UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the period ended March 31, 2009

OR

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

For the transition period from to
Commission file number 1-8993

WHITE MOUNTAINS INSURANCE GROUP, LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**94-2708455**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
80 South Main Street, Hanover, New Hampshire	**03755-2053**

(Address of principal executive offices) (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 x No o

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 x No o

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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

Yes o No x

As of April 30, 2009, 8,856,586 common shares with a par value of $1.00 per share were outstanding (which includes 92,620 restricted common shares that were not vested at such date).

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED BALANCE SHEETS

(Millions, except share and per share amounts)		March 31, 2009 Unaudited		December 31, 2008
Assets				
Fixed maturity investments, at fair value (amortized cost: $5,712.3 and $5,631.6)	**$**	**5,630.5**	$	5,480.5
Common equity securities, at fair value (cost: $323.0 and $558.4)		**318.8**		552.7
Short-term investments, at amortized cost (which approximates fair value)		**2,148.4**		2,244.5
Other long-term investments (cost: $421.2 and $431.2)		**395.1**		416.2
Convertible fixed maturity investments, at fair value (cost: $284.9 and $327.3)		**265.0**		308.8
Securities lending investment assets - OneBeacon (cost: $50.8 and $0)		**46.9**		
Total investments		**8,804.7**		9,002.7
Cash (restricted: $130.7 and $225.7)		**448.8**		409.6
Reinsurance recoverable on unpaid losses		**1,329.2**		1,358.8
Reinsurance recoverable on unpaid losses - Berkshire Hathaway Inc.		**1,655.5**		1,691.6
Reinsurance recoverable on paid losses		**66.9**		47.3
Insurance and reinsurance premiums receivable		**982.6**		835.7
Securities lending collateral - OneBeacon				100.7
Securities lending collateral - WMRe America		**105.8**		119.3
Funds held by ceding companies		**145.6**		163.3
Investments in unconsolidated affiliates		**99.7**		116.9
Deferred acquisition costs		**327.7**		323.0
Deferred tax asset		**658.1**		724.0
Ceded unearned premiums		**165.7**		111.3
Accrued investment income		**64.5**		67.4
Accounts receivable on unsettled investment sales		**25.6**		78.2
Other assets		**760.1**		746.0
Total assets	**$**	**15,640.5**	$	15,895.8
Liabilities				
Loss and loss adjustment expense reserves	**$**	**7,260.1**	$	7,400.1
Unearned insurance and reinsurance premiums		**1,732.3**		1,597.4
Debt		**1,349.2**		1,362.0
Securities lending payable - OneBeacon		**48.6**		107.7
Securities lending payable - WMRe America		**112.8**		127.1
Deferred tax liability		**289.5**		306.0
Incentive compensation payable		**71.7**		154.3
Funds held under reinsurance treaties		**76.6**		79.1
Ceded reinsurance payable		**162.6**		101.3
Accounts payable on unsettled investment purchases		**23.5**		7.5
Other liabilities		**1,031.3**		1,140.8
Total liabilities		**12,158.2**		12,383.3
Shareholders equity and noncontrolling interests				

White Mountains shareholders equity				
White Mountains common shares at $1 par value per share - authorized 50,000,000 shares; issued and outstanding 8,854,086 and 8,808,843 shares		**8.9**		8.8
Paid-in surplus		**1,422.8**		1,419.4
Retained earnings		**1,776.3**		1,751.9
Accumulated other comprehensive income, after-tax:				
Equity in unrealized losses from investments in unconsolidated affiliates		**(219.6)**		(198.4)
Net unrealized foreign currency translation losses		**(101.7)**		(61.5)
Other		**(20.5)**		(21.4)
Total White Mountains shareholders equity		**2,866.2**		2,898.8
Noncontrolling interests				
Noncontrolling interest - OneBeacon Ltd.		**287.0**		283.5
Noncontrolling interest - WMRe Preference Shares		**250.0**		250.0
Noncontrolling interest - consolidated limited partnerships and A.W.G Dewar		**79.1**		80.2
Total noncontrolling interests		**616.1**		613.7
Total equity		**3,482.3**		3,512.5
Total liabilities and equity	**$**	**15,640.5**	$	15,895.8

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WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

Unaudited

	Three Months Ended March 31,			
(Millions, except per share amounts)		**2009**		**2008**
Revenues:				
Earned insurance and reinsurance premiums	**$**	**911.4**	$	929.1
Net investment income		**61.1**		116.8
Net realized and unrealized investment losses		**(23.3)**		(118.0)
Other revenue		**17.3**		10.0
Total revenues		**966.5**		937.9
Expenses:				
Loss and loss adjustment expenses		**543.2**		638.7
Insurance and reinsurance acquisition expenses		**182.2**		186.7
Other underwriting expenses		**115.4**		116.8
General and administrative expenses		**55.9**		56.7
Accretion of fair value adjustment to loss and loss adjustment expense reserves		**2.5**		4.2
Interest expense on debt		**18.9**		19.4
Interest expense - dividends on preferred stock subject to mandatory redemption				7.1
Interest expense - accretion on preferred stock subject to mandatory redemption				10.5
Total expenses		**918.1**		1,040.1
Pre-tax income (loss)		**48.4**		(102.2)
Income tax (expense) benefit		**(12.3)**		32.5
Income (loss) before equity in earnings of unconsolidated affiliates, and extraordinary item		**36.1**		(69.7)
Equity in earnings of unconsolidated affiliates		**.9**		.4
Excess of fair value of acquired assets over cost				4.2
Net income (loss) before noncontrolling interests		**37.0**		(65.1)
Net (income) loss attributable to noncontrolling interest		**(6.7)**		8.3
Net income (loss) attributable to White Mountains common shareholders		**30.3**		(56.8)
Comprehensive loss, net of tax:				
Change in equity in net unrealized losses from investments in unconsolidated affiliates		**(18.2)**		(20.5)
Change in foreign currency translation and other		**(39.0)**		56.5
Comprehensive net loss before noncontrolling interests		**(26.9)**		(20.8)
Comprehensive net (loss) income attributable to noncontrolling interests		**(.3)**		.3
Comprehensive net loss attributable to White Mountains shareholders	**$**	**(27.2)**	$	(20.5)
Earnings (loss) per share attributable to White Mountains common shareholders				
Basic earnings (loss) per share	**$**	**3.44**	$	(5.38)
Diluted earnings (loss) per share		**3.44**		(5.38)
Dividends declared and paid per White Mountains common share	**$**	**1.00**	$	2.00

