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.

In December 1997, the AICPA issued SOP 97-3 entitled "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments". SOP No. 97-3 provides guidance on when a liability should be recognized for guaranty fund and other assessments and how to measure the liability. This statement is effective for fiscal years beginning after December 15, 1998. SOP No. 97-3 did not have a material effect on the results of operations or financial position.

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 average number of Shares and potential dilutive Shares outstanding. Potential dilutive Shares include outstanding stock options and Warrants. In the diluted earnings per Share calculation, the Company's 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, 1999, 1998 and 1997:

	Year Ended December 31,		
	1999	1998	1997
Basic earnings per Share numerators (in millions):			
Net income	**$121.0**	$ 78.5	$ 39.3
Net income from continuing operations	**$108.4**	$ 51.1	$ 64.9
Comprehensive net income	**$ 3.0**	$ 69.6	$ 81.0
Diluted earnings per Share numerators (in millions):			
Net income	**$121.0**	$ 78.5	$ 39.3
Dilution to earnings from unconsolidated insurance affiliates	**(.6)**	(.4)	(.2)
Diluted net income	**$120.4**	$ 78.1	$ 39.1
Diluted net income from continuing operations	**$107.8**	$ 50.7	$ 64.7
Diluted comprehensive net income	**$ 2.4**	$ 69.2	$ 80.8
Earnings per Share denominators (in thousands):			
Basic earnings per Share denominator (average Shares outstanding)	**5,630**	5,866	6,570
Average outstanding dilutive stock options and Warrants [a]	**472**	669	674
Diluted earnings per Share denominator	**6,102**	6,535	7,244
Basic earnings per Share (in dollars):			
Net income	**$21.50**	$13.38	$ 5.98
Net income from continuing operations	**$19.25**	$ 8.71	$ 9.88
Comprehensive net income	**$ .54**	$11.87	$12.33
Diluted earnings per Share (in dollars):			
Net income	**$19.73**	$11.94	$ 5.40
Net income from continuing operations	**$17.66**	$ 7.75	$ 8.93
Comprehensive net income	**$ .39**	$10.58	$11.15

[a] See Note 10 for detailed information concerning outstanding dilutive stock options and Warrants.

NOTE 2. Discontinued 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 (which was net of WMSC's public indebtedness assumed by Citibank and WMSC's credit agreement borrowings which were required to be repaid at closing). Mortgage banking assets and liabilities that were not part of the Citibank sale principally included WMSC's investments in financial instruments, pool loan purchases and preferred stock, each of which were substantially liquidated during 1999. White Mountains recorded an estimated $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 the Company's decision to dispose of its net mortgage banking assets, these activities are shown as discontinued operations herein.

Summary condensed financial results of discontinued mortgage banking operations follow:

CONDENSED STATEMENTS OF NET ASSETS

	December 31,	
Millions	**1999**	1998
Assets:		
Cash and investments	**$ 13.8**	$ 19.4
Capitalized mortgage servicing rights	**–**	169.7
Mortgage loans held for sale	**–**	676.3
Pool loan purchases	**26.9**	165.0
Other mortgage origination and servicing assets	**2.1**	106.9
Other assets	**15.7**	90.1
Total assets	**$ 58.5**	$ 1,227.4
Liabilities and Preferred Stock:		
Short-term debt	**$ –**	$ 697.0
Long-term debt	**–**	173.4
Accounts payable and other liabilities	**42.2**	202.6
Preferred stock	**–**	44.0
Total liabilities and preferred stock	**42.2**	1,117.0
Net assets of discontinued mortgage banking operations	**$ 16.3**	$ 110.4

CONDENSED STATEMENTS OF INCOME

Millions	Year Ended December 31, 1999	1998	1997
Revenues:			
Net investment income	**$ 27.9**	$ 81.6	$ 43.5
Net gain on sales of mortgages	**25.4**	86.8	21.5
Net mortgage servicing revenue	**10.9**	43.3	38.2
Other mortgage operations revenue	**12.0**	47.1	14.3
Total revenues	**76.2**	258.8	117.5
Expenses:			
Compensation and benefits	**28.5**	78.7	56.3
Interest expense	**24.5**	70.2	35.4
General expenses	**19.3**	59.5	57.9
Total expenses	**72.3**	208.4	149.6
Pretax earnings (loss)	**3.9**	50.4	(32.1)
Income tax benefit (provision)	**(1.7)**	(19.3)	10.2
Net income (loss) before preferred stock dividends	**2.2**	31.1	(21.9)
Preferred stock dividends	**(1.2)**	(3.7)	(3.7)
Net income (loss) from discontinued mortgage banking operations	**$ 1.0**	$ 27.4	$ (25.6)

NOTE 3. Reinsurance Operations

On August 18, 1998, White Mountains acquired all of the remaining outstanding shares of 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 interest in Folksamerica, primarily through the Folksamerica Preferred Stock.

Supplemental condensed unaudited pro forma financial information for the year ended December 31, 1998, which assumes that White Mountains' acquisition of all the outstanding Folksamerica Common Stock 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	$ 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 common 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 year ended December 31, 1999 and the interim period from August 18, 1998 to December 31, 1998:

Millions	**Year Ended December 31, 1999**	Period Ended December 31, 1998
Beginning balance	**$ 723.2**	$ 726.1
Less beginning reinsurance recoverable	**(129.0)**	(124.1)
Net loss and loss adjustment expense reserves	**594.2**	602.0
Loss and loss adjustment expense reserves acquired - USF Re	**106.5**	—
Losses and loss adjustment expenses incurred relating to:		
Current year losses	**152.9**	58.6
Prior year losses	**29.3**	1.1
Total incurred losses and loss adjustment expenses	**182.2** (a)	59.7
Loss and loss adjustment expenses paid relating to:		
Current year losses	**(55.4)**	(13.0)
Prior year losses	**(181.6)**	(54.5)
Total loss and loss adjustment expense payments	**(237.0)**	(67.5)
Net ending balance	**645.9**	594.2
Plus ending reinsurance recoverable	**136.2**	129.0
Gross ending balance	**$ 782.1**	$ 723.2

(a) Includes adverse loss development on USF Re acquired reserves. This adverse development resulted in a $14.0 million reduction in Folksamerica's USF Re seller note payable. See Note 7.

During 1999 Folksamerica acquired USF Re for total consideration of $92.5 million. The purchase consideration included the issuance of a $20.8 million, five-year note by Folksamerica (which can be reduced by adverse loss development at USF Re post acquisition). Incurred losses for the year ended December 31, 1999 related to prior accident years are primarily attributable to reserve additions related to: (i) adverse loss development on USF Re acquired reserves of $20.1 million pretax (which resulted in a reduction of the USF Re seller note of $14.0 million) and (ii) reserve additions relating to asbestos and environmental liability exposures.

