Assets		
Fixed maturity investments, at fair value (cost $1,063.0 and $957.9)	$ 1,078.6	$ 924.5
Common equity securities, at fair value (cost $127.5 and $100.4)	144.8	108.4
Short-term investments, at amortized cost (which approximated fair value)	735.9	117.5
Other investments (cost $117.3 and $59.1)	142.9	68.3
Total investments	2,102.2	1,218.7
Cash	4.4	3.9
Reinsurance recoverable on paid and unpaid losses	777.2	193.7
Investment in unconsolidated insurance affiliate(s)	130.6	422.6
Insurance and reinsurance balances receivable	105.7	49.8
Deferred tax asset	105.1	52.5
Deferred acquisition costs	27.2	22.2
Goodwill	25.4	3.6
Investment income accrued	20.1	15.0
Other assets	231.1	50.8
Net assets of discontinued mortgage banking operations	16.2	16.3
Total assets	$ 3,545.2	$ 2,049.1
Liabilities		
Loss and loss adjustment expense reserves	$ 1,556.3	$ 851.0
Funds held under reinsurance treaties	420.0	31.4
Unearned insurance and reinsurance premiums	182.0	92.1
Short-term debt	—	4.0
Long-term debt	96.0	202.8
Deferred credits	92.2	100.6
Accounts payable and other liabilities	152.2	152.9
Total liabilities	2,498.7	1,434.8
Shareholders' equity		
Common Shares at $1 par per Share— authorized 50,000,000 Shares, issued and outstanding 5,880,115 and 5,945,953 Shares	5.9	5.9
Paid-in surplus	66.2	67.0
Retained earnings	927.5	534.2
Accumulated other comprehensive income, after tax	46.9	7.2
Total shareholders' equity	1,046.5	614.3
Total liabilities and shareholders' equity	$ 3,545.2	$ 2,049.1

See Notes to Consolidated Financial Statements including Note 16 for Commitments and Contingencies.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Millions, except per Share amounts	Year Ended December 31, 2000	1999	1998
Revenues:			
Gains on sales of subsidiaries and insurance assets	$ 385.8	$ 103.9	$ –
Earned insurance and reinsurance premiums	334.4	283.2	246.0
Net investment income	85.9	61.9	36.8
Amortization of deferred credits and other benefits	41.4	25.8	2.7
Earnings (losses) from unconsolidated insurance affiliates	(2.6)	31.1	24.3
Net realized gains (losses) on sales of investments and other assets	(8.4)	69.6	71.0
Other revenue	11.7	3.7	9.5
Total revenues	848.2	579.2	390.3
Expenses:			
Losses and loss adjustment expenses	287.7	242.3	174.8
Insurance and reinsurance acquisition expenses	101.1	73.4	54.8
Compensation and benefits	59.5	67.8	51.5
General expenses	28.4	19.5	15.9
Interest expense	16.1	14.7	13.7
Total expenses	492.8	417.7	310.7
Pretax earnings	355.4	161.5	79.6
Tax provision	(42.5)	(53.1)	(28.5)
Net income from continuing operations	312.9	108.4	51.1
Discontinued operations, after tax:			
Gains from discontinued operations	95.0	11.6	–
Net income from discontinued operations	–	1.0	27.4
Net income	407.9	121.0	78.5
Other comprehensive income (loss) items arising during the year, after tax:			
Net change in unrealized gains for investments held	56.3	(73.7)	38.1
Net change in foreign currency translation	(.7)	.9	(.9)
Recognition of net unrealized gains for investments sold	(15.9)	(45.2)	(46.1)
Comprehensive net income	$ 447.6	$ 3.0	$ 69.6
Basic earnings per Share:			
Net income from continuing operations	$ 53.08	$ 19.25	$ 8.71
Net income	69.19	21.50	13.38
Comprehensive net income	75.93	.54	11.87
Diluted earnings per Share:			
Net income from continuing operations	$ 52.84	$ 17.66	$ 7.75
Net income	68.89	19.73	11.94
Comprehensive net income	75.60	.39	10.58

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Millions	Total	Common Shares and paid-in surplus	Retained earnings	Common Shares in treasury	Net unrealized investment gains	Foreign currency translation adjustment
Balances at January 1, 1998	$ 658.9	$386.9	$1,008.9	$(871.0)	$134.1	$ –
Net income	78.5	–	78.5	–	–	–
Dividends to shareholders	(9.4)	–	(9.4)	–	–	–
Shares repurchased and retired	(19.8)	(1.8)	(18.0)	–	–	–
Change in net unrealized investment gains and losses and other, after tax	(8.9)	–	–	–	(8.0)	(.9)
Other	3.2	–	3.2	–	–	–
Balances at December 31, 1998	702.5	385.1	1,063.2	(871.0)	126.1	(.9)
Net income	121.0	–	121.0	–	–	–
Dividends to shareholders	(8.8)	–	(8.8)	–	–	–
Issuances of Shares	57.1	–	(58.8)	115.9	–	–
Shares repurchased and retired	(139.5)	(312.2)	(582.4)	755.1	–	–
Change in net unrealized investment gains and losses and other, after tax	(118.0)	–	–	–	(118.9)	.9
Balances at December 31, 1999	614.3	72.9	534.2	–	7.2	–
Net income	407.9	–	407.9	–	–	–
Dividends to shareholders	(7.1)	–	(7.1)	–	–	–
Shares repurchased and retired	(8.3)	(.8)	(7.5)	–	–	–
Change in net unrealized investment gains and losses and other, after tax	39.7	–	–	–	40.4	(.7)
Balances at December 31, 2000	**$1,046.5**	**$ 72.1**	**$ 927.5**	**$ –**	**$ 47.6**	**$(.7)**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions	Year Ended December 31, 2000	1999	1998
Net income from continuing operations	$ 312.9	$ 108.4	$ 51.1
Reconciliation of net income to cash flows from operating activities:			
Gains on sales of subsidiaries and other insurance assets	(385.8)	(88.1)	—
Undistributed loss (earnings) from unconsolidated insurance affiliates	2.6	(29.0)	(19.1)
Net realized losses (gains) on sales of investments and other assets	8.4	(85.4)	(71.0)
Amortization of deferred credits and other benefits	(41.4)	(25.8)	(2.7)
Decrease (increase) in reinsurance recoverable	(367.2)	5.7	(2.7)
Net increase in funds held and insurance and reinsurance premiums receivable	432.8	28.9	2.3
(Decrease) increase in insurance loss and loss adjustment expense reserves	(72.4)	(69.2)	13.7
Net change in current and deferred income taxes receivable and payable	(12.6)	55.6	(7.1)
Net change in other liabilities	31.6	(111.3)	11.8
Net change in other assets	(33.0)	7.4	25.1
Other, net	10.1	(5.5)	(5.3)
Net cash used for operating activities	(114.0)	(208.3)	(3.9)
Cash flows from investing activities:			
Net (increase) decrease in short-term investments	(614.6)	75.5	147.1
Sales of common equity securities and other investments	204.0	256.4	137.5
Sales of fixed maturity investments	315.1	237.7	116.7
Maturities of fixed maturity investments	63.0	36.0	16.1
Purchases of common equity securities and other investments	(205.6)	(71.1)	(56.1)
Purchases of fixed maturity investments	(159.0)	(89.4)	(122.7)
Purchases of consolidated and unconsolidated affiliates	60.1	(234.3)	(237.8)
Proceeds from sales of consolidated and unconsolidated affiliates	570.4	144.5	—
Net sales (purchases) of fixed assets	1.0	(1.0)	(1.1)
Net cash provided from (used for) investing activities	234.4	354.3	(.3)
Cash flows from financing activities:			
Net (decrease) increase of short-term debt	(4.0)	(51.6)	(.4)
Issuances of long-term debt	15.0	100.0	50.0
Repayments of long-term debt	(115.0)	(86.4)	(1.1)
Shares repurchased and retired	(8.8)	(139.4)	(19.5)
Proceeds from exercises of warrants and options to acquire Shares	—	21.7	—
Cash dividends paid to common shareholders	(7.1)	(8.8)	(9.4)
Net cash (used for) provided from financing activities	(119.9)	(164.5)	19.6
Net increase (decrease) in cash during year	.5	(18.5)	15.4
Cash balance at beginning of year	3.9	22.4	7.0
Cash balance at end of year	$ 4.4	$ 3.9	$ 22.4

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 accounting principles generally accepted in the United States ("GAAP"). The Company's consolidated operating subsidiaries at December 31, 2000 principally consisted of Folksamerica, PIC, ACIC, BICC and Waterford. The Company's unconsolidated affiliate at December 31, 2000 consisted of MSA. All significant intercompany transactions have been eliminated in consolidation. The financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of White Mountains. 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, including the segregation of mortgage banking net assets and mortgage banking net income as discontinued operations which relates to a decision made by the Company during 1999 to exit from the mortgage banking business. See Note 2.

White Mountains has completed numerous significant transactions during the periods presented herein that have affected the comparability of the financial statement information presented herein.

Investment securities

White Mountains' portfolio of fixed maturity investments, common equity securities and other investments are classified as available for sale and are reported at fair value as of the balance sheet date. 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 net income.

Premiums and discounts on fixed maturity investments are accreted to income over the anticipated life of the investment.

Other investments principally include investments in limited partnership interests which are recorded using the equity method of accounting.

Realized gains and losses resulting from sales of investment securities are accounted for using the specific identification method.

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, 2000 and 1999.

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

Premiums written are recognized as revenues and are earned ratably over the terms of the related policies or reinsurance treaties. Unearned premiums represent the portion of premiums collected that are applicable to future insurance or reinsurance coverage provided by policies or treaties in force.

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. Deferred acquisition costs are limited to the amount expected to be recovered from future earned premiums and anticipated investment income.

Losses and loss adjustment expenses are charged against income as incurred. Unpaid insurance losses and loss adjustment expenses 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 loss adjustment expenses are based primarily on reports received from ceding companies. Unpaid loss and loss adjustment expense reserves represent management's best estimate of ultimate losses and loss adjustment expenses, 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 loss adjustment expenses involves a considerable degree of judgement 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.

Due to the nature of the policies written by White Mountains' insurance and reinsurance subsidiaries and the existence of reinsurance, the Company's exposure to liabilities related to damage or injury from environmental pollution or from asbestos injury claims arising out of product or general liability coverage is limited. White Mountains' insurance and reinsurance subsidiaries have estimated environmental and asbestos loss and loss adjustment expense liabilities based upon several factors including facts surrounding reported cases (such as policy limits and deductibles), current law, past and projected claim activity and past settlement values for similar claims. The Company's reserves for environmental and asbestos losses at December 31, 2000 represent management's best estimate of the Company's ultimate liability based on information currently available. However, as case law expands, White Mountains may be subject to environmental and asbestos loss and loss adjustment expense liabilities beyond that intended by policy coverage. Furthermore, in the event that current case law is expanded to include claims not contemplated in the establishment of White Mountains' recorded environmental and asbestos loss and loss adjustment expense reserves, the Company believes that it is unlikely that these claims will have a material adverse effect on its financial condition or liquidity. Nonetheless, due to the expansion of coverage and liability allowed under case law in the past and the possibilities of similar interpretations in the future, additional increases in environmental and asbestos loss reserves may emerge which would adversely affect the Company's financial position. Loss reserve additions arising from such future unfavorable case law interpretations cannot be reasonably estimated at the present time.