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WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

	White Mountains Common Shareholders Equity				
(Millions)	Common shareholders equity	Common shares and paid-in surplus	Retained earnings	Accum. other comprehensive income, after-tax	Non-controlling interest
Balances at January 1, 2009	$ 2,898.8	$ 1,428.2	$ 1,751.9	$ (281.3)	$ 613.7
Cumulative effect adjustment - Symetra FAS 115-2			3.0	(3.0)	
Net income	30.3		30.3		6.7
Other comprehensive loss, after-tax	(57.5)			(57.5)	.3
Dividends declared on common shares	(8.9)		(8.9)		
Dividends/distributions to noncontrolling interests					(7.3)
Contributions from noncontrolling interests					2.7
Amortization of restricted share and option awards	3.5	3.5			
Balances at March 31, 2009	**$ 2,866.2**	**$ 1,431.7**	**$ 1,776.3**	**$ (341.8)**	**$ 616.1**

	White Mountains Common Shareholders Equity				
(Millions)	Common shareholders equity	Common shares and paid-in surplus	Retained earnings	Accum. other comprehensive income, after-tax	Non-controlling interest
Balances at January 1, 2008	$ 4,713.4	$ 1,691.2	$ 2,718.5	$ 303.7	$ 888.7
Cumulative effect adjustment - FAS 157	(.3)		(.3)		
Cumulative effect adjustment - FAS 159			199.6	(199.6)	
Net loss	(56.8)		(56.8)		(8.3)
Other comprehensive gain, after-tax	36.3			36.3	(.3)
Dividends declared on common shares	(21.2)		(21.2)		
Dividends/distributions to noncontrolling interests					(57.0)
Issuances of common shares	8.2	8.2			
Contributions from noncontrolling interests					1.0
Repurchases and retirements of common shares	(3.3)	(1.1)	(2.2)		(48.8)
Amortization of restricted share and option awards	2.9	2.9			
Balances at March 31, 2008	**$ 4,679.2**	**$ 1,701.2**	**$ 2,837.6**	**$ 140.4**	**$ 775.3**

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WHITE MOUNTAINS INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

	Three Months Ended March 31,	
(Millions)	**2009**	**2008**
Cash flows from operations:		
Net income (loss)	**$ 30.3**	$ (56.8)
Charges (credits) to reconcile net income (loss) to net cash used for operations:		
Net realized and unrealized investment losses	**23.3**	118.0
Excess of fair value of acquired assets over cost		(4.2)
Noncontrolling interest	**6.7**	(8.3)
Other operating items:		
Net change in loss and loss adjustment expense reserves	**(92.1)**	(116.3)
Net change in reinsurance recoverable on paid and unpaid losses	**39.7**	76.7
Net change in unearned insurance and reinsurance premiums	**149.8**	109.2
Net change in funds held by ceding companies	**6.0**	16.1
Net change in deferred acquisition costs	**(7.7)**	7.7
Net change in ceded unearned premiums	**(56.5)**	(43.3)
Net change in funds held under reinsurance treaties	**(2.1)**	(4.6)
Net change in insurance and reinsurance premiums receivable	**(154.1)**	(79.2)
Net change in other assets and liabilities, net	**24.2**	(41.9)
Net cash used for operations	**(32.5)**	(26.9)
Cash flows from investing activities:		
Net change in short-term investments	**89.8**	(1,019.6)
Sales of fixed maturity and convertible fixed maturity investments	**834.0**	1,527.2
Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments	**249.5**	359.4
Maturities of trust account investments		3.4
Sales of common equity securities	**192.6**	138.4
Distributions of other long-term investments	**10.3**	34.9
Sales of consolidated and unconsolidated affiliates, net of cash sold		4.2
Purchases of other long-term investments	**(5.7)**	(40.4)
Purchases of common equity securities	**(17.6)**	(162.1)
Purchases of fixed maturity and convertible fixed maturity investments	**(1,226.3)**	(1,144.9)
Purchases of consolidated and unconsolidated affiliates, net of cash acquired		(182.0)
Net change in fixed maturity investments held for collateral under OneBeacon s securities lending program	**(44.7)**	
Net change in short-term investments held for collateral under OneBeacon s securities lending program	**(2.2)**	
Net change in unsettled investment purchases and sales	**68.6**	225.8
Net acquisitions of property and equipment	**(2.7)**	(3.3)
Net cash provided from (used for) investing activities	**145.6**	(259.0)
Cash flows from financing activities:		
Issuance of debt		475.0
Repayment of debt	**(2.0)**	(2.0)
Repurchase of debt	**(8.1)**	
Cash dividends paid to the Company s common shareholders	**(8.9)**	(21.2)
Cash dividends paid to OneBeacon Ltd. s noncontrolling common shareholders	**(4.9)**	(54.7)
Net change in OneBeacon s securities lending payable	**46.9**	
OneBeacon Ltd. common shares repurchased and retired		(52.8)
Common shares repurchased		(3.3)

Proceeds from option exercises				.1
Net cash provided from financing activities		**23.0**		341.1
Effect of exchange rate changes on cash		**(1.9)**		3.1
Net increase in cash during the period		**134.2**		58.3
Cash balances at beginning of period (excludes restricted cash balances of $225.7 and $0)		**183.9**		171.3
Cash balances at end of period (excludes restricted cash balances of $130.7 and $42.4)	**$**	**318.1**	$	229.6
Supplemental cash flows information:				
Interest paid	**$**	**(14.8)**	$	(14.0)
Net receipts from (payments to) national governments	**$**	**20.6**	$	(21.5)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of presentation

These interim consolidated financial statements include the accounts of White Mountains Insurance Group, Ltd. (the Company or the Registrant) and its subsidiaries (collectively, with the Company, White Mountains) and have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its property and casualty insurance and reinsurance subsidiaries and affiliates. The Company s headquarters is located at 14 Wesley Street, Hamilton, Bermuda HM 11, its principal executive office is located at 80 South Main Street, Hanover, New Hampshire 03755-2053 and its registered office is located at Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11. White Mountains reportable segments are OneBeacon, White Mountains Re, Esurance and Other Operations.