As of December 31, 1999 and 1998, Folksamerica carried reported case reserves for environmental exposures of $9.9 million and $14.9 million, ($8.4 million and $10.9 million, net of reinsurance) respectively. As of December 31, 1999 and 1998, Folksamerica carried reported case reserves for asbestos exposures of $34.5 million and $29.5 million ($22.3 million and $17.9 million net of reinsurance), respectively. Folksamerica carried IBNR reserves for these exposures as of December 31, 1999 and 1998 of $25.2 million ($19.2 million net of reinsurance).

Additional reinsurance operations information

For the period from August 18, 1998 to December 31, 1998, White Mountains recorded $73.7 million of premiums written, $85.4 million of premiums earned, $29.1 million of reinsurance acquisition costs and $59.7 million of loss and loss adjustment expenses relating to Folksamerica. These amounts are shown net of reinsurance ceded by Folksamerica of $9.4 million of premiums written, $8.8 million of premiums earned, $.9 million of reinsurance acquisition costs and $19.0 million of loss and loss adjustment expenses.

Folksamerica's policyholders' surplus, as reported to various regulatory authorities as of December 31, 1999 and 1998, was $338.5 million and $328.5 million, respectively. Folksamerica's statutory net income for the year ended December 31, 1999 and for the period from August 18, 1998 to December 31, 1998 was $48.6 million and $9.0 million, respectively. The principal differences between Folksamerica's statutory amounts and the amounts reported in accordance with GAAP (Folksamerica's stand-alone shareholder's equity was $249.4 million and $302.0 million at December 31, 1999 and 1998, respectively, and its net income was $63.7 million and $5.5 million for the year ended

December 31, 1999 and for the period from August 18, 1998 to December 31, 1998, respectively) include deferred taxes, deferred acquisition costs and market value adjustments for debt securities. Folksamerica's statutory policyholders' surplus at December 31, 1999 was in excess of the minimum requirements of relevant state insurance regulations.

Under the insurance laws of the state of New York, Folksamerica is restricted with respect to the amount of dividends it may pay without prior approval by state regulatory authorities. Accordingly, there is no assurance that dividends may be paid by Folksamerica in the future. At December 31, 1999, Folksamerica had the ability to pay a dividend to its shareholder of $33.9 million without prior approval of regulatory authorities.

On December 30, 1999, Folksamerica announced that it had signed a definitive agreement to purchase PCA, a Florida-domiciled workers' compensation insurance company, from Humana Inc. The transaction, for $125.0 million in cash, is subject to regulatory approvals.

On January 10, 2000, Folksamerica announced that it had signed a definitive agreement to acquire substantially all the reinsurance operations of RCRe, a wholly-owned subsidiary of Risk Capital Holdings, Inc., for consideration of $20.3 million. The transaction is subject to regulatory approvals.

During the year ended December 31, 1999, Folksamerica received approximately 67% of its gross reinsurance premiums written from three major reinsurance brokers as follows: (i) Guy Carpenter and affiliates - 26%; (ii) E.W. Blanch - 21%; and (iii) AON Re, Inc. - 20%. During the year ended December 31, 1999, 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 CIG for $86.7 million in cash. CIG'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 Valley Group 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. In connection with the Valley Group Sale, White Mountains recorded a pretax gain of $88.1 million, $53.8 million after tax. As part of the Valley Group Sale, White Mountains has provided Unitrin, Inc. with certain adverse loss development protections for approximately four years. These protections are not expected to result in a material subsequent purchase price adjustment.

For the years ended December 31,1998 and 1997, VGI contributed $5.0 million and $7.2 million, respectively, to net income. For the year ended December 31, 1999, VGI's contribution to 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, 1999, 1998 and 1997:

Millions	Year Ended December 31, 1999	1998	1997
Beginning balance	**$ 88.5**	$ 71.9	$ 65.4
Less beginning reinsurance recoverable	**(8.9)**	(8.7)	(9.2)
Net loss and loss adjustment expense reserves	**79.6**	63.2	56.2
Loss and loss adjustment expense reserves sold - VGI	**(87.8)**	–	–
Loss and loss adjustment expense reserves acquired - CIG	**22.5**	–	–
Losses and loss adjustment expenses incurred relating to:			
Current year losses	**57.5**	108.4	99.6
Prior year losses	**2.6**	6.7	(2.5)
Total incurred losses and loss adjustment expenses	**60.1**	115.1	97.1
Loss and loss adjustment expense payments	**(38.3)**	(98.7)	(90.1)
Net ending balance	**36.1**	79.6	63.2
Plus ending reinsurance recoverable	**32.8**	8.9	8.7
Gross ending balance	**$ 68.9**	$ 88.5	$ 71.9

Total policyholders' surplus of PIC and ACIC at December 31, 1999, as reported to regulatory authorities, was $76.8 million. Statutory net loss for the period from October 16, 1999 to December 31, 1999 for PIC and ACIC totalled $3.9 million. The principal differences between PIC and ACIC's statutory amounts and the amounts reported in accordance with GAAP (PIC and ACIC's total shareholder's equity was $73.0 million at December 31, 1999 and its net loss was $3.3 million for the period from October 16, 1999 to December 31, 1999) include deferred taxes, deferred acquisition costs and market value adjustments for debt securities. PIC and ACIC's statutory policyholders' surplus at December 31, 1999 was in excess of the minimum requirements of relevant state insurance regulations.