White Mountains' insurance and reinsurance subsidiaries enter into reinsurance contracts from time to time to protect their businesses from losses due to poor risk diversification, to manage their operating leverage ratios and to limit ultimate 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. To a lesser extent, 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 retained by White Mountains is subject to maximum limits which vary by line of business and type of coverage. Retention limits are continually reviewed and are revised periodically as the capacity to underwrite risks changes. Amounts related to reinsurance contracts are recorded in accordance with SFAS No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts".

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. The Company is selective in regard to its reinsurers, placing reinsurance with only 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. Amounts applicable to reinsurance ceded for unearned premium reserves (e.g., prepaid reinsurance premiums) have been included as a component of other assets. 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. Fund 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.

Deferred credits and goodwill

As of December 31, 2000 and 1999, White Mountains had deferred credits of $92.2 million and $100.6 million, respectively and goodwill of $25.4 million and $3.6 million, respectively. The deferred credits and goodwill resulted principally from the acquisition activities outlined below.

In May 2000 White Mountains completed its acquisition of the reinsurance operations 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 ($23.3 million at December 31, 2000) which is being amortized to income over the estimated period of benefit of ten years.

In March 2000 White Mountains 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 ($33.0 million at December 31, 2000) which is being amortized to income over the estimated period of benefit of six years.

In October 1999 White Mountains acquired IAG (which consisted primarily of PIC, ACIC and BICC) for $86.7 million in cash. Because the cost of acquiring PIC, ACIC and BICC was less than the value of their net identifiable assets, the Company recorded a $62.0 million deferred credit at acquisition ($37.0 million and $57.7 million at December 31, 2000 and 1999, respectively) which is being amortized to income over the estimated period of benefit of three years.

During 1999 White Mountains exercised its FSA Options and acquired 2,560,607 shares of FSA Common Stock. Because the cost of White Mountains' investment in FSA Common Stock (resulting from the exercise of the FSA Options) was less than the incremental portion of FSA's net identifiable assets it acquired at the date of exercise, White Mountains recorded a $14.2 million deferred credit upon exercise ($13.0 million at December 31, 1999) that was being amortized to income ratably over the estimated period of benefit of five years. In July 2000 White Mountains sold its investments in FSA as part of the Dexia Sale which resulted in the immediate recognition of the related unamortized deferred credit balance.

In August 1998 White Mountains acquired all the outstanding common stock of Folksamerica thereby causing Folksamerica to become a consolidated subsidiary as of that date. Because the cost of White Mountains' investment in Folksamerica was less than the value of Folksamerica's net identifiable assets at that date, White Mountains recorded a $39.8 million deferred credit ($22.2 million and $29.9 million at December 31, 2000 and 1999, respectively) which is being amortized to income ratably over the estimated period of benefit of five years.

Federal and foreign income and withholding taxes

As a result of the Redomestication, income earned by the Offshore Companies will generally be subject to an effective overall tax rate lower than that imposed by the United States, however, no tax benefits will be attained in the event of net losses incurred by such companies. Onshore Companies continue to be subject to United States income taxes. Prior to the Redomestication, the Company filed a consolidated United States Federal income tax return with its subsidiaries. The Onshore Companies continue to file United States tax returns but may no longer do so on a group-wide consolidated basis. As a result, the aggregate United States income tax liability of the Onshore Companies may be higher than it otherwise would have been if part of a consolidated tax return.

The Company is no longer subject to United States income taxes on its direct earnings. The Company's Barbados subsidiaries are generally subject to a 5% United States withholding tax on dividends received from its subsidiaries as well as a 1% Barbados income tax on taxable earnings (which include dividends received from its subsidiaries). These taxes are recorded in addition to United States income taxes accrued by its Onshore Companies.

With regard to the Onshore Companies, 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

Folksamerica operates a branch office in Toronto, Canada to service its Canadian customers and a portion of BICC's premiums are denominated in foreign currencies. Net unrealized foreign currency translation gains and losses associated with Folksamerica and BICC are reported, after tax, as a net amount in a separate component of shareholders' equity. Changes in the values of these operations due to currency fluctuations, after tax, are reported on the income statement as a component of other comprehensive net income.

Accounting standards recently adopted and issued

Effective January 1, 2001, Folksamerica Reinsurance Company, PIC and ACIC are required to adopt new regulations implementing a codification of statutory accounting principles for insurers. The purpose of the codification is to enhance the consistency of the accounting treatment of assets, liabilities, reserves, income and expenses of insurers, by setting forth the accounting practices and procedures to be followed in completing annual and quarterly financial statements required by state law.

Codification will not serve to materially change the aggregate policyholders' surplus of the Company's reinsurance and insurance operations as of December 31, 2000. However, New York (Folksamerica Reinsurance Company's state of domicile), has not yet adopted certain codification standards adopted by other states that conflict with New York law, particularly those standards relating to deferred taxes and goodwill. If New York were to adopt all proposed codification provisions, codification would serve to increase the aggregate policyholders' surplus of the Company's reinsurance and insurance operations as of December 31, 2000.

In October 1998, the American Institute of Certified Public Accountants (the "AICPA") issued Statement of Position ("SOP") 98-7 entitled "Deposit Accounting: Accounting for Insurance and Reinsurance Contracts That Do Not Transfer Risk". SOP 98-7 provides guidance on how to account for all insurance and reinsurance contracts that do not transfer insurance risk. SOP 98-7 is effective for periods beginning January 1, 2000, with early adoption permitted. The adoption of SOP 98-7 did not have a material impact on White Mountains' financial position or results of operations.

In June 1998, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires companies to record all derivatives on the balance sheet as either assets or liabilities and measure those instruments at fair value. The manner in which companies are to record gains and losses resulting from changes in the values of those derivatives depends on the use of the derivative and whether it qualifies for hedge accounting. The Company is not currently invested in traditional derivative financial instruments for hedging or for any other purpose. However, under SFAS 133 derivatives may be deemed to be embedded in other financial instruments. If the embedded derivatives meet certain criteria, they must be bifurcated from the original contract and separately accounted for in a manner that is consistent with other derivative financial instruments. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. White Mountains has recently completed its evaluation of the impact of the adoption of SFAS 133 and has determined that SFAS No. 133 will not have a material impact on White Mountains' financial position or results of operations.

In March 1998, the AICPA issued SOP 98-1 entitled "Accounting For the Cost of Computer Software Developed or Obtained for Internal Use" which requires the capitalization of certain prospective costs in connection with developing or obtaining software for current use. The adoption of SOP 98-1 did not have a material impact on White Mountains' financial position or results of operations.

Accounting standard recently proposed

In February 2001 the FASB issued an exposure draft entitled "Business Combinations and Intangible Assets - Accounting for Goodwill". This exposure draft proposes, among other things, the prospective elimination of the pooling method of accounting for business combinations and sets forth new standards concerning accounting for deferred credits, goodwill and other intangible assets arising from such activities.

With respect to deferred credits, the proposal calls for the immediate recognition of all existing and prospective deferred credits through the income statement as an extraordinary gain. With respect to goodwill, the proposed exposure draft would require companies to amortize its existing and prospective goodwill when the asset is deemed to have been impaired rather than systematically over a perceived period of benefit.

The exposure draft, in its current form, would be effective for interim and annual periods beginning after a final accounting standard is issued. As of December 31, 2000 and 1999, White Mountains had deferred credits of $92.2 million and $100.6 million, respectively and goodwill of $25.4 million and $3.6 million, respectively.

Earnings per Share

Basic earnings per Share amounts are based on the weighted average number of Shares outstanding. Diluted earnings per Share amounts are based on the weighted average number of Shares and the net effect of potential dilutive Shares outstanding. In 1999 and 1998 net income is reduced by an amount deemed to be reflective of the dilution to FSA's reported net income caused by its investment in FSA Preferred Stock. The following table outlines the Company's computation of earnings per Share for the years ended December 31, 2000, 1999 and 1998:

	Year Ended December 31,		
	2000	1999	1998
Basic earnings per Share numerators (in millions):			
Net income	$407.9	$121.0	$ 78.5
Net income from continuing operations	$312.9	$108.4	$ 51.1
Comprehensive net income	$447.6	$ 3.0	$ 69.6
Diluted earnings per Share numerators (in millions):			
Net income	$407.9	$121.0	$ 78.5
Dilution to earnings resulting from FSA Preferred Stock	–	(.6)	(.4)
Diluted net income	$407.9	$120.4	$ 78.1
Diluted net income from continuing operations	$312.9	$107.8	$ 50.7
Diluted comprehensive net income	$447.6	$ 2.4	$ 69.2
Earnings per Share denominators (in thousands):			
Basic earnings per Share denominator (average Shares outstanding)	5,895	5,630	5,866
Average outstanding dilutive options and warrants to acquire Shares [a]	26	472	669
Diluted earnings per Share denominator	5,921	6,102	6,535
Basic earnings per Share (in dollars):			
Net income	$69.19	$21.50	$13.38
Net income from continuing operations	$53.08	$19.25	$ 8.71
Comprehensive net income	$75.93	$ .54	$11.87
Diluted earnings per Share (in dollars):			
Net income	$68.89	$19.73	$11.94
Net income from continuing operations	$52.84	$17.66	$ 7.75
Comprehensive net income	$75.60	$ .39	$10.58

[a] See Note 10 for detailed information concerning outstanding dilutive options and warrants to acquire Shares.

NOTE 2. Discontinued Operations

Former insurance operations

In 1991, White Mountains sold Fireman's Fund to Allianz of America, Inc. Since 1991 the Company had carried a reserve related to various outstanding tax issues involving the sale. In September 2000, the Company was informed that the Internal Revenue Service agreed with the position taken by White Mountains in its 1991 tax return and, on October 19, 2000, the Company received the Technical Advice Memorandum from the Internal Revenue Service's National Office confirming this conclusion. As a result, the Company released a $95.0 million reserve during 2000 to income which is presented as a gain from discontinued insurance operations.

Mortgage banking operations

On May 1, 1999, White Mountains concluded the Mortgage Banking Sale which encompassed substantially all the mortgage banking assets of WMSC and received net proceeds totalling $180.6 million. Mortgage banking assets and liabilities that were not part of the Citibank sale principally included WMSC's investments in derivative instruments (which were fully liquidated in 1999), various residual mortgage assets and preferred stock, each of which were substantially liquidated during 1999. White Mountains recorded a $17.9 million pretax ($11.6 million after tax) gain on the sale of its mortgage banking net assets (which is net of anticipated future liabilities) during 1999. As a result of White Mountains' decision to dispose of its net mortgage banking assets, these activities are shown as discontinued operations herein.