The OneBeacon segment consists of OneBeacon Insurance Group, Ltd. (OneBeacon Ltd.), an exempted Bermuda limited liability company that owns a family of U.S.-based property and casualty insurance companies (collectively OneBeacon), most of which operate in a multicompany pool. OneBeacon offers a wide range of specialty, commercial and personal products and services sold primarily through select independent agents and brokers. OneBeacon was acquired by White Mountains in 2001 (the OneBeacon Acquisition). During the fourth quarter of 2006, White Mountains sold 27.6 million, or 27.6%, of OneBeacon Ltd. s common shares in an initial public offering (the OneBeacon Offering). At March 31, 2009 and December 31, 2008, White Mountains owned 75.5% of OneBeacon Ltd. s outstanding common shares.

The White Mountains Re segment consists of White Mountains Re Ltd., an exempted Bermuda limited liability company, and its subsidiaries (collectively, White Mountains Re). White Mountains Re offers reinsurance capacity for property, casualty, accident & health, agriculture, aviation and space and certain other exposures on a worldwide basis through its subsidiaries, White Mountains Reinsurance Company of America (WMRe America), which was formerly known as Folksamerica Reinsurance Company, Sirius International Insurance Corporation (WMRe Sirius), and White Mountains Re Bermuda Ltd. (WMRe Bermuda). White Mountains Re also provides reinsurance advisory services, specializing primarily in property and other short-tailed lines of reinsurance, through White Mountains Re Underwriting Services Ltd. (WMRUS). White Mountains Re also includes Scandinavian Reinsurance Company, Ltd. (Scandinavian Re) which is in run off, and the consolidated results of the Tuckerman Capital II, LP fund (Tuckerman Fund II), which was transferred to White Mountains Re from Other Operations, effective June 30, 2008.

The Esurance segment consists of Esurance Holdings, Inc., its subsidiaries and Answer Financial Inc. (AFI and, collectively, Esurance). Esurance sells personal auto insurance directly to customers online and through select online agents. AFI, which White Mountains acquired during 2008, is a personal insurance agency that sells insurance online and in call centers.

White Mountains Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC (WM Advisors), its weather risk management business (Galileo) and its variable annuity reinsurance business, White Mountains Life Reinsurance (Bermuda) Ltd. (WM Life Re). The Other Operations segment also includes White Mountains investments in Lightyear Delos Acquisition Corporation (Delos), common shares and warrants to purchase common shares of

Symetra Financial Corporation (Symetra) and the consolidated results of the Tuckerman Capital, LP fund (Tuckerman Fund I) and Tuckerman Fund II until its transfer to White Mountains Re, effective June 30, 2008 and various other entities not included in other segments. Prior to October 31, 2008, the Other Operations segment also included the International American Group, Inc. (the International American Group), which included American Centennial Insurance Company (American Centennial) and British Insurance Company of Cayman (British Insurance Company), both of which were in run-off. On October 31, 2008, in a transaction with Berkshire Hathaway, Inc. (Berkshire), White Mountains exchanged its ownership interests in Commercial Casualty Insurance Company (previously a subsidiary of White Mountains Re) and the International American Group, and $707.9 million in cash, for 1,634,921 common shares of White Mountains held by Berkshire (the Berkshire Exchange).

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All significant intercompany transactions have been eliminated in consolidation. These interim financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of White Mountains that are of a normal recurring nature. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company s 2008 Annual Report on Form 10-K. 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 and disclosure of contingent 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. Refer to the Company s 2008 Annual Report on Form 10-K for a complete discussion regarding White Mountains significant accounting policies.

Noncontrolling Interests

Noncontrolling interests consist of the ownership interests of noncontrolling parties in consolidated subsidiaries, and are presented separately as a component of equity on the balance sheet.

The percentage of the noncontrolling ownership interests in OneBeacon Ltd. at March 31, 2009 and December 31, 2008 was 24.5%.

On May 24, 2007, White Mountains Re Group, Ltd. (WMRe Group), an intermediate holding company of White Mountains Re, issued 250,000 non-cumulative perpetual preference shares with a $1,000 per share liquidation preference (the WMRe Preference Shares). Proceeds of $245.7 million, net of $4.3 million of issuance costs and commissions, were received from the issuance. The WMRe Preference Shares are included in noncontrolling interests on the balance sheet.

Recently Adopted Changes in Accounting Principles

Business Combinations and Noncontrolling Interests

On January 1, 2009, White Mountains adopted Statement of Financial Accounting Standards (FAS) No. 141 (Revised 2007), *Business Combinations A Replacement of FASB Statement No. 141* (FAS 141R) and FAS No. 160, *Noncontrolling Interests-an amendment to ARB 51* (FAS 160).

FAS 141R requires an acquiring company to recognize the fair value of all assets acquired and liabilities assumed at their fair values at the acquisition date, with certain exceptions. This represents a basic change in approach from the cost allocation method originally described in FAS 141, Business Combinations (FAS 141). In addition, FAS 141R changes the accounting for step acquisitions since it requires recognition of all assets acquired and liabilities assumed, regardless of the acquirer s percentage of ownership in the acquired company. This means that the acquirer will measure and recognize all of the assets, liabilities and goodwill, not just the acquirer s share. Changes subsequent to the acquisition date in the amount of deferred tax valuation allowances and income tax uncertainties arising from a business combination are generally recognized in income; previously under FAS No. 109, *Accounting for Income Taxes* (FAS 109), such changes were recognized through goodwill. FAS 141R applies prospectively to business combinations effective January 1, 2009. There was no effect on White Mountains financial position, results of operations or cash flows upon adoption.