Under the insurance laws of the various states under which PIC and ACIC are domiciled, an insurer is restricted with respect to the amount of dividends it may pay without prior approval by state regulatory authorities. Accordingly, there is no assurance that dividends may be paid by PIC and ACIC in the future. At December 31, 1999, $11.0 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 and dividend income from its equity investments. Net investment income for 1999, 1998 and 1997 consisted of the following:

Millions	Year Ended December 31, 1999	1998	1997
Investment income:			
Fixed maturity investments	**$ 53.6**	$ 28.4	$ 11.3
Common equity securities	**3.2**	3.6	7.3
Short-term investments	**6.1**	3.4	3.5
Other	**.3**	2.2	–
Total investment income	**63.2**	37.6	22.1
Less investment expenses and other charges	**(1.3)**	(.8)	(.5)
Net investment income, before tax	**$ 61.9**	$ 36.8	$ 21.6

Total net investment gains and losses (excluding net unrealized gains and losses from investments in unconsolidated insurance affiliates), before tax, associated with White Mountains' investment portfolio consisted of the following:

Millions	Year Ended December 31, 1999	1998	1997
Gross realized investment gains	**$ 90.4**	$ 74.0	$ 98.3
Gross realized investment losses	**(20.8)**	(3.0)	(.9)
Net realized investment gains	**69.6** (a)	71.0	97.4
Change in net unrealized investment gains	**(89.8)**	(46.2)	(9.7)
Total net investment gains (losses) for investments held during the period, before tax	**$(20.2)**	$ 24.8	$ 87.7

(a) Excludes a $15.8 million realized gain on sale of the USF Re shell company

The composition of pretax realized gains consisted of the following:

Millions	Year Ended December 31, 1999	1998	1997
Fixed maturity investments	**$ .7**	$ 1.6	$ .6
Common equity securities	**61.3**	22.6	59.5
Other investments	**7.6**	46.8	37.3
Net realized investment gains	**$ 69.6** (a)	$ 71.0	$ 97.4

(a) Excludes a $15.8 million realized gain on sale of the USF Re shell company

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

Millions	December 31, 1999	1998
Investment securities:		
Gross unrealized investment gains	**$ 21.6**	$ 68.4
Gross unrealized investment losses	**(37.8)**	(2.5)
Net unrealized gains (losses) from investment securities	**(16.2)**	65.9
Net unrealized gains from investments in unconsolidated insurance affiliates	**30.0**	128.1
Total net unrealized investment gains, before tax	**$ 13.8**	$194.0

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains' fixed maturity investments as of December 31, 1999 and 1998, were as follows:

	December 31, 1999			
Millions	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**

Millions	December 31, 1998			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Debt securities issued by industrial corporations	$351.9	$ 7.0	$(1.0)	$357.9
U. S. Government and agency obligations	217.6	4.7	(.3)	222.0
Municipal obligations	189.1	2.8	(.1)	191.8
Mortgage-backed securities	79.0	.9	(.7)	79.2
MediaOne redeemable preferred stock	49.8	—	—	49.8
Foreign government obligations	26.7	.3	(.1)	26.9
Other fixed maturity investments	2.0	—	—	2.0
Total fixed maturity investments	$916.1	$15.7	$(2.2)	$929.6

The cost or amortized cost and carrying value of White Mountains' fixed maturity investments at December 31, 1999 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, 1999**	
	Cost or amortized cost	Carrying value
Due in one year or less	$ 81.0	$ 80.3
Due after one year through five years	455.8	443.4
Due after five years through ten years	300.0	285.4
Due after ten years	28.0	26.1
Mortgage-backed securities	93.1	89.3
Total	**$957.9**	**$924.5**

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, 1999 and 1998, were as follows:

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)	**$108.4**
Other investments	**$ 57.5**	$11.4	$ (.6)	**$68.3**

Millions	December 31, 1998			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Common equity securities	$195.4	$51.4	$(5.1)	$241.7
Other investments	$ 69.1	$ 8.6	$ (.2)	$77.5

Sales and maturities of investments, excluding short-term investments, totalled $530.1 million, $270.3 million and $158.0 million for the years ended December 31, 1999, 1998 and 1997, respectively. There were no non-cash exchanges or involuntary sales of investment securities during 1999, 1998 and 1997.

The components of the White Mountains' change in net unrealized investment gains, after tax, from 1997 to 1999 are as follows:

Millions	Year Ended December 31, 1999	1998	1997
Net realized investment gains	$ 69.6 (a)	$ 71.0	$ 97.4
Income tax expense applicable to net realized investment gains	(24.4)	(24.9)	(34.0)
Net realized investment gains, after tax	$ 45.2	$ 46.1	$ 63.4
Net unrealized investment holding gains (losses) arising during the year	$ (118.4)	$ 58.6	$162.0
Income taxes applicable to net unrealized investment holding gains	44.7	(20.5)	(56.9)
Net unrealized investment holding gains arising during the year, after tax	(73.7)	38.1	105.1
Recognition of unrealized gains for investments sold, after tax	(45.2)	(46.1)	(63.4)
Change in net unrealized investment gains, after tax	$ (118.9)	$ (8.0)	$ 41.7

(a) Excludes a $15.8 million realized gain on sale of the USF Re shell company

NOTE 6. Third Party Reinsurance

In the normal course of business, White Mountains' insurance 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. White Mountains' insurance subsidiaries evaluate the financial condition of their reinsurers and monitor concentrations of credit risk arising from similar activities or economic characteristics of the reinsurers to minimize the Company's exposure to significant losses from reinsurer insolvencies.

Reinsurance operations

At December 31, 1999, Folksamerica has reinsurance recoverables with a carrying value of $46.7 million associated with London Life and Casualty Reinsurance Corporation. At December 31, 1999, Folksamerica holds a letter of credit and funds withheld as collateral for amounts due from London Life and Casualty in excess of the recoverable balance.

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, 1999, ACIC had reinsurance recoverables with a carrying value of $23.3 million 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 was as follows:

Millions	Reinsurance Operations (a)	Consolidated Property and Casualty Insurance Operations: ACIC, PIC and BICC (b)	VGI (c)	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	$ (6.2)	$ 4.8	$ 44.5	$ (1.8)	$ 41.3
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	**$ 168.2**	**$ 6.2**	**$ 52.5**	**$ 1.4**	**$ 228.3**
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

Millions	Reinsurance Operations (a)	Consolidated Property and Casualty Insurance Operations: ACIC, PIC and BICC (b)	VGI (c)	Waterford	Total
Year ended December 31, 1997					
Gross written premiums:					
Direct	$ –	$ –	$ 92.3	$ 2.4	$ 94.7
Assumed	–	–	64.2	1.0	65.2
Ceded	–	–	(6.0)	(3.1)	(9.1)
Net written premiums	$ –	$ –	$ 150.5	$ .3	$ 150.8
Gross earned premiums:					
Direct	$ –	$ –	$ 89.2	$ .5	$ 89.7
Assumed	–	–	61.8	1.2	63.0
Ceded	–	–	(5.8)	(1.6)	(7.4)
Net earned premiums	$ –	$ –	$ 145.2	$ .1	$ 145.3
Losses and loss adjustment expenses:					
Direct	$ –	$ –	$ 64.3	$ –	$ 64.3
Assumed	–	–	33.5	5.1	38.6
Ceded	–	–	(.8)	(5.0)	(5.8)
Net losses and loss adjustment expenses	$ –	$ –	$ 97.0	$ .1	$ 97.1

(a) Excludes premiums and loss and loss adjustment expenses from January 1, 1997 to August 17, 1998 during which time Folksamerica was not a consolidated subsidiary of the Company. See Note 3.