Net cash provided from (used for) discontinued mortgage banking operations totalled $(.1) million, $(16.4) million and $13.3 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Summary condensed financial results of discontinued mortgage banking operations follow:

CONDENSED STATEMENTS OF NET ASSETS

	December 31,	
Millions	2000	1999
Assets:		
Cash and investments	$ 17.7	$ 13.8
Residual mortgage assets, net	7.6	26.9
Other assets	10.4	17.8
Total assets	$ 35.7	$ 58.5
Liabilities:		
Accounts payable and other liabilities	$ 19.5	$ 42.2
Net assets of discontinued mortgage banking operations	$ 16.2	$ 16.3

CONDENSED STATEMENTS OF INCOME

Millions	Year Ended December 31, 2000	1999	1998
Revenues:			
Net investment income and investment gains	$ 4.2	$ 27.9	$ 81.6
Net gain on sales of mortgages	–	25.4	86.8
Net mortgage servicing revenue	–	10.9	43.3
Other mortgage operations revenue	–	12.0	47.1
Total revenues	4.2	76.2	258.8
Expenses:			
Compensation and benefits	–	28.5	78.7
Interest expense	–	24.5	70.2
General expenses	4.2	19.3	59.5
Total expenses	4.2	72.3	208.4
Pretax earnings	–	3.9	50.4
Income tax provision	–	(1.7)	(19.3)
Net income before preferred stock dividends	–	2.2	31.1
Preferred stock dividends	–	(1.2)	(3.7)
Net income from discontinued mortgage banking operations	$ –	$ 1.0	$ 27.4

NOTE 3. Reinsurance Operations

On August 18, 1998, White Mountains acquired all of the outstanding Folksamerica Common Stock for $169.1 million thereby causing Folksamerica to become a consolidated subsidiary of White Mountains as of that date. Prior to that date, White Mountains owned a 50% non-consolidated economic interest in Folksamerica.

Supplemental condensed unaudited pro forma financial information for the year ended December 31, 1998, which assumes that White Mountains' acquisition of Folksamerica had occurred as of January 1, 1998, follows:

Millions, except per Share amounts	(Unaudited) Pro Forma Year Ended December 31, 1998
Total revenues	$ 576.3
Net income from continuing operations	$ 95.0
Comprehensive net income	$ 95.8
Basic earnings per Share:	
Net income	$ 16.19
Comprehensive net income	$ 16.33
Diluted earnings per Share:	
Net income	$ 14.46
Comprehensive net income	$ 14.59

The unaudited pro forma information presented does not purport to represent what White Mountains' results of operations actually would have been had White Mountains acquired all the outstanding capital stock of Folksamerica as of January 1, 1998, or to project White Mountains' results of operations for any future date or period.

Loss and loss adjustment expense reserve activity

The following table summarizes White Mountains' loss and loss adjustment expense reserve activity relating to Folksamerica for the years ended December 31, 2000 and 1999 and the interim period from August 18, 1998 to December 31, 1998:

Millions	Period Ended December 31, 2000	1999	1998
Gross beginning balance	$ 782.1	$ 723.2	$ 726.1
Less beginning reinsurance recoverable on unpaid losses	(136.2)	(129.0)	(124.1)
Net loss and loss adjustment expense reserves	645.9	594.2	602.0
Loss and loss adjustment expense reserves acquired - USF Re [1]	–	106.5	–
Loss and loss adjustment expense reserves acquired - PCA [1]	253.8	–	–
Loss and loss adjustment expense reserves acquired - Risk Capital [1]	312.6	–	–
Loss and loss adjustment expense reserves transferred and assumed [2]	(270.2)	–	–
Losses and loss adjustment expenses incurred relating to:			
Current year losses	247.9	152.9	58.6
Prior year losses	22.9	29.3	1.1
Total incurred losses and loss adjustment expenses	270.8	182.2	59.7
Loss and loss adjustment expenses paid relating to:			
Current year losses	(16.0)	(55.4)	(13.0)
Prior year losses	(399.0)	(181.6)	(54.5)
Total loss and loss adjustment expense payments	(415.0)	(237.0)	(67.5)
Net ending balance	797.9	645.9	594.2
Plus ending reinsurance recoverable on unpaid losses	702.8	136.2	129.0
Gross ending balance	$ 1,500.7	$ 782.1	$ 723.2

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

(2) Includes $270.6 million of loss reserves ceded to Imagine Re during 2000. See Note 6.

Prior year reserve strengthening of $22.9 million affected most of Folksamerica's segments including the portfolios acquired with USF Re and Risk Capital.

During 1999 Folksamerica acquired USF Re. Significant assets and liabilities acquired through USF Re included $204.1 million of cash and investments and $106.5 million of net loss and loss adjustment expense reserves. The purchase consideration included the issuance of a $20.8 million, five-year note by Folksamerica (which could be reduced by adverse loss development at USF Re post acquisition). Incurred losses for the years ended December 31, 2000 and 1999 related to prior accident years include adverse loss development on USF Re acquired reserves which resulted in a reduction of the USF Re seller note of $6.8 million and $14.0 million during those periods, respectively.

On March 31, 2000, Folksamerica acquired PCA. Significant assets and liabilities acquired through PCA included $339.8 million of cash and investments and $253.8 million of net loss and loss adjustment expense reserves.

On May 5, 2000, Folksamerica acquired the reinsurance operations of Risk Capital. Significant assets and liabilities acquired through the Risk Capital transaction included $249.9 million of cash and investments, $108.6 million of premiums receivable, $312.6 million of net loss and loss adjustment expense reserves and $82.0 million of net unearned reinsurance premiums. In addition, the Risk Capital acquisition provided White Mountains with two specialty underwriting units (Accident & Health and Marine) and several significant new treaty clients.

Asbestos and environmental loss and loss adjustment expense reserve activity

The following table summarizes Folksamerica's reported environmental and asbestos loss and loss adjustment expense reserve activities gross and net of reinsurance for the years ended December 31, 2000, 1999 and 1998:

Millions	Period Ended December 31,					
	2000		1999		1998	
	Gross	Net	Gross	Net	Gross	Net
Asbestos:						
Beginning balance	$ 34.5	$ 22.3	$ 29.5	$ 17.9	$ 18.7	$ 14.5
Incurred losses and loss adjustment expenses	3.8	2.7	13.0	9.3	14.7	6.6
Paid losses and loss adjustment expenses	(4.7)	(4.0)	(8.0)	(4.9)	(3.9)	(3.2)
Ending balance	33.6	21.0	34.5	22.3	29.5	17.9
Environmental:						
Beginning balance	9.8	8.4	14.9	10.9	13.4	10.3
Incurred losses and loss adjustment expenses	1.4	.8	.5	(.2)	3.3	2.3
Paid losses and loss adjustment expenses	(2.3)	(1.3)	(5.6)	(2.3)	(1.8)	(1.7)
Ending balance	8.9	7.9	9.8	8.4	14.9	10.9
Total asbestos and environmental:						
Beginning balance	44.3	30.7	44.4	28.8	32.1	24.8
Incurred losses and loss adjustment expenses	5.2	3.5	13.5	9.1	18.0	8.9
Paid losses and loss adjustment expenses	(7.0)	(5.3)	(13.6)	(7.2)	(5.7)	(4.9)
Ending balance	**$ 42.5**	**$ 28.9**	$ 44.3	$ 30.7	$ 44.4	$ 28.8

Additional reinsurance operations information

Folksamerica's policyholders' surplus, as reported to various regulatory authorities as of December 31, 2000 and 1999, was $443.9 million and $338.5 million, respectively. The large increase in surplus from 1999 to 2000 resulted principally from the contribution of ACIC and $80.0 million in cash to Folksamerica Reinsurance Company during the 2000 fourth quarter. Folksamerica's statutory net income (loss) for the years ended December 31, 2000 and 1999 and for the period from August 18, 1998 to December 31, 1998 was $(20.0) million, $48.6 million and $9.0 million, respectively. The principal differences between Folksamerica's statutory amounts and the amounts reported in accordance with GAAP include deferred taxes, deferred acquisition costs, gains recognized under retroactive reinsurance contracts and market value adjustments for debt securities. Folksamerica's statutory policyholders' surplus at December 31, 2000 was in excess of the minimum requirements of relevant state insurance regulations.

Under the insurance laws of the state of New York, Folksamerica may pay dividends only from earned surplus as determined on a statutory basis. Generally, the maximum amount of cash dividends that a New York-domiciled company may pay out of its statutory earned surplus without prior regulatory approval in any twelve month period is the lesser of the company's statutory net investment income or 10% of statutory surplus. Accordingly, there is no assurance that dividends may be paid by Folksamerica in the future. At December 31, 2000, Folksamerica had the ability to pay a dividend to its shareholder of $44.4 million without prior approval of regulatory authorities.

During the year ended December 31, 2000, Folksamerica received approximately 56.4% of its gross reinsurance premiums written from three major reinsurance brokers as follows: (i) E.W. Blanch - 21.6%; (ii) Guy Carpenter and affiliates - 17.6%; and (iii) AON Re, Inc. - 17.2%. During the year ended December 31, 2000, Folksamerica received no more than 10% of its gross reinsurance premiums from any individual ceding company.

NOTE 4. Consolidated Insurance Operations

On October 15, 1999, White Mountains completed its acquisition of IAG for $86.7 million in cash. IAG's principal operating subsidiaries are PIC, a commercial and personal lines writer, and ACIC and BICC, both of which are in run-off.

On June 17, 1999, White Mountains completed the VGI Sale and received net proceeds of $139.0 million in cash after receiving a special dividend prior to the closing of $76.6 million (net of related tax liabilities) consisting of cash, investment securities and the common stock of Waterford. The VGI Sale resulted in a pretax gain of $88.1 million ($53.8 million after tax). As part of the VGI Sale, White Mountains has provided Unitrin, Inc. with certain adverse loss development protections that will be settled as of December 31, 2002. During 2000 White Mountains provided $5.4 million in reserves for such adverse loss development protections. Waterford was sold to a third party on January 5, 2001 for cash proceeds of $23.8 million.

For the years ended December 31,1999 and 1998 VGI's contribution to the Company's consolidated net income was not material.