FAS 160 requires all companies to account for noncontrolling interests (formerly referred to as minority interests) in subsidiaries as equity, clearly identified and presented separately from White Mountains equity. Once a controlling interest has been acquired, any subsequent acquisitions or dispositions of noncontrolling interests that do not result in a change of control are accounted for as equity transactions. Assets and liabilities acquired are measured at fair value only once, at the original acquisition date, (i.e., the date at which the acquirer gained control). The recognition and measurement requirements of FAS 160 are applicable prospectively upon adoption; the presentation and disclosure requirements must be retrospectively applied. Accordingly, upon adoption of FAS 160, White Mountains has changed the presentation of its financial statements for prior periods to conform to the required presentation, as follows: noncontrolling interests are now presented on the balance sheets within equity, separate from White Mountains shareholders equity; the portion of net income, extraordinary items and comprehensive income attributable to White Mountains common shareholders and the noncontrolling interests are presented separately on the consolidated statements of operations and comprehensive income; and the consolidated statements of shareholders equity includes a reconciliation of the noncontrolling interests at the beginning and end of each reporting period.

Derivatives Disclosures

On January 1, 2009, White Mountains adopted FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FAS 133* (FAS 161). FAS 161 requires companies that use derivatives to provide expanded qualitative and quantitative information about their use of derivative instruments, including the objectives and strategies for using derivatives, details of credit-risk related contingent features, the amounts of derivatives used, where they have been reported in the financial statements and the effect of such instruments on a company s financial position, results of operations and cash flows. The adoption of FAS 161 had no effect on White Mountains financial position or results of operations.

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Participating Securities Granted in Share-Based Payment Transactions

On January 1, 2009, White Mountains adopted FASB Staff Position (FSP) EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Transactions are Participating Securities.* FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions should be considered participating securities prior to vesting. FSP EITF 03-6-1 requires that such instruments that hold unforfeitable rights to dividends or dividend equivalents, regardless of whether paid or unpaid, should be considered participating securities and accordingly should be included in the calculation of earnings per share under the two-class method instead of the treasury stock method. White Mountains issues restricted stock under employee incentive compensation plans that contain dividend participation features and that are considered participating securities. Since adoption, White Mountains has used the two-class method to calculate earnings per share. In accordance with the adoption provisions of FSP EITF 03-6-1 all prior period earnings per share data has been adjusted retroactively to conform to the provisions of FSP EITF 03-6-1.

Fair Value Measurements

On January 1, 2008, White Mountains adopted FAS No. 157, *Fair Value Measurements* (FAS 157). FAS 157 provides a revised definition of fair value, establishes a framework for measuring fair value and expands financial statement disclosure requirements for fair value information. Under FAS 157, fair value is defined as the price that would be received for an asset sold or paid for a liability transferred, in each case, in an orderly transaction between market participants (an exit price). The Statement establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity s internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs). The fair value hierarchy in FAS 157 prioritizes fair value measurements into three levels based on the nature of the inputs. Quoted prices in active markets for identical assets or liabilities have the highest priority (Level 1). The second priority level are prices determined based on observable inputs including prices for similar but not identical assets or liabilities (Level 2). The lowest priority are prices based on assumptions that include significant unobservable inputs (Level 3).

White Mountains uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, White Mountains uses the quoted market prices provided by the outside pricing service to determine fair value. The outside pricing services used by White Mountains have indicated that they will only provide prices where observable inputs are available. In circumstances where quoted prices are unavailable, White Mountains utilizes fair value estimates based upon other observable inputs including matrix pricing, benchmark interest rates, market comparables and other relevant inputs.

White Mountains process to validate the market prices obtained from outside pricing sources includes, but is not limited to, periodic evaluation of model pricing methodologies and monthly analytical reviews of certain prices. White Mountains also periodically performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price.

Other long-term investments, which comprise limited partnerships, hedge funds and private equity interests for which the FAS 159*, The Fair Value Option for Financial Assets and Financial Liabilities,* fair value option has been elected are carried at fair value based upon White Mountains proportionate interest in the underlying partnership s or fund s net asset value, which is deemed to approximate fair value. In circumstances where the partnership net asset value is deemed to differ from fair value due to illiquidity or other factors, net asset value is adjusted accordingly.

Where appropriate, assets and liabilities measured at fair value have been adjusted for the effect of counterparty credit risk.

Fair Value Option

On January 1, 2008, White Mountains adopted FAS No.159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159). FAS 159 allows companies to make an election on an individual instrument basis to report financial assets and liabilities at fair value. The election must be made at the inception of a transaction and may not be reversed. The election may also be made for existing financial assets and liabilities at the time of adoption. White Mountains has made the fair value election for its portfolio of available for sale (AFS) securities, which were reclassified to trading upon adoption, its investments in convertible bonds, its investments in investment partnerships and for its assumed variable annuity Guaranteed Minimum Death Benefit (GMDB) liabilities.

Upon adoption, White Mountains recorded an adjustment as of January 1, 2008 to increase opening retained earnings and decrease accumulated other comprehensive income by $199.6 million to reclassify net unrealized gains and net unrealized foreign currency translation gains related to AFS securities and investments in limited partnerships.

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In addition, White Mountains recorded an adjustment to decrease opening retained earnings and increase other liabilities by $0.3 million for the change in the GMDB liabilities arising from measurement at fair value. White Mountains believes that making the election for its portfolio of investment securities and investments in hedge funds and private equity funds results in reporting its investment results on a basis consistent with one of its operating principles, namely to manage investments for total return. With respect to the variable annuity GMDB guarantees, making the election results in recognition of changes in fair value on the same basis used by White Mountains to economically hedge its variable annuity guarantee liabilities.