(b) Excludes premiums and loss and loss adjustment expenses from January 1, 1997 to October 14, 1999 during which time ACIC, PIC and BICC were not consolidated subsidiaries of the Company. See Note 4.

(c) Excludes premiums and loss and loss adjustment expenses from Waterford for all periods presented, as Waterford was not part of the Valley Group Sale. See Note 4.

NOTE 7. Debt

Short-term debt

At December 31, 1999 the Company had short-term debt outstanding of $4.0 million representing medium-term notes due February 2000 with a stated interest rate of 7.39%. At December 31, 1998 White Mountains had $51.5 million of short-term debt outstanding which consisted of a $50.0 million credit facility at a subsidiary holding company with an average interest rate of 6.20% and a $1.5 million note payable at CGI with a stated interest rate of 6.50%. During 1999, White Mountains repaid the $50.0 million credit facility and extinguished the CGI obligation in connection with the Valley Group Sale.

In addition, the Company has a revolving credit agreement whereby it may borrow up to $35.0 million (which was increased to $50.0 million during 1999) at short-term market interest rates. The credit agreement contains customary facility fees plus an interest rate equal to the London Interbank Offered Rate plus .625% on borrowings thereunder. The credit agreement contains certain customary covenants and conditions. At December 31, 1999 the Company was in compliance with all covenants under the facility and had no borrowings outstanding under the agreement. At December 31, 1998 the Company had no outstanding borrowings under its previous credit agreement.

Long-term debt

Long-term debt outstanding consisted of the following:

Millions	December 31, 1999	1998
The Company:		
Medium-term notes	**$ 96.4**	$116.3
Less net discounts	**(.4)**	(.6)
Total	**96.0**	115.7
Folksamerica:		
Revolving credit agreement	**100.0**	–
USF Re seller note	**6.8**	–
Medium-term notes	**–**	55.6
Total	**106.8**	55.6
VGI: Medium-term notes	**–**	15.0
Total long-term debt	**$202.8**	$186.3

At December 31, 1999 the Company had $96.0 million of outstanding medium-term notes with an average maturity of 3.6 years and a yield to maturity of 7.83%. During 1999 the Company repurchased $15.9 million 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 $55.6 million of outstanding long-term indebtedness during February 1999. In February 1999 White Mountains repayed and replaced Folksamerica's former facility with a six-year revolving credit agreement whereby it may borrow up to $100.0 million (which was subsequently increased to $120.0 million during 1999) at market interest rates. The new credit agreement contains certain customary covenants and conditions. At December 31, 1999 Folksamerica was in compliance with all covenants under the facility and had $100.0 million of borrowings outstanding under the agreement.

As part of its 1999 acquisition of USF Re, Folksamerica issued a $20.8 million, five-year note which may be reduced by adverse loss development at USF Re post acquisition. During 1999 Folksamerica reduced the principal amount of the USF Re note to $6.8 million in response to post acquisition adverse loss development experienced on loss reserves assumed in connection with the USF Re acquisition. The reduction of the principal amount of the USF Re note of $14.0 million has been recorded as a reduction of incurred loss and loss adjustment expenses for the period ended December 31, 1999.

At December 31, 1998 Valley had $15.0 million outstanding under a five year credit facility whereby it could borrow up to $15.0 million at market interest rates. During 1999 this obligation was repaid in connection with the Valley Group Sale.

Total interest paid by White Mountains for its short-term and long-term indebtedness was $15.6 million, $13.3 million and $14.3 million in 1999, 1998 and 1997, respectively.

White Mountains' debt maturities for 2000, 2003, 2004 and beyond are $4.0 million, $86.4 million, $6.8 million and $110.0 million, respectively.

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. Additionally, prior to the Redomestication, the Company filed a consolidated United States income tax

return with its subsidiaries. The Onshore Companies must 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. 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 $2.5 million.

The total income tax provision consisted of the following:

	Year Ended December 31,		
Millions	**1999**	1998	1997
United States income tax provision	**$ 47.0**	$ 26.9	$ 35.1
State and local income tax provision	**6.0**	1.6	1.3
United States withholding tax and foreign income tax provision	**.1**	–	–
Total income tax provision	**$ 53.1**	$ 28.5	$ 36.4
Net income tax payments	**$ 14.1**	$ 35.7	$ 24.9
Tax provision recorded directly to shareholders' equity related to:			
Changes in net unrealized investment gains and losses	**$(69.1)**	$ (4.4)	$ 22.9
Changes in net foreign currency translation gains and losses	**$ .5**	$ (.5)	$ –

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

	Year Ended December 31,		
Millions	**1999**	1998	1997
Current	**$ 14.3**	$ 30.3	$ 36.9
Deferred	**38.8**	(1.8)	(.5)
Total income tax provision on pretax earnings	**$ 53.1**	$ 28.5	$ 36.4

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. White Mountains recorded a net deferred income tax asset of $52.5 million in other assets and a net deferred tax liability of $37.5 million in accounts payable and other liabilities on its balance sheet as of December 31, 1999. White Mountains recorded a net deferred income tax liability of $13.4 million in accounts payable and other liabilities on its balance sheet at December 31, 1998. An outline of the significant components of White Mountains' deferred tax assets and liabilities follows:

	December 31,	
Millions	**1999**	1998
Deferred tax assets related to:		
Discounting of loss reserves	**$ 45.3**	$ 40.1
Unearned insurance and reinsurance premiums	**5.7**	10.5
Compensation and benefit accruals	**4.4**	49.9
Other items	**.7**	2.8
Total deferred tax assets	**$ 56.1**	$ 103.3

Millions	December 31, 1999	1998
Deferred tax liabilities related to:		
Earnings from unconsolidated insurance affiliates	**$ 18.1**	$ 17.5
Net unrealized investment gains	**13.9**	83.0
Deferred acquisition costs	**7.8**	12.4
Other items	**1.3**	3.8
Total deferred tax liabilities	**$ 41.1**	$116.7

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, 1999 and 1998.

