

WHITE MOUNTAINS INSURANCE GROUP LTD
Form 10-Q
July 27, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the period ended June 30, 2012

OR

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

For the transition period from _____ to _____

Commission file number 1-8993

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Exact name of Registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

94-2708455
(I.R.S. Employer
Identification No.)

80 South Main Street,
Hanover, New Hampshire
(Address of principal executive offices)

03755-2053
(Zip Code)

Registrant's telephone number, including area code: (603) 640-2200

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 26, 2012, 6,584,718 common shares with a par value of \$1.00 per share were outstanding (which includes 97,160 restricted common shares that were not vested at such date).

WHITE MOUNTAINS INSURANCE GROUP, LTD.

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Part I. FINANCIAL INFORMATION.

Item 1. Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEET

(Millions, except share amounts)	June 30, 2012	December 31, 2011
Assets	Unaudited	
Fixed maturity investments, at fair value	\$5,248.7	\$6,221.9
Short-term investments, at amortized cost (which approximates fair value)	618.4	846.0
Common equity securities, at fair value	919.2	755.0
Convertible fixed maturity investments, at fair value	145.5	143.8
Other long-term investments	292.5	301.3
Total investments	7,224.3	8,268.0
Cash (restricted: \$360.0 and \$453.5)	811.6	705.4
Reinsurance recoverable on unpaid losses	2,369.4	2,507.3
Reinsurance recoverable on paid losses	39.7	30.5
Insurance and reinsurance premiums receivable	747.0	489.2
Funds held by ceding companies	107.9	106.5
Investments in unconsolidated affiliates	337.5	275.3
Deferred acquisition costs	200.0	187.0
Deferred tax asset	504.6	536.9
Ceded unearned insurance and reinsurance premiums	135.2	87.3
Accrued investment income	54.1	51.4
Accounts receivable on unsettled investment sales	76.2	4.7
Other assets	673.0	681.9
Assets held for sale	—	132.6
Total assets	\$13,280.5	\$14,064.0
Liabilities		
Loss and loss adjustment expense reserves	\$5,329.8	\$5,702.3
Unearned insurance and reinsurance premiums	1,065.4	846.9
Variable annuity benefit guarantee	661.8	768.5
Debt	677.6	677.5
Deferred tax liability	368.1	365.5
Accrued incentive compensation	113.6	187.9
Ceded reinsurance payable	175.6	134.6
Funds held under reinsurance treaties	47.7	42.9
Accounts payable on unsettled investment purchases	44.5	34.6
Other liabilities	461.9	527.8
Liabilities held for sale	—	107.6
Total liabilities	8,946.0	9,396.1
Equity		
White Mountains' common shareholders' equity		
White Mountains' common shares at \$1 par value per share - authorized 50,000,000 shares;		
issued and outstanding 6,630,318 and 7,577,855 shares	6.6	7.6
Paid-in surplus	1,102.2	1,253.7
Retained earnings	2,576.3	2,789.7
Accumulated other comprehensive income, after-tax:		
Equity in net unrealized gains from investments in unconsolidated affiliates	27.0	—
Net unrealized foreign currency translation gains	39.5	46.1

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Pension liability and other	(9.1) (9.4)
Total White Mountains' common shareholders' equity	3,742.5	4,087.7	
Noncontrolling interests			
Noncontrolling interest - OneBeacon Ltd.	280.4	273.1	
Noncontrolling interest - SIG Preference Shares	250.0	250.0	
Noncontrolling interest - other	61.6	57.1	
Total noncontrolling interests	592.0	580.2	
Total equity	4,334.5	4,667.9	
Total liabilities and equity	\$13,280.5	\$14,064.0	
See Notes to Consolidated Financial Statements			

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WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Unaudited

(Millions, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Revenues:				
Earned insurance and reinsurance premiums	\$512.2	\$478.3	\$1,011.2	\$946.1
Net investment income	40.4	45.8	82.2	95.3
Net realized and unrealized investment (losses) gains	(8.1)	42.8	50.5	33.6
Other revenue	(.5)	(13.3)	30.7	8.2
Total revenues	544.0	553.6	1,174.6	1,083.2
Expenses:				
Loss and loss adjustment expenses	265.0	278.5	527.7	636.9
Insurance and reinsurance acquisition expenses	108.7	98.5	217.1	189.2
Other underwriting expenses	79.0	71.4	153.8	144.5
General and administrative expenses	42.1	56.2	87.6	84.2
Interest expense on debt	10.9	12.9	21.8	26.0
Total expenses	505.7	517.5	1,008.0	1,080.8
Pre-tax income from continuing operations	38.3	36.1	166.6	2.4
Income tax expense	(6.6)	(10.0)	(34.6)	(2.3)
Net income from continuing operations	31.7	26.1	132.0	.1
Net (loss) income from discontinued operations, net of tax	—	(1.5)	.1	1.0
Income before equity in earnings of unconsolidated affiliates	31.7	24.6	132.1	1.1
Equity in earnings of unconsolidated affiliates, net of tax	6.5	7.9	16.7	14.6
Net income	38.2	32.5	148.8	15.7
Net income attributable to noncontrolling interests	(12.1)	(20.8)	(28.9)	(32.2)
Net income (loss) attributable to White Mountains' common shareholders	26.1	11.7	119.9	(16.5)
Comprehensive income, net of tax:				
Change in equity in net unrealized gains from investments in unconsolidated affiliates	28.2	22.1	27.0	22.1
Change in foreign currency translation and other	(29.8)	(5.5)	(6.3)	56.5
Comprehensive income	24.5	28.3	140.6	62.1
Comprehensive income attributable to noncontrolling interests	—	—	—	—
Comprehensive income attributable to White Mountains' common shareholders	\$24.5	\$28.3	\$140.6	\$62.1

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Income (loss) per share attributable to White Mountains' common shareholders

Basic income (loss) per share

Continuing operations

Discontinued operations

Total consolidated operations

\$3.92	\$1.66	\$17.01	\$(2.19)
—	(.18)	.02	.13
\$3.92	\$1.48	\$17.03	