Recent Accounting Pronouncements

Other-Than-Temporary Impairments

On April 9, 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments,* which amends the guidance for other-than temporary impairments for debt securities classified as held-to-maturity (HTM) or available-for-sale (AFS). FSP FAS 115-2 and FAS 124-2 requires that, when evaluating whether an impairment of a debt security is other than temporary, the reporting entity is to assess whether it has the intent the sell the security or if it is more likely than not that it will be required to sell the security before the recovery of its amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost of the security, a credit loss is deemed to exist and the security is considered to be impaired. The portion of the impairment loss related to a credit loss is to be recognized in earnings. The portion of the impairment loss related to factors other than credit loss is recognized as an unrealized loss. FSP FAS 115-2 and FAS 124-2 is effective for interim financial reporting periods ending after June 15, 2009, but may be adopted early.

White Mountains plans to adopt the FSP FAS 115-2 and FAS 124-2 for the quarter ending June 30, 2009. White Mountains accounts for its investments in debt securities under FAS 159 and, accordingly, all changes in the fair value of its debt securities are recognized in earnings regardless of whether such changes in fair value represent a temporary or other than temporary decline in value. As a result, adoption of the FSP FAS 115-2 and FAS 124-2 would not have any affect on White Mountains method of accounting for its portfolio of investment securities. However, White Mountains investment in Symetra is accounted for under the equity method. Symetra adopted the FSP for the quarter ended March 31, 2009. Upon adoption of the FSP FAS 115-2 and FAS 124-2, Symetra recognized a cumulative effect adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. Accordingly, for the quarter ended March 31, 2009, White Mountains recorded a $3.0 million cumulative effect adjustment to retained earnings and other comprehensive income, which represents its portion of the cumulative effect adjustment recorded by Symetra.

Determining Fair Values in an Inactive Market and Distressed Transactions

On April 9, 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 outlines factors to be considered by a reporting entity in determining whether a market for an asset or liability is active. These factors include few recent transactions, price quotations that are not based on current information or which vary substantially over time or among market makers, a significant increase in implied liquidity risk premiums, yields or performance indicators, a wide bid-ask spread, a significant decline or absence of a market for new issuances or limited information released publicly. In circumstances where the reporting entity concludes that there has been a significant decrease in the volume of market activity for an asset or liability as compared to normal market activity, transactions or quoted prices may not reflect fair value. In such circumstances, FSP 157-4 requires analysis of the transactions or quoted prices and, where appropriate, adjustment to estimate fair value in accordance with FAS 157. In addition, FSP 157-4 would expand interim disclosures to require a description of the inputs and valuation techniques used to estimate fair value and a discussion of changes during the period. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted. White Mountains plans to adopt FSP 157-4 for the interim period ending June 30, 2009. Adoption of FSP 157-4 is not expected to have a material effect on White Mountains financial position or results of operations.

Interim Fair Value Disclosures

On April 9, 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* which requires disclosures about fair value of financial instruments within the scope of FAS 107 for interim reporting periods. FSP FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009 with early adoption permitted. White Mountains plans to adopt FSP FAS 107-1 and APB 28-1 for the interim reporting period ending June 30, 2009.

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Note 2. Loss and Loss Adjustment Expense Reserves

The following table summarizes the loss and loss adjustment expense (LAE) reserve activities of White Mountains insurance subsidiaries for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31,	
Millions	**2009**	**2008**
Gross beginning balance	**$ 7,400.1**	$ 8,062.1
Less beginning reinsurance recoverable on unpaid losses	**(3,050.4)**	(3,467.9)
Net loss and LAE reserves	**4,349.7**	4,594.2
Loss and LAE reserves acquired - Helicon		13.7
Loss and LAE incurred relating to:		
Current year losses	**563.9**	618.3
Prior year losses	**(20.7)**	20.4
Total incurred losses and LAE	**543.2**	638.7
Accretion of fair value adjustment to loss and LAE reserves	**2.5**	4.2
Foreign currency translation adjustment to loss and LAE reserves	**(6.7)**	25.9
Loss and LAE paid relating to:		
Current year losses	**(141.8)**	(149.0)
Prior year losses	**(471.5)**	(465.0)
Total loss and LAE payments	**(613.3)**	(614.0)
Net ending balance	**4,275.4**	4,662.7
Plus ending reinsurance recoverable on unpaid losses	**2,984.7**	3,375.3
Gross ending balance	**$ 7,260.1**	$ 8,038.0

Loss and LAE incurred relating to prior year losses for the three months ended March 31, 2009

During the three months ended March 31, 2009, White Mountains experienced $20.7 million of favorable loss reserve development. OneBeacon and White Mountains Re had favorable loss reserve development of $14.8 million and $5.9 million, respectively.

The favorable loss reserve development at OneBeacon was primarily due to lower than expected severity on non-catastrophe losses related to professional liability in specialty lines and commercial multi-peril in commercial lines, partially offset by adverse loss reserve development primarily related to New York personal injury protection litigation at AutoOne Insurance (AutoOne). The favorable loss reserve development at White Mountains Re was primarily related to short-tailed lines at WMRe Sirius.

Loss and LAE incurred relating to prior year losses for the three months ended March 31, 2008

During the three months ended March 31, 2008, White Mountains experienced $20.4 million of adverse loss reserve development. White Mountains Re had adverse loss reserve development of $33.0 million, which was offset by $12.6 million of favorable loss reserve development at OneBeacon.

The net adverse loss reserve development at White Mountains Re of $33.0 million included $40.5 million of adverse development related to construction defect claims from accident years 2003 and prior. These losses were offset by $7.5 million of net favorable development primarily from recent accident years. The construction defect claims represent building contractors loss exposures from reinsurance programs that were underwritten by White Mountains Re America during the 1995 through 2001 underwriting years, primarily from California and its neighboring states. The adverse development was recognized following the receipt of significantly late reported claims. The favorable loss reserve development at OneBeacon was primarily due to lower than expected severity on non-catastrophe losses and favorable loss reserve development on a prior accident year catastrophe. The favorable non-catastrophe loss reserve development was primarily related to property in commercial lines and professional liability in specialty lines.