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:

Millions	Year Ended December 31, 1999	1998	1997
Tax provision at the United States statutory rate	**$56.5**	$27.9	$35.5
Differences in taxes resulting from:			
Deferred credit amortization and purchase price adjustments	**(7.9)**	(.9)	–
Tax reserve adjustments	**6.1**	5.4	5.1
State income taxes, net	**3.9**	1.0	.9
Non-United States net earnings	**(3.6)**	–	–
United States income tax incurred upon the Redomestication	**2.5**	–	–
Tax exempt interest	**(2.2)**	(1.2)	–
Dividends received deduction	**(1.4)**	(2.6)	(3.1)
Other, net	**(.8)**	(1.1)	(2.0)
Total income tax provision on pretax earnings	**$53.1**	$28.5	$36.4

The non-United States component of net earnings was $9.0 million for the year ended December 31, 1999.

In 1991, the Company sold Fireman's Fund to Allianz of America, Inc. The $1.3 billion gain from the sale as reported in 1991 included a $75.0 million tax benefit related to the Company's estimated tax loss from the sale. Since 1991 the Company has carried an estimated reserve related to tax matters affecting the amount of the deductible tax loss from the sale and other tax matters. The amount of tax benefit from the sale of Fireman's Fund ultimately realized by the Company may be significantly more or less than the Company's current estimate due to possible changes in or new interpretations of tax rules, possible amendments to White Mountains' 1991 or prior years' Federal income tax returns, the results of further Internal Revenue Service audits and other matters affecting the amount of the deductible tax loss from the sale.

NOTE 9. Retirement and Postretirement Plans

The Company formerly had an unfunded, nonqualified defined contribution plan for a select group of management employees for the purpose of providing retirement benefits (the "DBP"). The amount of annual contribution to the DBP was determined using actuarial assumptions. At December 31, 1998, White Mountains' liability to participants pursuant to the DBP was $4.8 million.

The Company formerly had an unfunded, nonqualified plan for a select group of management employees for the purpose of deferring current compensation for retirement savings (the "DCP"). Pursuant to the DCP, participants could voluntarily defer all or a portion of qualifying remuneration payable by White Mountains. At December 31, 1998 White Mountains' liability to participants pursuant to the DCP was $65.1 million.

Prior to the Redomestication, White Mountains terminated the DBP and the DCP and paid participants a total of $88.6 million in full satisfaction of White Mountains' long-term DBP and DCP 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 a portion of compensation earned by certain of its executive officers totalling $3.1 million for a period of no less than one year. These 1999 deferrals are eligible for inclusion in any successor plan to the DCP.

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. 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 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 Stock-Based Compensation Plans

White Mountains' Long-Term Incentive Plan (the "Incentive Plan") provides for granting to participants of the Company (and certain of its subsidiaries) various types of stock-based incentive awards including stock options and performance shares. At December 31, 1999, 323,400 Shares remained available for grants 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 Compensation Committee consists solely of disinterested, non-management directors.

During 1999, 1998 and 1997 the Company granted a total of 29,300, 47,800 and 50,000 performance shares, respectively, to its employees. During 1999, 1998 and 1997 the Company paid a total of 141,650, 47,129 and 22,944 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 relating to the period from 1997 to 1999 and 43,250 performance shares relating to the period from 1998 to 2000. At December 31, 1999 and 1998, 29,300 and 147,350 performance shares remained outstanding, respectively. 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. All performance shares that remain unpaid at the end of any performance period are cancelled. White Mountains expenses performance shares outstanding ratably over the performance period assuming full vesting at current market values. During 1999, 1998 and 1997, White Mountains recorded $6.1 million, $7.2 million and $8.8 million, of pretax performance share expense, respectively.

As of December 31, 1998 and 1997 there were 2,000 stock options outstanding which had an exercise price of $27.13 per Share. These options were exercised during 1999.

As of December 31, 1998 and 1997 the Company's Chairman had Warrants 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.

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, 1999 and 1998 the Folksamerica 401(k) Plan owned less than 1% of the total Shares outstanding.

SFAS No. 123, "Accounting for Stock Based Compensation," requires disclosure regarding all employee compensation involving Shares and Share equivalents and encourages companies to recognize compensation expense for stock-based awards 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 it relates to outstanding Warrants and stock options during 1998 and 1997, as follows:

Millions, except per Share amounts	Year Ended December 31, 1998	1997
Net income:		
As reported	$ 78.5	$ 39.3
Pro forma	77.4	39.4
Basic net income per Share:		
As reported	$ 13.38	$ 5.98
Pro forma	12.56	5.99
Diluted net income per Share:		
As reported	$ 11.94	$ 5.40
Pro forma	11.20	5.41

SFAS No. 123 provides for the expense of Warrants and stock options over the life of the award using the Black Scholes option pricing model. Significant assumptions used include a 5.0% risk-free interest rate, an expected Share volatility of .167 and an expected life of five years for the Warrants. In determining the pro forma effects of SFAS No. 123, the Company recognizes the pro forma expense of the Warrants and stock options over time. The pro forma net income figures disclosed above may not be representative of the effects on net income to be reported in future years.

As previously mentioned, during 1999 all Warrants and stock options were exercised. Therefore, no pro forma disclosures in accordance with SFAS No. 123 are provided for the year ended December 31, 1999.

NOTE 11. Shareholders' Equity

Share repurchases and retirement

During 1999 and 1998 the Company repurchased 1,020,150 Shares for $139.5 million and 151,916 Shares for $19.8 million, respectively. All Shares repurchased during 1999 and 1998 were retired.

Retirement of Shares held in treasury

In conformance with Bermuda law, the Company retired all Shares held in its treasury during 1999. The retirement of treasury shares resulted in a significant reclassification of several of the Company's various shareholders' equity accounts but did not affect total shareholders' equity.

Common stock dividends

During 1999 and 1998 the Company declared and paid quarterly cash dividends of $.40 per Share.

NOTE 12. Segment Information

White Mountains has determined that its reportable segments include Reinsurance, Property and Casualty Insurance, Investments in Unconsolidated Insurance Affiliates (which includes White Mountains' investment in MediaOne preferred stock where applicable) 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 Affiliates	Holding Company	Total
Year ended December 31, 1999					
Revenues from external customers	$ 211.0	$ 75.6	$ –	$ –	$ 286.6
Gain from the Valley Group Sale	–	–	–	88.1	88.1
Net realized gains on 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
Equity in earnings of unconsolidated affiliates	–	–	31.1	–	31.1
Amortization of deferred credit	6.3	–	1.2	4.3	11.8
Other revenue	–	–	–	.3	.3
Total revenues	**$ 310.2**	**$ 90.5**	**$ 34.9 (a)**	**$ 129.6**	**$ 565.2**
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	$ –	$ –	$ 255.4
Net realized gains (losses) on investments	(.8)	5.4	–	66.4	71.0
Net investment income	18.1	8.2	3.8	6.7	36.8
Equity in earnings of unconsolidated affiliates	–	–	24.3	–	24.3
Amortization of deferred credit	2.7	–	–	–	2.7
Other revenue	–	–	–	.1	.1
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 from continuing operations	$ 5.5	$ 4.8	$ 20.5	$ 20.3	$ 51.1