Loss and loss adjustment expense reserve activity

The following table summarizes loss and loss adjustment expense reserve activity for White Mountains' consolidated property and casualty insurance operations for the years ended December 31, 2000, 1999 and 1998:

	Year Ended December 31,		
Millions	**2000**	1999	1998
Gross beginning balance	**$ 68.9**	$ 88.5	$ 71.9
Less beginning reinsurance recoverable on unpaid losses	**(32.8)**	(8.9)	(8.7)
Net loss and loss adjustment expense reserves	**36.1**	79.6	63.2
Loss and loss adjustment expense reserves sold - VGI	**—**	(87.8)	—
Loss and loss adjustment expense reserves acquired - IAG	**—**	22.5	—
Losses and loss adjustment expenses incurred relating to:			
Current year losses	**16.2**	57.5	108.4
Prior year losses	**.7**	2.6	6.7
Total incurred losses and loss adjustment expenses	**16.9**	60.1	115.1
Loss and loss adjustment expense payments	**(21.1)**	(38.3)	(98.7)
Net ending balance	**31.9**	36.1	79.6
Plus ending reinsurance recoverable on unpaid losses	**23.7**	32.8	8.9
Gross ending balance	**$ 55.6**	$ 68.9	$ 88.5

Gross ending loss and loss adjustment expense balances for 2000 and 1999 include approximately $27.2 million and $29.3 million of environmental and asbestos reserves, respectively, relating to the run-off activities of ACIC and BICC. Until 1983, ACIC wrote (and subsequently ceded a portion to BICC) primary and excess liability insurance for many large national and international chemical, manufacturing and pharmaceutical companies, as well as facultative and treaty reinsurance for the same types of risks. Since 1983, management has concentrated its run-off efforts on commuting its loss exposures with its insureds. Due to the limited number of remaining policies under which a claim could be filed and the length of time since the policies were written, management expects any future development related to these reserves to be immaterial.

The aggregate policyholders' surplus of PIC and ACIC at December 31, 2000 and 1999, as reported to regulatory authorities, was $60.5 million and $70.6 million, respectively. Statutory net loss for the year ended December 31, 2000 and the period from October 16, 1999 to December 31, 1999 for PIC and ACIC totalled $1.7 million and $3.9 million, respectively. The principal differences between PIC and ACIC's statutory amounts and the amounts reported in accordance with GAAP (PIC and ACIC's aggregate shareholder's equity was $67.6 million and $73.0 million at December 31, 2000 and 1999, respectively, and its net income (loss) was $1.0 million and $(3.3) million for the year ended December 31, 2000 and the period from October 16, 1999 to December 31, 1999, respectively) include deferred

taxes, deferred acquisition costs and market value adjustments for debt securities. PIC and ACIC's statutory policyholders' surplus at December 31, 2000 was in excess of the minimum requirements of relevant state insurance regulations.

Under the insurance laws of the states under which PIC and ACIC are domiciled, PIC and ACIC may pay dividends only from earned surplus as determined on a statutory basis. Generally, the maximum amount of cash dividends that PIC and ACIC may pay out of their statutory earned surplus without prior regulatory approval in any twelve month period is the greater of the company's statutory net income or 10% of statutory surplus. Accordingly, there is no assurance that dividends may be paid by PIC and ACIC in the future. At December 31, 2000, $4.1 million of PIC and ACIC's total statutory surplus was available for the payment of dividends to its shareholder without prior approval of regulatory authorities.

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 2000, 1999 and 1998 consisted of the following:

	Year Ended December 31,		
Millions	**2000**	1999	1998
Investment income:			
Fixed maturity investments	**$ 63.1**	$ 53.6	$ 28.4
Common equity securities	**2.8**	3.2	3.6
Short-term investments	**19.9**	6.1	3.4
Other	**.7**	.3	2.2
Total investment income	**86.5**	63.2	37.6
Less investment expenses and other charges	**(.6)**	(1.3)	(.8)
Net investment income, before tax	**$ 85.9**	$ 61.9	$ 36.8

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

	Year Ended December 31,		
Millions	**2000**	1999	1998
Fixed maturity investments	**$ (9.2)**	$ .7	$ 1.6
Common equity securities	**(4.7)**	61.3	22.6
Other investments	**5.1**	7.6	46.8
Net realized investment gains (losses)	**$ (8.8)**	$ 69.6	$ 71.0

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:

Millions	Year Ended December 31, 2000	1999	1998
Gross realized gains from investment securities	$ 22.3	$ 90.4	$ 74.0
Gross realized losses from investment securities	(31.1)	(20.8)	(3.0)
Net realized gains (losses) from investment securities sold	(8.8)	69.6	71.0
Recognition of unrealized gains from investment in unconsolidated affiliate sold	32.5	–	–
Recognition of net unrealized gains for investments sold, before tax	23.7	69.6	71.0
Income taxes attributable to investments sold	(7.8)	(24.4)	(24.9)
Recognition of net unrealized gains for investments sold, after tax	$ 15.9	$ 45.2	$ 46.1
Net change in unrealized gains for investments securities held	$ 65.1	$ (11.7)	$ 25.0
Net change in unrealized gains from investments in unconsolidated affiliates held	6.2	(98.9)	33.7
Net change in unrealized investment gains for investments held, before tax	71.3	(110.6)	58.7
Income taxes attributable to investments held	(15.0)	36.9	(20.6)
Net change in unrealized gains for investments held, after tax	56.3	(73.7)	38.1
Recognition of net unrealized gains for investments sold, after tax	(15.9)	(45.2)	(46.1)
Change in net unrealized investment gains, after tax	$ 40.4	$(118.9)	$ (8.0)

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

Millions	December 31, 2000	1999
Investment securities:		
Gross unrealized investment gains	$ 70.5	$ 26.5
Gross unrealized investment losses	(12.0)	(42.7)
Net unrealized gains (losses) from investment securities	58.5	(16.2)
Net unrealized gains from investments in unconsolidated insurance affiliates	2.9	30.0
Total net unrealized investment gains, before tax	61.4	13.8
Income taxes attributable to such gains	(13.8)	(6.6)
Total net unrealized investment gains, after tax	$ 47.6	$ 7.2

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains' fixed maturity investments as of December 31, 2000 and 1999, were as follows:

Millions	December 31, 2000 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
U. S. Government and agency obligations	$ 309.4	$ 9.5	$ (.7)	$ 318.2
Debt securities issued by industrial corporations	310.6	3.9	(1.6)	312.9
Municipal obligations	265.7	3.0	(.2)	268.5
Mortgage-backed securities	102.4	1.3	(.4)	103.3
Foreign government obligations	52.2	.3	(.1)	52.4
Preferred stocks	22.7	.6	–	23.3
Total fixed maturity investments	$1,063.0	$18.6	$(3.0)	$1,078.6

Millions	December 31, 1999 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
U. S. Government and agency obligations	$351.5	$ .6	$(14.5)	$337.6
Debt securities issued by industrial corporations	330.8	.4	(11.8)	319.4
Municipal obligations	132.0	.7	(4.0)	128.7
Mortgage-backed securities	93.1	.1	(3.9)	89.3
Foreign government obligations	50.5	.1	(1.1)	49.5
Total fixed maturity investments	$957.9	$1.9	$(35.3)	$924.5

The cost or amortized cost and carrying value of White Mountains' fixed maturity investments at December 31, 2000 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, 2000 Cost or amortized cost	Carrying value
Due in one year or less	$ 70.7	$ 70.9
Due after one year through five years	470.4	478.1
Due after five years through ten years	287.2	295.8
Due after ten years	109.6	107.2
Mortgage-backed securities	102.4	103.3
Preferred stocks	22.7	23.3
Total	**$1,063.0**	**$1,078.6**

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, 2000 and 1999, were as follows:

Millions	December 31, 2000 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Common equity securities	**$127.5**	$21.1	$(3.8)	**$144.8**
Other investments	**$117.3**	$30.8	$(5.2)	**$142.9**

Millions	December 31, 1999 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Common equity securities	$100.4	$14.8	$(6.8)	$108.4
Other investments	$ 59.1	$ 9.8	$ (.6)	$ 68.3

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 $69.1 million and $59.5 million as of December 31, 2000 and 1999, respectively.

Sales and maturities of investments, excluding short-term investments, totalled $582.1 million, $530.1 million and $270.3 million for the years ended December 31, 2000, 1999 and 1998, respectively. There were no non-cash exchanges or involuntary sales of investment securities during 2000, 1999 and 1998.

NOTE 6. 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 that may cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. White Mountains remains liable for risks reinsured with third parties to the extent that the reinsurer is unable to honor its obligations under reinsurance contracts at the time of loss.

Reinsurance operations

Folksamerica has exposure to losses caused by hurricanes, earthquakes, winter storms, windstorms and other catastrophic events. Folksamerica continually assesses its concentration of underwriting exposures in catastrophe prone areas and develops strategies to manage this exposure, primarily through the purchase of catastrophe reinsurance. Folksamerica's current catastrophe reinsurance program provides coverage for losses incurred as a result of individual catastrophic events between $7.5 million and $17.5 million.

In the fourth quarter of 2000 Folksamerica purchased reinsurance coverage from Imagine Re which was designed to reduce its statutory operating leverage and to provide the following protections: (i) adverse development protection of up to $65.0 million on the run-off of loss and unearned premium reserves acquired in the Risk Capital transaction and any additional premium reported for the 2000 underwriting year; and (ii) $50.0 million of adverse development protection from the reserves remaining from the USF Re acquisition and remaining environmental and asbestos exposures. Amounts related to reserves transferred to Imagine Re for liabilities incurred as a result of past insurable events have been accounted for as retroactive reinsurance in accordance with SFAS No. 113. Reinsurance recoverables of $321.7 million were recorded at December 31, 2000, to reflect the loss reserves transferred ($250.0 million), fourth quarter incurred losses attached to the premium run-off ($51.1 million) and adverse development on loss reserves transferred ($20.6 million). At December 31, 2000, Folksamerica has recorded a $20.6 million deferred gain related to the adverse development on loss reserves transferred which will be recognized in income over the expected settlement period of the underlying claims. Contractual premiums due to Imagine Re of $315.0 million have been recorded as funds withheld under reinsurance treaties at December 31, 2000. Folksamerica holds a letter of credit and funds held as collateral for amounts due from Imagine Re.

At December 31, 2000 and 1999, Folksamerica had reinsurance recoverables with a carrying value of $116.7 million and $46.7 million, respectively, associated with London Life and Casualty Reinsurance Corporation. Folksamerica holds a letter of credit and funds held as collateral for amounts due from London Life and Casualty.

Insurance operations

ACIC is a party to an aggregate excess of loss contract with Gerling Global International Reinsurance Company, Ltd. ("Gerling") to reinsure direct excess liability policies written prior to December 31, 1985. At December 31, 2000 and 1999, ACIC had reinsurance recoverables with a carrying value of $17.0 million and $23.3 million, respectively, with Gerling under the contract. ACIC holds a letter of credit and assets held in trust as collateral for amounts due under the Gerling contract.