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Fair value adjustment to loss and LAE reserves

In connection with purchase accounting for the acquisitions of OneBeacon, WMRe Sirius and Stockbridge Insurance Company, White Mountains was required to adjust loss and LAE reserves and the related reinsurance recoverables to fair value on their respective acquired balance sheets. The net reduction to loss and LAE reserves is being recognized through an income statement charge ratably with and over the period the claims are settled. Accordingly, White Mountains recognized $2.5 million of such charges for the three months ended March 31, 2009, and $4.2 million for the three months ended March 31, 2008. As of March 31, 2009, the pre-tax un-accreted adjustment was $39.2 million.

Note 3. Third Party Reinsurance

In the normal course of business, White Mountains insurance and reinsurance subsidiaries may seek to limit losses that may arise from catastrophes or other events by reinsuring with third party reinsurers. White Mountains remains liable for reinsured risks in the event that the reinsurer does not honor its obligations under reinsurance contracts.

OneBeacon

At March 31, 2009, OneBeacon had $19.8 million of reinsurance recoverables on paid losses and $2,642.4 million (gross of $201.5 million in purchase accounting adjustments) that will become recoverable if claims are paid in accordance with current reserve estimates. The collectability of balances due from OneBeacon s reinsurers is critical to OneBeacon s financial strength because reinsurance contracts do not relieve OneBeacon of its primary obligation to its policyholders. OneBeacon is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. OneBeacon monitors the financial strength of its reinsurers on an ongoing basis. Uncollectible amounts have historically not been significant. The following table provides a listing of OneBeacon s top reinsurers, excluding industry pools and associations, based upon recoverable amounts, the percentage of total paid and unpaid reinsurance recoverables and the reinsurer s A.M. Best Company, Inc. (A.M. Best) rating.

Top Reinsurers (Millions)		**Balance at March 31, 2009**	**% of Total**	**A.M. Best Rating(1)**
Subsidiaries of Berkshire (NICO and GRC)(2)	$	**1,928.5**	72%	A++
Tokio Marine and Nichido Fire(3)		**55.2**	2%	A++
QBE Insurance Corporation		**45.3**	2%	A
Munich Re America		**41.2**	2%	A+
Swiss Re Group		**22.9**	1%	A

(1) A.M. Best ratings as detailed above are: A++ (Superior, which is the highest of fifteen ratings), A+ (Superior, which is the second highest of fifteen ratings), and A (Excellent, which is the third highest of fifteen ratings).

(2) Includes $320.2 of Third Party Recoverables, which NICO would pay under the terms of the NICO Cover (as defined below) if they are unable to collect from third party reinsurers. OneBeacon also has an additional $264.7 of Third Party Recoverables from various reinsurers, the majority of which are rated A or better by A.M. Best.

(3) Excludes $41.1 of reinsurance recoverables from various reinsurers that are guaranteed by Tokio Marine and Nichido Fire under the terms of a 100% quota share reinsurance agreement between Houston General Insurance Company and Tokio Marine and Nichido Fire.

In connection with the OneBeacon Acquisition, the seller caused OneBeacon to purchase two reinsurance contracts: a full risk-transfer cover from National Indemnity Company (NICO) for up to $2.5 billion in old A&E claims and certain other exposures (the NICO Cover) and an adverse loss reserve development cover (the GRC Cover) from General Reinsurance Corporation (GRC) for up to $570.0 million, comprised of $400.0 million of adverse loss reserve development on losses occurring in years 2000 and prior and $170.0 million of reserves ceded as of the date of the OneBeacon Acquisition. The NICO Cover and GRC Cover, which were contingent on and occurred contemporaneously with the OneBeacon Acquisition, were put in place in lieu of a seller guarantee of loss and LAE reserves and are therefore accounted for as a seller guarantee under GAAP in accordance with Emerging Issues Task Force Technical Matter Document No. D-54 (EITF Topic D-54). NICO and GRC are wholly-owned subsidiaries of Berkshire.

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Under the terms of the NICO Cover, NICO receives the economic benefit of reinsurance recoverables (Third Party Recoverables) from certain of OneBeacon s third party reinsurers in existence at the time the NICO Cover was executed. As a result, the Third Party Recoverables serve to protect the $2.5 billion limit of NICO coverage for the benefit of OneBeacon. White Mountains estimates that on an incurred basis, net of Third Party Recoverables, as of March 31, 2009 it has used approximately $2.2 billion of the coverage provided by NICO. Through March 31, 2009, $1.1 billion of these incurred losses have been paid by NICO. Since entering into the NICO Cover, $44.7 million of the $2.2 billion of utilized coverage from NICO related to uncollectible Third Party Recoverables. To the extent that actual experience differs from White Mountains estimate of ultimate A&E losses and Third Party Recoverables, future losses could utilize some or all of the protection remaining under the NICO Cover.

Pursuant to the GRC Cover, OneBeacon is not entitled to recover losses to the full contract limit if such losses are reimbursed by GRC more quickly than anticipated at the time the contract was signed. OneBeacon intends to only seek reimbursement from GRC only for claims which result in payment patterns similar to those supporting its recoverables recorded pursuant to the GRC Cover. The economic cost of not submitting certain other eligible claims to GRC is primarily the investment spread between the rate credited by GRC and the rate achieved by OneBeacon on its own investments. This cost, if any, is expected to be nominal.

Effective July 1, 2008, OneBeacon renewed its property catastrophe reinsurance program through June 30, 2009. The program provides coverage for all OneBeacon property business including automobile physical damage, as well as acts of terrorism unless committed on behalf of a foreign interest (or utilizing nuclear, biological, chemical or radiological devices). Under the program, the first $150 million of losses resulting from a single catastrophe are retained by OneBeacon and $650 million of the next $700 million of losses resulting from the catastrophe are reinsured. Any loss above $850 million would be retained by OneBeacon. In the event of a catastrophe, OneBeacon s property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.