Millions	Reinsurance	Property and Casualty Insurance	Investments in Unconsolidated Affiliates	Holding Company	Total
Year ended December 31, 1997					
Revenues from external customers	$ –	$153.1	$ –	$ –	$ 153.1
Net realized gains (losses) on investments	–	4.1	–	93.3	97.4
Net investment income	–	8.9	3.8	8.9	21.6
Equity in earnings of unconsolidated affiliates	–	–	21.3	–	21.3
Total revenues	$ –	$166.1	$ 25.1 (a)	$102.2	$ 293.4
Pretax earnings before interest expense	$ –	$ 12.6	$ 25.1	$ 74.2	$ 111.9
Interest expense	–	(1.2)	–	(9.4)	(10.6)
Income tax provision	–	(4.3)	(6.1)	(26.0)	(36.4)
Net income from continuing operations	$ –	$ 7.1	$ 19.0	$ 38.8	$ 64.9

(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, $3.8 million and $3.8 million for 1999, 1998 and 1997, respectively.

Millions Ending assets:	Reinsurance	Property and Casualty Insurance	Investments in Unconsolidated Affiliates	Holding Company	Net Assets of Discontinued Operations	Total
December 31, 1999	**$ 1,294.3**	**198.6**	**422.6**	**117.3**	**16.3**	**$ 2,049.1**
December 31, 1998	1,220.5	311.5	404.1	117.2	110.4	2,163.7

NOTE 13. Investments in Unconsolidated Affiliates

Investment in FSA

White Mountains owned 6,943,316, 3,460,200 and 3,460,200 shares of FSA Common Stock at December 31, 1999, 1998 and 1997, respectively. This represented approximately 21.2%, 11.6% and 12.1%, respectively, of the total shares of FSA Common Stock outstanding at those times. At December 31, 1999, 1998 and 1997, White Mountains also owned FSA Preferred Stock which gives 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 and 1997, 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 aggregate consideration of $115.7 million which includes the MediaOne Preferred Stock. As of December 31, 1999, 1998 and 1997, White Mountains' total interest in FSA was 25.8%, 25.1% and 26.2%, respectively, which includes the economic effects of the FSA Preferred Stock and the FSA Options.

White Mountains' investment in FSA Common Stock is accounted for using the equity method. FSA Common Stock is publicly traded on the NYSE. The market value of the FSA Common Stock as of December 31, 1999 and 1998, as quoted on the NYSE, exceeded White Mountains' carrying value of the FSA Common Stock on the equity method. White Mountains' investment in FSA Preferred Stock and FSA Options are accounted for under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", whereby the investments are 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 comprehensive net income.

The following table summarizes financial information for FSA:

Millions	1999	1998	1997
FSA balance sheet data:			
Total investments	**$2,140.0**	$1,874.8	$1,431.6
Total assets	**2,905.6**	2,444.2	1,931.2
Deferred premium revenue	**844.1**	721.7	595.2
Loss and loss adjustment expense reserve	**87.3**	63.9	75.4
Preferred shareholder's equity	**.7**	.7	.7
Common shareholders' equity	**1,252.0**	1,065.4	875.3
FSA income statement data:			
Net premiums written	**$ 230.4**	$ 219.9	$ 172.9
Net premiums earned	**175.0**	137.9	109.5
Net investment income	**94.7**	78.8	72.1
Net income	**125.4**	115.4	94.7
Comprehensive net income	**39.9**	127.8	110.8
Amounts recorded by White Mountains:			
Investment in FSA Common Stock	**$ 262.2**	$ 119.7	$ 104.3
Investment in FSA Options and Preferred Stock	**41.1**	114.4	87.8
Total investment in FSA	**$ 303.3**	$ 234.1	$ 192.1
Equity in earnings from FSA Common Stock [(a)]	**$ 19.5**	$ 13.8	$ 11.4
Dividends received from FSA Common Stock	**2.1**	1.5	1.4
Equity in net unrealized investment gains (losses) from FSA's investment portfolio, before tax [(b)]	**(14.0)**	3.1	2.1
Unrealized investment gains (losses) on FSA Options and Preferred Stock, before tax [(b)]	**(4.1)**	26.6	68.0
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) with related changes in net unrealized investment gains and losses (after tax) reported as a component of 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, 1999, 1998 and 1997, White Mountains owned 222,093, 222,093 and 90,606 shares of MSA Common Stock. This represented approximately 50.0%, 50.0% and 33.1% 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 summarize financial information for MSA:

Millions	1999	1998	1997
MSA balance sheet data:			
Total investments	$ 466.3	$465.9	$280.1
Total assets	582.3	581.6	337.2
Unearned premium reserve	118.3	113.0	71.8
Loss and loss adjustment expense reserves	198.4	212.2	123.7
Shareholders' equity	233.4	232.5	120.6
MSA income statement data:			
Net premiums written	$ 242.7	$258.5	$156.6
Net premiums earned	237.4	226.3	148.7
Net investment income	24.9	22.1	15.4
Net income	25.8	13.4	11.9
Comprehensive net income	.9	21.2	18.7
Amounts recorded by White Mountains:			
Investment in MSA Common Stock	$ 119.3	$120.2	$ 40.9
Equity in earnings from MSA Common Stock [a]	11.6	4.9	3.8
Equity in net unrealized investment gains (losses) from MSA's investment portfolio, before tax [b]	(12.5)	4.1	2.4

(a) Recorded net of related amortization of goodwill.

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

At December 31, 1999 and 1998, White Mountains' consolidated retained earnings included $25.7 million and $14.1 million, respectively, of accumulated undistributed earnings of MSA (net of related amortization of goodwill).

Investment in Folksamerica

On August 18, 1998, White Mountains acquired all of the remaining outstanding shares of the common stock of Folksamerica for $169.1 million which resulted in Folksamerica becoming a consolidated subsidiary of White Mountains as of that date. Prior to August 18, 1998, Folksamerica was an unconsolidated insurance affiliate of White Mountains whereby its investment in Folksamerica Common Stock was accounted for using the equity method and its investment in Folksamerica Preferred Stock and Folksamerica Warrants were accounted for under the provisions of SFAS No. 115. For the years ended December 31, 1998 and 1997, White Mountains recorded $5.6 million and $6.1 million of pretax earnings from unconsolidated insurance affiliates, respectively, from its unconsolidated investment in Folksamerica. For the year ended December 31, 1997, White Mountains' recorded $1.8 million of equity in net unrealized gains from Folksamerica's investment portfolio, before tax.