The effects of reinsurance on White Mountains' written and earned premiums and on loss and loss adjustment expenses were as follows:

Millions	Reinsurance Operations	Insurance Operations ACIC, PIC and BICC (b)	Waterford	Total
Year ended December 31, 2000				
Gross written premiums:				
Direct	$ 6.3	$ 26.4	$ (.5)	$ 32.2
Assumed	484.7	.1	(.1)	484.7
Ceded	(158.4)	(3.8)	.5	(161.7)
Net written premiums	$ 332.6	$ 22.7	$ (.1)	**$ 355.2**
Gross earned premiums:				
Direct	$ 4.1	$ 26.1	$ 2.3	$ 32.5
Assumed	476.1	.1	.3	476.5
Ceded	(167.7)	(4.6)	(2.3)	(174.6)
Net earned premiums	$ 312.5	$ 21.6	$ .3	**$ 334.4**
Losses and loss adjustment expenses:				
Direct	$ (.6)	$ 18.3	$ 2.3	$ 20.0
Assumed	468.5	—	.3	468.8
Ceded	(197.1)	(1.7)	(2.3)	(201.1)
Net losses and loss adjustment expenses	$ 270.8	$ 16.6	$ .3	**$ 287.7**

Millions	Reinsurance Operations	Insurance Operations ACIC, PIC and BICC (b)	VGI	Waterford	Total
Year ended December 31, 1999					
Gross written premiums:					
Direct	$ 2.2	$ 4.9	$ 48.2	$ 9.5	$ 64.8
Assumed	236.2	2.3	30.1	1.5	270.1
Ceded	(36.7)	(3.0)	(10.9)	(9.6)	(60.2)
Net written premiums	$ 201.7	$ 4.2	$ 67.4	$ 1.4	$ 274.7
Gross earned premiums:					
Direct	$ 2.4	$ 5.9	$ 44.1	$ 11.4	$ 63.8
Assumed	241.0	2.7	35.1	1.8	280.6
Ceded	(32.4)	(4.1)	(13.2)	(11.5)	(61.2)
Net earned premiums	$ 211.0	$ 4.5	$ 66.0	$ 1.7	$ 283.2
Losses and loss adjustment expenses:					
Direct	$ 7.8	$ 4.8	$ 44.5	$ (1.8)	$ 55.3
Assumed	205.4	1.6	14.6	12.9	234.5
Ceded	(31.0)	(.2)	(6.6)	(9.7)	(47.5)
Net losses and loss adjustment expenses	$ 182.2	$ 6.2	$ 52.5	$ 1.4	$ 242.3

Millions	Reinsurance Operations (a)	Insurance Operations: ACIC, PIC and BICC (b)	VGI	Waterford	Total
Year ended December 31, 1998					
Gross written premiums:					
Direct	$ 1.9	$ –	$ 96.3	$ 9.6	$ 107.8
Assumed	81.2	–	69.9	1.5	152.6
Ceded	(9.4)	–	(2.7)	(9.7)	(21.8)
Net written premiums	$ 73.7	$ –	$ 163.5	$ 1.4	$ 238.6
Gross earned premiums:					
Direct	$ 2.0	$ –	$ 98.0	$ 6.4	$ 106.4
Assumed	92.2	–	68.3	1.0	161.5
Ceded	(8.8)	–	(6.6)	(6.5)	(21.9)
Net earned premiums	$ 85.4	$ –	$ 159.7	$ .9	$ 246.0
Losses and loss adjustment expenses:					
Direct	$ 4.4	$ –	$ 79.5	$ 3.6	$ 87.5
Assumed	74.3	–	37.9	.7	112.9
Ceded	(19.0)	–	(2.8)	(3.8)	(25.6)
Net losses and loss adjustment expenses	$ 59.7	$ –	$ 114.6	$ .5	$ 174.8

(a) Excludes premiums and loss and loss adjustment expenses from January 1, 1998 to August 17, 1998 during which time Folksamerica was not a consolidated subsidiary of White Mountains. See Note 3.

(b) Excludes premiums and loss and loss adjustment expenses from January 1, 1998 to October 14, 1999 during which time ACIC, PIC and BICC were not consolidated subsidiaries of White Mountains. See Note 4.

NOTE 7. Debt

Short-term debt

At December 31, 2000 the Company had no short-term debt outstanding. At December 31, 1999 the Company had short-term debt outstanding of $4.0 million consisting of 7.39% medium-term notes which were repaid on their maturity date in February 2000.

In addition, the Company has from time-to-time entered into revolving credit agreements whereby it may borrow funds at short-term market interest rates. As of December 31, 1999 the Company could borrow up to $50.0 million under a short-term debt facility which the Company let expire in 2000. There were no borrowings outstanding under this facility at December 31, 1999.

Long-term debt

Long-term debt outstanding as of December 31, 2000 and 1999 consisted of the following:

Millions	December 31, 2000	1999
The Company:		
Medium-term notes	$ 96.3	$ 96.4
Less net discounts	(.3)	(.4)
Total	96.0	96.0
Folksamerica:		
Revolving credit agreement	–	100.0
USF Re seller note	–	6.8
Total	–	106.8
Total long-term debt	$ 96.0	$202.8

At December 31, 2000 the Company had $96.3 million in principal amount of outstanding medium-term notes with an average maturity of 2.6 years and a yield to maturity of 7.87%. During 2000 and 1999 the Company repurchased $.1 million and $15.9 million, respectively, in principal amount of its medium-term notes due in February 2003.

As part of the Folksamerica acquisition in 1998, White Mountains agreed to repay or refinance Folksamerica's existing long-term indebtedness by utilizing a six-year revolving credit agreement whereby Folksamerica could borrow up to $120.0 million at market interest rates. Outstanding borrowings of $115.0 million were repaid in December 2000 and the facility was terminated.

As part of its 1999 acquisition of USF Re, Folksamerica issued a $20.8 million, five-year note which could be reduced by adverse loss development at USF Re post acquisition. During 2000 and 1999, Folksamerica reduced the principal amount of the USF Re note by $6.8 million and $14.0 million, respectively, in response to post acquisition adverse loss development experienced on its loss reserves assumed from USF Re.

Total interest paid by White Mountains for its short-term and long-term indebtedness was $16.1 million, $15.6 million and $13.3 million in 2000, 1999 and 1998, respectively.

Of the $96.3 million in medium-term notes outstanding at December 31, 2000, $86.3 million of such notes mature in 2003 with the balance of the notes maturing in 2008.

NOTE 8. Income Taxes

In connection with the Redomestication, the Company and certain of its subsidiaries changed their domicile to either Bermuda or Barbados while certain other subsidiaries remained domiciled in the United States. As a result, income earned by the Offshore Companies will generally be subject to an effective overall tax rate lower than that imposed by the United States, however, no tax benefits will be attained in the event of net losses incurred by such companies. These factors may serve to increase or decrease White Mountains' effective tax rate for 1999 and beyond, depending on the events and circumstances occurring during such periods.

In connection with the Redomestication, the Company was treated as if it sold all of its directly owned assets in a fully taxable transaction in which gains, but not losses, were recognized. The Company incurred a tax liability upon the Redomestication of approximately $13.5 million.

The total income tax provision consisted of the following:

	Year Ended December 31,		
Millions	2000	1999	1998
United States income tax provision	$ 38.0	$ 47.0	$ 26.9
State and local income tax provision	1.7	6.0	1.6
United States withholding tax and foreign income tax provision	2.8	.1	–
Total income tax provision	$ 42.5	$ 53.1	$ 28.5
Net income tax payments	$ 54.5	$ 14.1	$ 35.7
Income taxes recorded directly to shareholders' equity related to:			
Changes in net unrealized investment gains and losses	$ 7.2	$(61.3)	$ (4.3)
Changes in net foreign currency translation gains and losses	$ (.4)	$ .5	$ (.5)

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

	Year Ended December 31,		
Millions	2000	1999	1998
Current	$ 58.2	$ 14.3	$ 30.3
Deferred	(15.7)	38.8	(1.8)
Total income tax provision on pretax earnings	$ 42.5	$ 53.1	$ 28.5

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 received 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:

	December 31,	
Millions	2000	1999
Deferred income tax assets related to:		
Discounting of loss reserves	$ 60.3	$ 45.3
Net operating loss carryforwards (which principally expire in 2010)	29.3	.9
Unearned insurance and reinsurance premiums	7.2	5.7
Deferred gain on reinsurance contract	7.1	–
Compensation and benefit accruals	4.1	4.4
Other items	(2.9)	(3.8)
Total deferred income tax assets	$105.1	$ 52.5

	December 31,	
Millions	2000	1999
Deferred income tax liabilities related to:		
Earnings from unconsolidated insurance affiliates	$ –	$ 18.1
Net unrealized investment gains	.2	13.9
Other items	2.6	5.5
Total deferred income tax liabilities (recorded in accounts payable and other liabilities)	$ 2.8	$ 37.5

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, 2000 and 1999.

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

	Year Ended December 31,		
Millions	2000	1999	1998
Tax provision at the United States statutory rate	$ 124.4	$56.5	$27.9
Differences in taxes resulting from:			
Deferred credit amortization and purchase price adjustments	(6.3)	(7.9)	(.9)
Tax reserve adjustments	5.5	6.1	5.4
State income taxes, net	1.2	3.9	1.0
Non-United States net earnings	(88.6)	(3.6)	–
United States income tax incurred upon the Redomestication	11.0	2.5	–
Tax exempt interest and dividends	(3.9)	(3.6)	(3.8)
Foreign and withholding taxes	2.8	.1	–
Other, net	(3.6)	(.9)	(1.1)
Total income tax provision on pretax earnings	$ 42.5	$53.1	$28.5

The non-United States component of pretax earnings was $395.9 million and $9.0 million for the year ended December 31, 2000 and 1999, respectively.

During 2000, the Company released a $95.0 million tax reserve relating to its 1991 sale of Fireman's Fund. See Note 2.

NOTE 9. Retirement and Postretirement Plans

Prior to the Redomestication, White Mountains terminated two non-qualified compensation plans and paid participants a total of $88.6 million in full satisfaction of White Mountains' long-term obligations. This payment resulted in an incremental pretax cost to the Company of $15.2 million, however, this action provided the Company with increased tax deductible expenses during 1999 and served to reduce future compensation and benefit expenses.

During 1999 the Board mandated deferrals of compensation earned by certain of its executive officers that was payable in connection with the Redomestication. Deferred balances are invested in phantom shares which are valued based on the market value of Shares. As of December 31, 2000 and 1999, these balances totalled $7.7 million and $2.9 million, respectively.

White Mountains has various defined contribution employee savings plans for the benefit of substantially all its employees. The costs of these plans are not material to White Mountains' financial statements.

Folksamerica has a defined benefit pension plan for the benefit of its employees and for former employees of the Company's discontinued mortgage banking operations. Benefits under this plan are based on years of service and each employee's highest average eligible compensation over the last five consecutive years of employment. The fair value of the assets in Folksamerica's defined benefit plan exceed its current and future employee obligations under the plan, therefore, the cost of this plan is not material to White Mountains' financial statements.

White Mountains' does not have any significant ongoing postretirement benefit plan obligations.