OneBeacon entered into a 30% quota share agreement with a group of reinsurers that runs from January 1, 2009 through December 31, 2009. During the first quarter of 2009, OneBeacon ceded $13.6 million of written premiums from its Northeast homeowners business written through OneBeacon Insurance Company and its subsidiary companies, along with Adirondack Insurance and New Jersey Skylands Insurance Association in New York and New Jersey, respectively.

White Mountains Re

At March 31, 2009, White Mountains Re had $46.3 million of reinsurance recoverables on paid losses and $541.3 million of reinsurance that will become recoverable if claims are paid in accordance with current reserve estimates. Because reinsurance contracts do not relieve White Mountains Re of its obligation to its ceding companies, the collectability of balances due from its reinsurers is critical to White Mountains Re s financial strength. White Mountains Re monitors the financial strength of its reinsurers on an ongoing basis. The following table provides a listing of White Mountains Re s top reinsurers based upon recoverable amounts, the percentage of total paid and unpaid reinsurance recoverables and the reinsurers A.M. Best ratings.

Top Reinsurers (Millions)	**Balance at March 31, 2009**	**% of Total**	**A.M. Best Rating (2)**	**% Collateralized**
Imagine Re (1)	$ **146.7**	25%	NR-5	100%
Olympus (1)(3)	**107.3**	18%	NR-5	100%
London Life (1)	**70.8**	12%	A	100%
General Re	**46.5**	8%	A++	4%
Swiss Re Group	**44.2**	8%	A	6%

(1) Non-U.S. insurance entities. Balances are fully collateralized through funds held, letters of credit or trust agreements.

(2) A.M. Best ratings as detailed above are: NR-5 (Not formally followed), A++ (Superior, which is the highest of fifteen ratings), and A (Excellent, which is the third highest of fifteen ratings).

(3) Gross of $50.0 due to Olympus Reinsurance Company Ltd. (Olympus) under an indemnity agreement with WMRe America.

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Note 4. Investment Securities

White Mountains invested assets comprise securities and other long-term investments held for general investment purposes. The portfolio of fixed maturity investments and common equity securities held for general investment purposes are classified as trading. Trading securities are reported at fair value as of the balance sheet date as determined by quoted market prices when available. Realized and unrealized investment gains and losses on trading securities are reported pre-tax in revenues. See ***Recently Adopted Changes in Accounting Principles*** section of **Note 1** for further discussion.

White Mountains has invested in mortgage-backed and asset-backed securities which are carried at fair value within fixed maturity investments. White Mountains investments in asset-backed securities are generally valued using matrix and other pricing models. Key inputs in a typical valuation are benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life. At March 31, 2009, the market for White Mountains investments in asset-backed securities remained active and accordingly, White Mountains did not adjust the fair value estimates for the effect of illiquidity.

Realized gains and losses resulting from sales of investment securities are accounted for using the weighted average method. Premiums and discounts on all fixed maturity investments are accreted to income over the anticipated life of the investment. Short-term investments consist of money market funds, certificates of deposit and other securities which mature or become available for use within one year. Short-term investments are carried at amortized cost, which approximated fair value as of March 31, 2009 and December 31, 2008.

Other long-term investments comprise White Mountains investments in limited partnerships, hedge funds and private equity interests.

White Mountains is currently exploring options for exiting its securities lending programs. White Mountains participated in securities lending programs through both OneBeacon and White Mountains Re as a mechanism for generating additional investment income. Under the security lending arrangements, certain securities White Mountains owns are loaned to other institutions for short periods of time through a lending agent. The security lending counterparty is required to provide collateral for the loaned securities, which is then invested by the lending agent. The collateral is normally required at a rate of 102% of the fair value of the loaned securities. For OneBeacon s program prior to February 2009 and for White Mountains Re s program, the collateral is fully controlled by the lending agent and may not be sold or re-pledged. The fair value of the securities lending collateral is recorded as both an asset and a liability, however, other than in the event of a default by the borrower, the collateral is not available to White Mountains and will be remitted to the borrower by the lending agent upon return of the loaned securities. Because of these restrictions, White Mountains considers White Mountains Re s securities lending activities and OneBeacon s securities lending activities prior to February 2009 to be non-cash transactions. In the event of a shortfall in the collateral amount required to be returned to the security lending counterparty (e.g., as a result of investment losses), White Mountains is obligated to make up any deficiency. The value that can be loaned under White Mountains securities lending programs cannot exceed approximately $170 million.

In February 2009, OneBeacon amended the terms of its securities lending program to give it more control over the investment of borrowers collateral and to segregate the assets supporting that collateral from a collective investment vehicle managed by the lending agent into a separate account. Pursuant to the amendment, (i) the guidelines for the investment of any new cash collateral, as well as the reinvestment of cash, were narrowed to permit investment in only cash equivalent securities, (ii) OneBeacon has the authority to direct the lending agent to both sell specific collateral securities in its separate account and to not sell certain collateral securities which the lending agent proposes to sell, and

(iii) OneBeacon and the lending agent agreed to manage the securities lending program toward an orderly wind-down, which OneBeacon believes will be completed over an approximately 1 to 2 year period.

As a result of this change, OneBeacon s securities lending program is now recorded so that assets in the separate account are included within White Mountains investment securities. The separate account is comprised of $44.7 million of fixed maturity investments and $2.2 million of short-term investments. Accordingly, purchases and sales of invested assets held in the separate account as well as changes in the payable to the borrower for the return of collateral are reflected in the investing and financing sections of the cash flow statement commencing with the quarter ended March 31, 2009.