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, 1999 and 1998, the market value of White Mountains' long-term indebtedness was $206.7 million and $198.1 million, respectively, which compared to a carrying value of $202.8 million and $186.3 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

For corporate travel purposes White Mountains Holdings, Inc., an indirect wholly-owned subsidiary of the Company, jointly owns two short-range aircraft with Haverford Utah, LLC ("Haverford"). Messrs. Byrne, Patrick M. Byrne (a director of the Company) and Kemp are 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 pays a pro rata share of all fixed costs plus the direct operating costs when onboard the aircraft pursuant to a Joint Ownership Agreement.

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. Howard Clark, Jr., a director of the Company, is Vice Chairman of Lehman Brothers Inc. Lehman Brothers Inc. 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.

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

White Mountains owns a limited partnership investment interest which is managed by John D. Gillespie, a director of the Company.

White Mountains owns a limited partnership investment interest which is managed by Arthur 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 principal office space under noncancellable leases expiring at various dates through July 2008. Rental expense for all of Folksamerica's locations was approximately $1.6 million, $1.6 million and $1.7 million for the years ended December 31, 1999, 1998 and 1997, respectively. Folksamerica's future annual minimum rental payments required under noncancellable leases for office space are $2.5 million for each of the years 2000, 2001, and 2002, $2.6 million for both 2003 and 2004 and $11.3 million for years thereafter.

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 Event

On March 14, 2000, White Mountains entered into a definitive agreement to sell its indirect, wholly-owned subsidiary, White Mountains Holdings, Inc. (which controls a substantial amount of its holdings of FSA Common Stock and the FSA Preferred Stock) as well as all its other holdings of FSA Common Stock, to Dexia for total cash proceeds of $620.4 million. The transaction will occur only in connection with Dexia's pending merger with FSA in which all holders of FSA Common Stock will receive $76.00 cash per share. The merger agreement between FSA and Dexia is subject to, among other matters, regulatory approvals and the satisfaction of the conditions contained in Dexia's merger agreement with FSA, including the approval of FSA shareholders. The transaction, if approved, is expected to close mid-year 2000.

White Mountains expects that the transaction will serve to increase its comprehensive net income by $283.3 million, after tax, based on the December 31, 1999 carrying value of its investments in FSA.

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 the highest 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, 1999 and for the year then ended and KPMG LLP has audited the consolidated financial statements of White Mountains as of December 31, 1998 and for each of the two years in the period ended December 31, 1998. These firms have issued their unqualified reports thereon, which appear on pages F-30 and F-31.

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 non-management directors, has general responsibility for the oversight and surveillance of the accounting, reporting and financial control practices of White Mountains. The Audit Committee, which reports to the full Board, annually reviews the effectiveness of the independent auditors and management with respect to the financial reporting process and the adequacy of internal controls. The internal 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 1999 consolidated financial statements listed in the index referenced under Item 14(a) on page 23 present fairly, in all material respects, the financial position of White Mountains Insurance Group, Ltd. and subsidiaries at December 31, 1999, and the results of their operations and their cash flows for the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the 1999 financial statement schedules listed in the index referenced under Item 14(a) on page 23 present fairly, in all material respects, the information set forth therein when read in conjunction with the related 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 audit. We conducted our audit 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 audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers

Hamilton, Bermuda
February 15, 2000, except for Note 17,
which is as of March 14, 2000

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of White Mountains Insurance Group, Ltd. and Subsidiaries (the "Company") as of December 31, 1998, and the related consolidated statements of income and comprehensive income, statements of shareholders' equity, and cash flows for the two year period then ended (collectively, the "consolidated financial statements"). In connection with our audits of the consolidated financial statements, we also have audited the 1998 and 1997 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 Supplementary information for property and 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 audits. 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 assets constituting 56.4 percent and total revenues of 27.0 percent in 1998 of the related consolidated totals. The Company's equity investment in FSA at December 31, 1998 was $119.7 million and its equity in earnings of FSA were $13.8 million and $11.4 million for the years 1998 and 1997, respectively. 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 audits in accordance with generally accepted auditing standards. 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 audits and the reports other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of White Mountains Insurance Group, Ltd. and Subsidiaries as of December 31, 1998, and the results of their operations and their cash flows for the two year period then ended in conformity with generally accepted accounting principles. Also in our opinion, based on our audits and the reports of other auditors, the 1998 and 1997 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.

KPMG LLP

February 12, 1999
Providence, Rhode Island

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

Selected quarterly financial data for 1999 and 1998 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.

	1999 Three Months Ended [a]				1998 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	$132.3	$106.5	$199.5	$126.9	$130.5	$151.3	$ 55.5	$ 53.0
Expenses	115.3	83.4	94.7	110.3	127.4	76.6	54.7	52.0
Pretax earnings	17.0	23.1	104.8	16.6	3.1	74.7	.8	1.0
Income tax benefit (provision)	2.7	(9.0)	(41.0)	(5.8)	(.4)	(26.1)	(.6)	(1.4)
Net income (loss) from continuing operations	19.7	14.1	63.8	10.8	2.7	48.6	.2	(.4)
Net income (loss) from discontinued operations	–	–	(2.0)	3.0	6.1	5.6	6.4	9.3
Net gain (loss) from sale of discontinued operations	(3.3)	–	14.9	–	–	–	–	–
Net income	$ 16.4	$ 14.1	$ 76.7	$ 13.8	$ 8.8	$ 54.2	$ 6.6	$ 8.9
Earnings per Share:								
Basic	$ 2.73	$ 2.72	$13.94	$ 2.36	$ 1.51	$ 9.28	$ 1.13	$ 1.50
Diluted	2.69	2.43	12.41	2.10	1.33	8.31	1.00	1.33

(a) The quarterly amounts for the three month period ended June 30, 1999 reflect the Valley Group 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.

(b) The quarterly amounts for the three month periods ended September 30, 1998 and December 31, 1998 reflect the consolidation of Folksamerica which became a wholly-owned subsidiary on August 18, 1998. The quarterly amounts for the three month period ended September 30, 1998 include $61.6 million of pretax realized investment gains which served to increase third quarter 1998 net income by $40.0 million.

SCHEDULE I

WHITE MOUNTAINS INSURANCE GROUP, LTD.

SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES
At December 31, 1999

Millions	Cost	Fair Value
Fixed maturities:		
Bonds:		
United States Government and government agencies and authorities	$ 444.6	$ 426.9
Corporate bonds	330.8	319.4
States, municipalities and political subdivisions	132.0	128.7
Foreign governments	50.5	49.5
Total fixed maturities	957.9	924.5
Common equity securities:		
Banks, trust and insurance companies	45.0	43.6
Industrial, miscellaneous and other	55.4	64.8
Total common equity securities	100.4	108.4
Other investments	57.5	68.3
Short-term investments	117.5	117.5
Total investments	$ 1,233.3	$ 1,218.7

Note - fair value was equal to carrying value at December 31, 1999.

SCHEDULE II

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Registrant Only)

CONDENSED BALANCE SHEETS

Millions	December 31, 1999	1998
Assets:		
Fixed maturities	$ 39.6	$ –
Common equity securities and other investments	26.3	–
Short-term investments, at amortized cost	5.7	10.8
Other assets	1.2	37.8
Investments in consolidated affiliates	770.9	972.2
Total assets	$ 843.7	$1,020.8
Liabilities:		
Short-term debt	$ 4.0	$ –
Long-term debt	96.0	115.7
Intercompany borrowings	–	53.0
Deferred credit	57.8	–
Accounts payable and other liabilities	71.6	149.6
Total liabilities	229.4	318.3
Shareholders' equity	614.3	702.5
Total liabilities and shareholders' equity	$ 843.7	$1,020.8

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Millions	Year Ended December 31, 1999	1998	1997
Revenues	$ 29.1	$28.9	$52.7
Expenses	46.6	23.2	21.2
Pretax earnings (loss)	(17.5)	5.7	31.5
Income tax provision	(6.0)	(8.3)	(16.3)
Net income (loss)	(23.5)	(2.6)	15.2
Earnings from consolidated affiliates	144.5	81.1	24.1
Consolidated net income	121.0	78.5	39.3
Other comprehensive net income (loss) items, after tax	(118.0)	(8.9)	41.7
Consolidated comprehensive net income	$ 3.0	$69.6	$81.0

SCHEDULE II
(continued)

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Registrant Only)

CONDENSED STATEMENTS OF CASH FLOWS

Millions	Year Ended December 31, 1999	1998	1997
Net income	$ 121.0	$ 78.5	$ 39.3
Reconciliation of net income to net cash from operating activities:			
Net realized investment gains	(21.7)	(26.7)	(44.2)
Distributions from consolidated subsidiaries in excess of current earnings	213.0	–	–
Undistributed current earnings from consolidated subsidiaries	–	(78.0)	(24.1)
Undistributed current earnings from unconsolidated insurance affiliates	–	–	(.4)
Changes in current income taxes receivable and payable	(4.3)	8.5	5.1
Deferred income tax provision (benefit)	39.7	.1	(3.7)
(Decrease) increase in accounts payable and other liabilities	(103.2)	8.7	7.0
Other, net	(2.5)	(3.3)	(4.6)
Net cash (used for) provided from operating activities	242.0	(12.2)	(25.6)
Cash flows from investing activities:			
Net decrease (increase) in short-term investments, net of balances acquired	18.3	(8.5)	(2.0)
Sales of investment securities	5.4	–	119.4
Purchases of investment securities	–	–	–
Investments in consolidated affiliates, net of balances acquired	(73.5)	–	(12.7)
Investments in unconsolidated affiliates	(50.0)	–	–
Sale of securities carried in other assets	–	26.8	–
Net cash (used for) provided from investing activities	(99.8)	18.3	104.7
Cash flows from financing activities:			
Purchases of common stock retired	(139.4)	(19.5)	(103.8)
Proceeds from exercises of Warrants and stock options	21.7	–	–
Repayment of long-term debt	(15.9)	–	–
Intercompany borrowings from subsidiaries	–	23.0	30.0
Cash dividends paid to common shareholders	(8.8)	(9.4)	(5.3)
Net cash used for financing activities	(142.4)	(5.9)	(79.1)
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, 1999:										
Reinsurance	$21.3	$782.1	$79.0	$ –	$211.0	$49.1	$168.2	$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
December 31, 1997:										
Property and casualty insurance	14.3	71.9	78.0	–	145.3	9.0	97.1	23.2	–	150.8

(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 $7.9 million, $10.4 million and $12.6 million for the twelve months ended December 31, 1999, 1998 and 1997, respectively.

HEDULE IV

WHITE MOUNTAINS INSURANCE GROUP, LTD.
REINSURANCE

Column A	Column B	Column C	Column D	Column E	Column F
miums earned llars in millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
ars ended:					
cember 31, 1999:					
roperty and casualty insurance	$61.4	$(28.8)	$39.6	$72.2	54.8%
leinsurance	2.4	(32.4)	241.0	211.0	114.2%
cember 31, 1998:					
roperty and casualty insurance	104.4	(13.1)	69.3	160.6	43.2%
leinsurance [(a)]	2.0	(8.8)	92.2	85.4	108.0%
cember 31, 1997:					
roperty and casualty insurance	89.7	(7.4)	63.0	145.3	43.4%

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 [a] described	Balance at end of period
Years ended:					
December 31,1999:					
Reinsurance recoverable:					
Allowance for reinsurance balances	$1.2	$ –	$ –	$ –	$1.2
Property and casualty insurance:					
Allowance for uncollectible accounts	1.1	–	–	–	1.1
December 31,1998:					
Reinsurance recoverable:					
Allowance for reinsurance balances [b]	$1.2	$ –	$ –	$ –	$1.2
Property and casualty insurance:					
Allowance for uncollectible accounts	.3	1.9	–	(1.8)	.4
December 31,1997:					
Property and casualty insurance:					
Allowance for uncollectible accounts	.4	1.1	–	(1.2)	.3

(a) Represents charge-offs of balances receivable
(b) Represents allowances acquired from Folksamerica on August 18, 1998

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:											
1999	$ 21.3	$ 782.1	–	$ 79.0	$ 211.0	$ 49.1	$ 138.9	$ 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
1997	–	–	–	–	–	–	–	–	–	–	–
Consolidated property and casualty insurance operations:											
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
1997	14.3	71.9	–	78.0	145.3	9.0	99.6	(2.5)	23.2	90.1	150.8
50%-or-less owned property and casualty investees [b]:											
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
1997	6.5	40.9	–	23.8	49.2	5.1	35.9	(1.2)	12.7	34.1	51.8

[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 years ended December 31, 1999 and 1998 and 33.1% owned during the year ended December 31, 1997.

White Mountains®
INSURANCE GROUP

White Mountains®
INSURANCE GROUP