NOTE 10. Employee Share-Based Compensation Plans

White Mountains' Incentive Plan provides for granting to participants of the Company (and certain of its subsidiaries) various types of share-based incentive awards including performance shares and options to acquire Shares. At December 31, 2000, 206,400 Shares remained available for grant under the Incentive Plan.

Performance shares are conditional grants of a specified maximum number of Shares or an equivalent amount of cash. The grants are generally payable (subject to the attainment of a specified after tax return on equity) at the end of a three year period or as otherwise determined by the Compensation Committee of the Board. The financial goal for full payment of the performance shares is the achievement of a 13% annual after tax return on equity (as specifically defined by the Compensation Committee) as measured over the applicable performance periods. Performance share payments can double if returns significantly exceed 13%. The Compensation Committee consists solely of disinterested, non-management Directors.

For the three year performance periods beginning 2000, 1999 and 1998 the Company granted a total of 34,000, 31,300 and 47,800 performance shares, respectively, to its employees. No performance shares were paid in 2000. During 1999 and 1998 the Company paid a total of 141,650 and 47,129 performance shares, respectively, to its participants in cash and Shares. Performance shares paid during 1999 included 58,100 performance shares relating to the period from 1996 to 1998, 40,300 performance shares paid early relating to the period from 1997 to 1999 and 43,250 performance shares paid early relating to the period from 1998 to 2000.

White Mountains expenses performance shares ratably over the performance period assuming full vesting at the current market values of Shares. During 2000, 1999 and 1998, White Mountains recorded $25.8 million, $6.1 million and $7.2 million, of pretax performance share expense, respectively. The Company's performance share expense for 2000 was significantly higher than that of prior years as a result of: (i) a significant increase in the market value of Shares during the year; and (ii) the recording of $12.0 million of additional performance share expense undertaken to provide for potential future vesting of performance shares at an amount greater than 100% in light of the achievement of above plan results for 2000.

Folksamerica's defined contribution plan (the "Folksamerica 401(k) Plan") offers its participants the ability to invest their balances in several different investment options including Shares. As of December 31, 2000 and 1999 the Folksamerica 401(k) Plan owned less than 1% of the total Shares outstanding.

As of December 31, 2000 there were 81,000 options to acquire Shares outstanding which had an effective exercise price of $111.59 per Share at that date. Of the 81,000 options granted during 2000, 8,100 options were vested and exercisable at December 31, 2000. There were no options to acquire Shares outstanding at December 31, 1999.

The Company's Chairman formerly held warrants to acquire Shares outstanding entitling him to buy 1,000,000 Shares for $21.66 per Share through January 2, 2002. During 1999 the Chairman exercised the warrants early in exchange for a one-time payment of $6.0 million. This one-time payment compensated the Chairman for the estimated interest cost of borrowing the strike price and the amounts required to prematurely pay his income taxes. The 1999 exercise of warrants provided the Company with increased tax deductible expenses.

SFAS No. 123, "Accounting for Stock Based Compensation," requires disclosure regarding significant employee compensation involving the issuance of Shares and encourages companies to recognize compensation expense based on the fair value of such awards on the date of grant. White Mountains has not adopted the recognition and measurement criteria of SFAS No. 123 and alternatively has chosen to disclose the pro forma effects of SFAS No. 123 as follows:

Millions, except per Share amounts	Year Ended December 31, 1998
Net income:	
As reported	$ 78.5
Pro forma	77.4
Basic net income per Share:	
As reported	$ 13.38
Pro forma	12.56
Diluted net income per Share:	
As reported	$ 11.94
Pro forma	11.20

The SFAS No. 123 disclosure above presents the expense of warrants to acquire Shares over the life of the award using the Black Scholes option pricing model. Significant assumptions used in the presentation include a 5.0% risk-free interest rate, an expected Share volatility of .167 and an expected life of five years. The pro forma net income figures disclosed above may not be representative of the effects on net income to be reported in future years.

SFAS No. 123 disclosures are not presented for the years ended December 31, 2000 and 1999 as the pro forma effect of vested options to acquire Shares at December 31, 2000 would have been $.3 million or $.06 per diluted Share (and would therefore not be material to the above presentation) and there were no options to acquire Shares outstanding at December 31, 1999.

NOTE 11. Shareholders' Equity

Share repurchases and retirement

During 2000, 1999 and 1998 the Company repurchased 65,838 Shares for $8.3 million, 1,020,150 Shares for $139.5 million and 151,916 Shares for $19.8 million, respectively. In conformance with Bermuda law, the Company retires all Shares it repurchases.

Shares issued

During 1999 the Company issued a total of 1,137,495 Shares to its employees and Directors in satisfaction of the Chairman's warrant exercise, option exercises and various employee benefit plan obligations. No Shares were issued during 2000.

Dividends on Shares

During 2000, 1999 and 1998 the Company declared and paid cash dividends totalling $1.20, $1.60 and $1.60 per Share, respectively.

NOTE 12. Segment Information

White Mountains has determined that its reportable segments include Reinsurance, Property and Casualty Insurance, Investments in Unconsolidated Insurance Affiliates and Holding Company (primarily the operations of the Company and certain of its intermediate subsidiary holding companies). Investment results are included within the segment to which the investments relate. The Company has made this 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. Management and the Board does not currently review its operating results on a geographic basis. 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 which involved the segregation of the mortgage banking net assets, revenues and pretax earnings as discontinued operations.

Selected financial information for White Mountains' segments follows:

Millions	Reinsurance	Property and Casualty Insurance	Investments in Unconsolidated Affiliate(s)	Holding Company	Total
Year ended December 31, 2000					
Revenues from external customers	$ 313.4	$ 32.7	$ –	$ –	$ 346.1
Gains on sales of subsidiaries and insurance assets	–	–	–	385.8	385.8
Net realized losses on sales of investments and other assets	(11.8)	(.6)	–	4.0	(8.4)
Net investment income	57.5	8.3	–	20.1	85.9
Losses from unconsolidated affiliate(s).	–	–	(2.6)	–	(2.6)
Amortization of deferred credits and other benefits	19.3	–	1.4	20.7	41.4
Total revenues	**378.4**	**40.4**	**(1.2)**	**430.6**	**848.2**
Pretax earnings before interest expense	(19.1)	5.2	(1.2)	386.6	371.5
Interest expense	(8.2)	–	–	(7.9)	(16.1)
Income tax provision	16.8	(.6)	–	(58.7)	(42.5)
Net income (loss) from continuing operations	**$ (10.5)**	**$ 4.6**	**$ (1.2)**	**$ 320.0**	**$ 312.9**
Year ended December 31, 1999					
Revenues from external customers	$ 211.0	$ 75.6	$ –	$ .3	$ 286.9
Gains on sales of subsidiaries and insurance assets	–	–	–	88.1	88.1
Net realized gains on sales of investments and other assets	43.8	10.0	–	31.6	85.4
Net investment income	49.1	4.9	2.6	5.3	61.9
Earnings from unconsolidated affiliates	–	–	31.1	–	31.1
Amortization of deferred credits and other benefits	20.3	–	1.2	4.3	25.8
Total revenues	324.2	90.5	34.9 (a)	129.6	579.2
Pretax earnings before interest expense	60.6	.2	34.9	80.5	176.2
Interest expense	(5.9)	(.4)	–	(8.4)	(14.7)
Income tax provision	(9.8)	–	(1.1)	(42.2)	(53.1)
Net income (loss) from continuing operations	$ 44.9	$ (.2)	$ 33.8	$ 29.9	$ 108.4

Year ended December 31, 1998					
Revenues from external customers	$ 85.4	$ 170.0	$ –	$ .1	$ 255.5
Net realized gains on sales of investments and other assets	(.8)	5.4	–	66.4	71.0
Net investment income	18.1	8.2	3.8	6.7	36.8
Earnings from unconsolidated affiliates	–	–	24.3	–	24.3
Amortization of deferred credits and other benefits	2.7	–	–	–	2.7
Total revenues	105.4	183.6	28.1 (a)	73.2	390.3
Pretax earnings before interest expense	8.1	7.7	28.1	49.4	93.3
Interest expense	(1.4)	(1.1)	–	(11.2)	(13.7)
Income tax provision	(1.2)	(1.8)	(7.6)	(17.9)	(28.5)
Net income (loss) from continuing operations	$ 5.5	$ 4.8	$ 20.5	$ 20.3	$ 51.1

(a) Includes interest income on White Mountains' investment in MediaOne preferred stock (considered to be related to White Mountains' investment in FSA) of $2.6 million and $3.8 million for 1999 and 1998, respectively.

Ending assets Millions	Reinsurance	Property and Casualty Insurance	Investments in Unconsolidated Affiliates	Holding Company	Net assets of Discontinued Operations	Total
December 31, 2000	**$2,681.4**	**156.6**	**130.6**	**560.4**	**16.2**	**$3,545.2**
December 31, 1999	$1,294.3	198.6	422.6	117.3	16.3	$2,049.1

NOTE 13. Investments in Unconsolidated Affiliates

Investment in FSA

On July 5, 2000 White Mountains concluded the sale of 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 which represented a gain of $391.2 million.

White Mountains owned 6,943,316 and 3,460,200 shares of FSA Common Stock at December 31, 1999 and 1998, respectively. This represented approximately 21.2% and 11.6%, respectively, of the total shares of FSA Common Stock outstanding at those times. At December 31, 1999 and 1998, White Mountains also owned FSA Preferred Stock which provided White Mountains the right to acquire 2,000,000 additional shares of FSA Common Stock for net consideration of $59.3 million. At December 31, 1998, White Mountains also owned FSA Options which, in total, gave White Mountains the right to acquire 2,560,607 additional shares of FSA Common Stock for net aggregate consideration of $115.7 million.

Prior to the Dexia Sale, White Mountains' accounted for its investment in FSA Common Stock using the equity method. White Mountains' accounted for its investment in FSA Preferred Stock and FSA Options under the provisions SFAS No. 115 whereby the investment was reported at fair value as of the balance sheet date, with related unrealized investment gains and losses, after tax, reported as a net amount in a separate component of shareholders' equity and reported on the income statement as a component of other comprehensive net income.

The following table summarizes the amounts recorded by White Mountains relating to its investments in FSA:

Millions	2000	1999	1998
Amounts recorded by White Mountains:			
Investment in FSA Common Stock	$ –	$ 262.2	$ 119.7
Investment in FSA Options and Preferred Stock	–	41.1	114.4
Total investment in FSA	$ –	$ 303.3	$ 234.1
Equity in earnings (loss) from FSA Common Stock [a]	$ (3.6)	$ 19.5	$ 13.8
Dividends received from FSA Common Stock	1.4	2.1	1.5
Equity in net unrealized investment gains (losses) from FSA's investment portfolio [b]	–	(14.0)	3.1
Unrealized investment gains (losses) on FSA Options and Preferred Stock [b]	–	(4.1)	26.6
Write-down from fair value to equity value upon exercise of FSA Options, before tax	–	(45.8)	–

(a) Recorded net of related amortization of goodwill.
(b) Recorded directly to shareholders' equity (after tax) as a component of other comprehensive net income.

At December 31, 1999 and 1998, White Mountains' consolidated retained earnings included $53.3 million and $35.9 million, respectively, of accumulated undistributed earnings of FSA (net of related amortization of goodwill).

Investment in MSA

At December 31, 2000, 1999 and 1998, White Mountains owned 222,093 shares of MSA Common Stock. 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 tables provides summary financial information for MSA as wells as amounts recorded by White Mountains relating to its investment in MSA:

Millions	2000	1999	1998
MSA balance sheet data:			
Total investments	$ 449.0	$ 466.3	$465.9
Total assets	608.7	582.3	581.6
Unearned premium reserve	129.6	118.3	113.0
Loss and loss adjustment expense reserves	202.1	198.4	212.2
Shareholders' equity	253.8	233.4	232.5
MSA income statement data:			
Net premiums written	$ 265.4	$ 242.7	$258.5
Net premiums earned	254.1	237.4	226.3
Net investment income	23.5	24.9	22.1
Net income	3.8	25.8	13.4
Comprehensive net income	16.4	.9	21.2
Amounts recorded by White Mountains:			
Investment in MSA Common Stock [a]	$ 130.6	$ 119.3	$120.2
Equity in earnings from MSA Common Stock [b]	1.0	11.6	4.9
Equity in net unrealized investment gains (losses) from MSA's investment portfolio [c]	6.2	(12.5)	4.1

(a) Includes related goodwill of $3.7 million, $2.6 million and $4.0 million at December 31, 2000, 1999 and 1998, respectively.
(b) Recorded net of related amortization of goodwill.
(c) Recorded directly to shareholders' equity (after tax) as a component of other comprehensive net income.

At December 31, 2000 and 1999, White Mountains' consolidated retained earnings included $26.7 million and $25.7 million, respectively, of accumulated undistributed earnings of MSA (net of related amortization of goodwill).

Investment in Folksamerica

In August 1998 White Mountains acquired all of the remaining outstanding shares of the common stock of Folksamerica which resulted in Folksamerica becoming a consolidated subsidiary of White Mountains at that time. Prior to August 1998, Folksamerica was an unconsolidated insurance affiliate of White Mountains whereby White Mountains' investment in Folksamerica consisted of investments in Folksamerica common stock and Folksamerica preferred stock and warrants. White Mountains investment in the common stock of Folksamerica was accounted for using the equity method and its investment in the preferred stock and warrants of Folksamerica was accounted for under the provisions of SFAS No. 115. For the year ended December 31, 1998, White Mountains recorded $5.6 million of pretax earnings from its unconsolidated investment in Folksamerica.

NOTE 14. Fair Value of Financial Instruments

White Mountains carries all its financial instruments on its balance sheet at fair value with the exception of long-term indebtedness. At December 31, 2000 and 1999, the market value of White Mountains' long-term indebtedness was $97.2 million and $206.7 million, respectively, which compared to a carrying value of $96.0 million and $202.8 million, respectively. The fair value of long-term indebtedness is estimated by discounting future cash flows using incremental borrowing rates for similar types of borrowing arrangements or quoted market prices. Considerable judgement is required to develop such estimates of fair value. Therefore, the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

NOTE 15. Related Party Transactions

White Mountains formerly owned two short-range aircraft jointly with Haverford Utah, LLC ("Haverford"). Messrs. Jack Byrne, Patrick Byrne and Kemp (each Directors of the Company) were principals of Haverford. Both aircraft were acquired from unaffiliated third parties during 1996. In exchange for Haverford's 20% ownership interest in the aircraft, Haverford contributed capital equal to 20% of the total initial cost of the aircraft and paid its pro rata share of all fixed costs plus the direct operating costs for its use pursuant to a Joint Ownership Agreement. The aircraft were sold to a third party during 2000 which resulted in Haverford receiving 20% of the cash proceeds.

During 1998 White Mountains sold its 25% joint ownership interest in a private jet operated by a third party to Haverford for cash proceeds of $500,000. The purchase price received from Haverford represented a payment of $437,500 for White Mountains' joint ownership interest (which resulted in White Mountains recognizing a pretax gain on sale of approximately $75,000) and $62,500 for reimbursement of prepaid aircraft expenses which were required to be paid to the operator prior to the sale to Haverford.

Mr. 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 Credit Facility. See Note 17.

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

White Mountains owns a limited partnership investment interest which was managed by Mr. John Gillespie, a Director of the Company.

White Mountains owns a limited partnership interest and an investment portfolio which was managed by Mr. Zankel, a Director of the Company.

White Mountains believes that all the above transactions were on terms that were reasonable and competitive. Additional transactions of this nature may be expected to take place in the ordinary course of business in the future.

NOTE 16. Commitments and Contingencies

Folksamerica leases its office space under noncancellable leases expiring at various dates through 2010. Rental expense for all of Folksamerica's locations was approximately $2.1 million, $1.6 million and $1.6 million for the years ended December 31, 2000, 1999 and 1998, respectively. Folksamerica's future annual minimum rental payments required under noncancellable leases for office space are $2.9 million for 2001, $2.8 million for both 2002 and 2003, $3.0 million for 2004, and $16.0 million for years thereafter. White Mountains also has various other lease obligations which are immaterial in the aggregate.

Various claims have been made against White Mountains in the normal course of its business. Based on all information available at the date of this report, management believes that the outcome of such claims will not, in the aggregate, have a material effect on White Mountains' financial position or results of operations.

NOTE 17. Subsequent Events

Pending Acquisition of CGU

In September 2000 White Mountains entered into a definitive agreement with CGNU to purchase its U.S. property and casualty insurance operations, CGU. The CGU purchase agreement, which was amended on October 15, 2000 and February 20, 2001, calls for a purchase price of $2.17 billion, subject to certain adjustments, of which $260.0 million will consist of a note payable (which must be paid in eighteen months in cash or Shares valued at $245.00 per Share, at the Company's sole option). In addition, CGU will repay approximately $.5 billion of debt outstanding to its parent at closing.

In connection with the CGU transaction, White Mountains has arranged for up to $741.0 million of new equity commitments from a small group of outside investors and, on March 16, 2001, finalized its $875.0 million Credit Agreement with Lehman. In connection with financing the transaction, White Mountains will contribute Folksamerica, PIC and MSA to CGU.

Completion of the CGU acquisition is subject to, among other matters, the receipt of regulatory approvals, the completion of financing and the satisfaction of other customary conditions.

Cash Tender Offer and Consent Solicitation For Outstanding Medium-Term Notes

On March 15, 2001 White Mountains commenced the Note Offer providing for the repurchase of its $96.3 million aggregate principal amount of outstanding medium-term notes. In conjunction with the Note Offer, noteholder consents are being solicited to effect an amendment to the indenture governing these notes, which will facilitate White Mountains' pending acquisition of CGU. The Note Offer is scheduled to expire at 5:00 p.m., New York City time on April 16, 2001, unless extended or terminated.

The total consideration to be paid for each validly tendered and consented note due in 2003 will be based upon a fixed spread of 95 basis points over the yield to maturity on the applicable reference U.S. Treasury Note, and includes a consent payment of $30.00 per $1,000 principal amount of such notes. The total consideration to be paid for each validly tendered and consented note due 2008 will be based upon a fixed spread of 125 basis points over the yield to maturity on the applicable reference U.S. Treasury Note, and includes a consent payment of $30.00 per $1,000 principal amount of such notes. The Note Offer pricing date is expected to be April 11, 2001. Accrued and unpaid interest up to, but not including, the payment date will be paid for notes validly tendered and accepted for purchase.

The Note Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn a majority in aggregate principal amount of outstanding notes, (ii) the execution of the supplemental indenture governing the notes and (iii) the consummation of White Mountains' acquisition of CGU.

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 has audited the consolidated financial statements of White Mountains as of December 31, 2000 and 1999 and for each of the two years then ended and KPMG LLP has audited the consolidated financial statements of White Mountains for the year ended December 31, 1998. These firms have issued their unqualified reports thereon, which appear on pages F-31 and F-32.

In connection with their audits, the independent auditors provide an objective, independent review and evaluation of the structure of internal controls to the extent they consider necessary. Management reviews all recommendations of the independent auditors 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.

John J. Byrne
Chairman and
Chief Executive Officer

Raymond Barrette
President

Michael S. Paquette
Senior Vice President
and Controller

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the 2000 and 1999 consolidated financial statements listed in the index referenced under Item 14(a) on page 34 present fairly, in all material respects, the financial position of White Mountains Insurance Group, Ltd. and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the 2000 and 1999 financial statement schedules listed in the index referenced under Item 14(a) on page 34 present fairly, in all material respects, the information set forth therein when read in conjunction with the related 2000 and 1999 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, 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 the opinion expressed above.

PricewaterhouseCoopers

Hamilton, Bermuda
February 9, 2001, except for Note 17,
which is as of March 16, 2001

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of income and comprehensive income, shareholders' equity, and cash flows of White Mountains Insurance Group, Ltd. and Subsidiaries (the "Company") for the year ended December 31, 1998 (collectively, the "consolidated financial statements"). In connection with our audit of the consolidated financial statements, we also have audited the 1998 financial information in Schedule II Condensed financial information of the registrant, Schedule III Supplementary insurance information, Schedule IV Reinsurance, Schedule V Valuation and qualifying accounts, and Schedule VI Supplemental information for property-casualty insurance underwriters (collectively, the "financial statement schedules"). These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audit. We did not audit the consolidated financial statements of Folksamerica Holding Company, Inc. ("Folksamerica"), a wholly-owned subsidiary and Financial Security Assurance Holdings, Ltd. ("FSA"), an 11.6 percent owned equity investee company. The financial statements of Folksamerica reflect total revenues of 27.0 percent in 1998 of the related consolidated totals. The Company's equity in earnings of FSA was $13.8 million for the year ended December 31, 1998. The financial statements of Folksamerica and FSA were audited by other auditors, PricewaterhouseCoopers LLP, whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for Folksamerica and FSA, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of White Mountains Insurance Group, Ltd. and Subsidiaries for the year ended December 31, 1998 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, based on our audit and the reports of other auditors, the 1998 information in the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

February 12, 1999
Providence, Rhode Island

KPMG LLP

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

Selected quarterly financial data for 2000 and 1999 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.

	2000 Three Months Ended [a]				1999 Three Months Ended [b]			
Millions, except per share amounts	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues	$ 55.1	$546.1	$163.9	$ 83.1	$146.3	$106.5	$199.5	$126.9
Expenses	79.3	161.9	161.0	90.6	129.3	83.4	94.7	110.3
Pretax earnings (loss)	(24.2)	384.2	2.9	(7.5)	17.0	23.1	104.8	16.6
Income tax benefit (provision)	8.4	(49.7)	(3.1)	1.9	2.7	(9.0)	(41.0)	(5.8)
Net income (loss) from continuing operations	(15.8)	334.5	(.2)	(5.6)	19.7	14.1	63.8	10.8
Net income (loss) from discontinued operations	–	95.0	–	–	(3.3)	–	12.9	3.0
Net income (loss)	$(15.8)	$429.5	$ (.2)	$ (5.6)	$ 16.4	$ 14.1	$ 76.7	$ 13.8
Net income (loss) from continuing operations per Share:								
Basic	$(2.68)	$ 56.86	$ (.03)	$ (.94)	$ 2.73	$ 2.72	$ 11.58	$ 1.84
Diluted	(2.68)	56.59	(.03)	(.94)	2.69	2.43	11.56	1.64
Net income (loss) per Share:								
Basic	$(2.68)	$ 73.02	$ (.03)	$ (.94)	$ 2.73	$ 2.72	$ 13.94	$ 2.36
Diluted	(2.68)	72.67	(.03)	(.94)	2.69	2.43	12.41	2.10

(a) The quarterly amounts subsequent to March 31, 2000 reflect the acquisitions of PCA and Risk Capital. The quarterly amounts for the three month period ended September 30, 2000 reflect the Dexia Sale and a $95.0 million reserve release relating to Fireman's Fund. The quarterly amounts for the three month period ended December 31, 2000 have been impacted by a significant reinsurance contract with a third party.

(b) The quarterly amounts for the three month period ended June 30, 1999 reflect the VGI Sale and the Mortgage Banking Sale. The Mortgage Banking Sale represented a decision by the Company to exit the mortgage banking business. As a result, all mortgage banking activities are presented herein as discontinued operations.

White Mountains®
INSURANCE GROUP

SCHEDULE I

WHITE MOUNTAINS INSURANCE GROUP, LTD.

SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES
At December 31, 2000

Millions	Cost	Fair Value
Fixed maturities:		
Bonds:		
United States Government and government agencies and authorities	$ 411.8	$ 421.5
Corporate bonds	310.6	312.9
States, municipalities and political subdivisions	265.7	268.5
Foreign governments	52.2	52.4
Redeemable preferred stocks	22.7	23.3
Total fixed maturities	1,063.0	1,078.6
Common equity securities:		
Banks, trust and insurance companies	47.1	63.0
Industrial, miscellaneous and other	80.4	81.8
Total common equity securities	127.5	144.8
Other investments	117.3	142.9
Short-term investments	735.9	735.9
Total investments	$ 2,043.7	$ 2,102.2

Note - fair value was equal to carrying value at December 31, 2000.

SCHEDULE II

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Registrant Only)

CONDENSED BALANCE SHEETS

Millions	December 31, 2000	1999
Assets:		
Fixed maturities	$ –	$ 39.6
Common equity securities and other investments	30.5	26.3
Short-term investments, at amortized cost	96.4	5.7
Other assets	56.8	1.2
Investments in consolidated affiliates	1,040.3	770.9
Total assets	$ 1,224.0	$ 843.7
Liabilities:		
Short-term debt	$ –	$ 4.0
Long-term debt	96.0	96.0
Deferred credits	37.0	57.8
Accounts payable and other liabilities	44.5	71.6
Total liabilities	177.5	229.4
Shareholders' equity	1,046.5	614.3
Total liabilities and shareholders' equity	$ 1,224.0	$ 843.7

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Millions	Year Ended December 31, 2000	1999	1998
Revenues	$ 26.8	$ 29.1	$28.9
Expenses	43.5	46.6	23.2
Pretax earnings (loss)	(16.7)	(17.5)	5.7
Income tax provision	(26.6)	(6.0)	(8.3)
Net loss	(43.3)	(23.5)	(2.6)
Earnings from consolidated affiliates	356.2	131.9	53.7
Earnings from discontinued operations, after tax	95.0	12.6	27.4
Consolidated net income	407.9	121.0	78.5
Other comprehensive net income (loss) items, after tax	39.7	(118.0)	(8.9)
Consolidated comprehensive net income	$ 447.6	$ 3.0	$69.6

SCHEDULE II
(continued)

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Registrant Only)

CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
Millions	2000	1999	1998
Net income	$ 407.9	$ 121.0	$ 78.5
Reconciliation of net income to net cash from operating activities:			
Net realized gains on sales of investments and insurance assets	(2.7)	(21.7)	(26.7)
Distributions from consolidated subsidiaries in excess of current earnings	–	213.0	–
Undistributed current earnings from consolidated subsidiaries	(250.1)	–	(78.0)
Amortization of deferred credits	(20.8)	–	–
Deferred income tax provision	–	39.7	.1
Release of tax reserve on sale of former insurance subsidiary	(95.0)	–	–
(Increase) decrease in other assets	(24.3)	2.5	(4.2)
Increase (decrease) in accounts payable and other liabilities	37.3	(112.5)	18.1
Net cash provided from (used for) operating activities	52.3	242.0	(12.2)
Cash flows from investing activities:			
Net (increase) decrease in short-term investments, net of balances acquired	(84.8)	18.3	(8.5)
Sales of investment securities	53.8	5.4	–
Purchases of investment securities	(1.4)	–	–
Investments in consolidated affiliates, net of balances acquired	–	(73.5)	–
Investments in unconsolidated affiliates	–	(50.0)	–
Sale of securities carried in other assets	–	–	26.8
Net cash (used for) provided from investing activities	(32.4)	(99.8)	18.3
Cash flows from financing activities:			
Purchases of common shares retired	(8.8)	(139.4)	(19.5)
Proceeds from exercises of warrants and options to acquire Shares	–	21.7	–
Repayment of long-term debt	(4.0)	(15.9)	–
Intercompany borrowings from subsidiaries	–	–	23.0
Cash dividends paid to common shareholders	(7.1)	(8.8)	(9.4)
Net cash used for financing activities	(19.9)	(142.4)	(5.9)
Net (decrease) increase in cash during year	–	(.2)	.2
Cash balance at beginning of year	–	.2	–
Cash balance at end of year	$ –	$ –	$ .2

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 [b]	Benefits, claims, losses, and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses	Premiums written
Years ended:										
December 31, 2000:										
Reinsurance	$ 26.2	$1,500.7	$171.9	$ –	$ 312.5	$ 57.4	$ 270.8	$ 98.0	$ –	$ 332.6
Property casualty insurance	1.0	55.6	10.1	–	21.9	8.3	16.9	3.1	–	22.6
December 31, 1999:										
Reinsurance	$ 21.3	$ 782.1	$ 79.0	$ –	$ 211.0	$ 49.1	$ 182.2	$ 64.3	$ –	$ 201.7
Property casualty insurance	.9	68.9	13.1	–	72.2	4.9	60.1	9.1	–	73.0
December 31, 1998:										
Reinsurance [a]	$ 20.7	$ 723.2	$ 71.2	$ –	$ 85.4	$ 18.1	$ 59.7	$ 29.1	$ –	$ 73.7
Property casualty insurance	14.7	88.5	81.9	–	160.6	8.3	115.1	25.7	–	164.9

(a) The amounts shown for Reinsurance in columns F through K represent activity for Folksamerica from August 18, 1998 through December 31, 1998.

(b) The amounts shown exclude net investment income relating to non-insurance operations of $20.2 million, $7.9 million and $10.4 million for the twelve months ended December 31, 2000, 1999 and 1998, respectively.

SCHEDULE IV

WHITE MOUNTAINS INSURANCE GROUP, LTD.
REINSURANCE

Column A	Column B	Column C	Column D	Column E	Column F
Premiums earned (Dollars in millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Years ended:					
December 31, 2000:					
Property and casualty insurance	$ 28.4	$ (6.9)	$ .4	$ 21.9	1.8%
Reinsurance	4.1	(167.7)	476.1	312.5	152.4%
December 31, 1999:					
Property and casualty insurance	$ 61.4	$ (28.8)	$ 39.6	$ 72.2	54.8%
Reinsurance	2.4	(32.4)	241.0	211.0	114.2%
December 31, 1998:					
Property and casualty insurance	$104.4	$ (13.1)	$ 69.3	$ 160.6	43.2%
Reinsurance [a]	2.0	(8.8)	92.2	85.4	108.0%

[a] Amounts shown in columns B through F represent activity for Folksamerica from August 18, 1998 through December 31, 1998.

SCHEDULE V

WHITE MOUNTAINS INSURANCE GROUP, LTD.
VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C		Column D	Column E
		Additions			
Millions	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions described	Balance at end of period
Years ended:					
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
December 31, 1999:					
Reinsurance recoverable:					
Allowance for reinsurance balances	$ 1.2	$ –	$ –	$ –	$ 1.2
Property and casualty insurance:					
Allowance for uncollectible accounts	.4	–	–	.7 [a]	1.1
December 31, 1998:					
Reinsurance recoverable:					
Allowance for reinsurance balances [b]	$ –	$ –	$ –	$ 1.2 [a]	$ 1.2
Property and casualty insurance:					
Allowance for uncollectible accounts	.3	1.9	–	(1.8) [b]	.4

(a) Represents allowances acquired from insurance and reinsurance operations purchased
(b) Represents charge-offs of balances receivable

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
Consolidated reinsurance operations:											
2000	$ 26.2	$ 1,500.7	$ –	$ 171.9	$ 312.5	$ 57.4	$ 247.9	$ 22.9	$ 98.0	$ 415.0	$ 332.6
1999	21.3	782.1	–	79.0	211.0	49.1	152.9	29.3	64.3	237.0	201.7
1998 [a]	20.7	723.2	–	71.2	85.4	18.1	58.6	1.1	29.1	67.5	73.7
Consolidated property and casualty insurance operations:											
2000	$ 1.0	$ 55.6	$ –	$ 10.1	$ 21.9	$ 8.3	$ 16.2	$ .7	$ 3.1	$ 21.1	$ 22.6
1999	.9	68.9	–	13.1	72.2	4.9	57.5	2.6	9.1	38.3	73.0
1998	14.7	88.5	–	81.9	160.6	8.3	108.4	6.7	25.7	98.7	164.9
50%-or-less owned property and casualty investees [b]:											
2000	$ 18.8	$ 101.1	$ –	$ 64.8	$ 127.1	$ 11.8	$ 91.9	$ (3.3)	$ 37.2	$ 89.0	$ 132.7
1999	17.5	99.2	–	59.2	118.7	12.5	89.3	(7.0)	34.4	84.3	121.3
1998	16.0	106.1	–	56.5	103.6	10.1	82.5	(5.1)	24.2	48.1	118.3

(a) The amounts shown for Reinsurance in columns F through K represent activity for Folksamerica from August 18, 1998 through December 31, 1998.

(b) The amounts shown represent White Mountains' share of its property and casualty affiliate, MSA, which was 50.0% owned during the three year period ended December 31, 2000.

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