At March 31, 2009, there was an $8.7 million collateral shortfall ($1.7 million at OneBeacon and $7.0 million at WMRe America) for the securities lending programs. White Mountains has recorded unrealized gains of $4.0 million for the three months ended March 31, 2009 for the net impact of the securities lending programs.

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Pre-tax net investment income for the three months ended March 31, 2009 and 2008 consisted of the following:

Millions	Three Months Ended March 31, 2009	2008
Investment income:		
Fixed maturity investments	**$ 57.4**	$ 97.1
Short-term investments	**2.8**	12.3
Common equity securities	**1.8**	9.1
Convertible fixed maturity investments	**1.9**	1.7
Total investment income	**63.9**	120.2
Less investment expenses	**(2.8)**	(3.4)
Net investment income, pre-tax	**$ 61.1**	$ 116.8

Net realized and unrealized investment losses

White Mountains recognized $(23.3) million and $(118.0) million on net realized and unrealized investment losses for the three months ended March 31, 2009 and 2008.

Net realized investment losses

Millions	Three Months Ended March 31, 2009	2008
Fixed maturity investments	**$ (32.7)**	$ (12.6)
Short-term investments	**.1**	
Common equity securities	**(51.1)**	3.4
Other long-term investments	**(3.4)**	(7.7)
Convertible fixed maturity investments	**.8**	3.9
Net realized investment losses pre-tax	**$ (86.3)**	$ (13.0)

For the three months ended March 31, 2009, White Mountains recognized $58.6 million of after-tax realized losses. During the three months ended March 31, 2008, White Mountains recognized after-tax realized losses of $8.4 million.

Net unrealized investment gains (losses)

The following table summarizes changes in the carrying value of investments measured at fair value:

Millions	Three Months Ended March 31, 2009 Net unrealized gains (losses)	Three Months Ended March 31, 2009 Net foreign exchange gains	Three Months Ended March 31, 2009 Total changes in fair value reflected in earnings	Three Months Ended March 31, 2008 Net unrealized gains (losses)	Three Months Ended March 31, 2008 Net foreign exchange gains (losses)	Three Months Ended March 31, 2008 Total changes in fair value reflected in earnings
Fixed maturities	$ 64.1	$ 3.0	$ 67.1	$ 3.8	$ 2.2	$ 6.0
Common equity securities	(1.6)	3.0	1.4	(82.1)	(.7)	(82.8)
Short-term investments	(.2)	.2		.3	1.2	1.5
Convertible fixed maturities	(1.4)		(1.4)	(16.5)		(16.5)
Other long-term investments	(6.5)	2.4	(4.1)	(13.2)		(13.2)
Net unrealized investment gains (losses)	**$ 54.4**	**$ 8.6**	**$ 63.0**	$ (107.7)	$ 2.7	$ (105.0)

White Mountains recognized after-tax unrealized gains (losses) of $39.3 million and $(76.2) million for the three months ended March 31, 2009 and 2008.

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The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains fixed maturity investments as of March 31, 2009 and December 31, 2008, were as follows

	March 31, 2009				
Millions	**Cost or amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Net foreign currency gains(losses)**	**Carrying value**
U.S. Government obligations	$ 655.2	$ 29.4	$ (.3)	$ 5.0	$ 689.3
Debt securities issued by industrial corporations	2,392.1	35.3	(119.8)	(4.3)	2,303.3
Municipal obligations	7.4	.4			7.8
Mortgage-backed and asset-backed securities	1,863.1	19.6	(102.9)	21.2	1,801.0
Foreign government obligations	768.9	27.7	(1.4)	25.0	820.2
Preferred stocks	74.2	.2	(20.8)		53.6
Total fixed maturity investments (1)	**$ 5,760.9**	**$ 112.6**	**$ (245.2)**	**$ 46.9**	**$ 5,675.2**

(1) Total fixed maturity investments includes $44.7 of investments included as part of Securities lending investment assets - OneBeacon

	December 31, 2008				
Millions	**Cost or amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Net foreign currency gains(losses)**	**Carrying value**
U.S. Government obligations	$ 785.4	$ 24.4	$ (14.4)	$ 3.5	$ 798.9
Debt securities issued by industrial corporations	1,746.9	25.0	(112.2)	(12.4)	1,647.3
Municipal obligations	7.4	.3	(.1)		7.6
Mortgage-backed and asset-backed securities	2,321.1	21.2	(138.4)	37.3	2,241.2
Foreign government obligations	696.6	28.3	(8.0)	14.2	731.1
Preferred stocks	74.2	.1	(19.9)		54.4
Total fixed maturity investments	$ 5,631.6	$ 99.3	$ (293.0)	$ 42.6	$ 5,480.5

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains common equity securities, convertible fixed maturities, and other long-term investments as of March 31, 2009 and December 31, 2008, were as follows:

	March 31, 2009				
Millions	**Cost or amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Net foreign currency gains**	**Carrying value**
Common equity securities	**$ 323.0**	$ 12.4	$ (40.8)	$ 24.2	**$ 318.8**
Convertible fixed maturities	**$ 284.9**	$ 3.1	$ (23.0)	$	**$ 265.0**
Other long-term investments	**$ 421.2**	$ 42.5	$ (77.0)	$ 8.4	**$ 395.1**

December 31, 2008

Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
Common equity securities	$ 558.4	$ 18.0	$ (44.9)	$ 21.2	$ 552.7
Convertible fixed maturities	$ 327.3	$ 3.2	$ (21.7)	$	$ 308.8
Other long-term investments	$ 431.2	$ 44.2	$ (65.2)	$ 6.0	$ 416.2

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Fair value measurements at March 31, 2009

White Mountains adopted FAS 157 on January 1, 2008. FAS 157 established a hierarchy of fair value measurements based upon the nature of the inputs as follows:

Level 1 Valuations based on quoted prices in active markets for identical assets;

Level 2 Valuations based on observable inputs that do not meet the criteria for Level 1, including quoted prices in inactive markets and quoted prices in active markets for similar, but not identical instruments;

Level 3 Valuations based on unobservable inputs.

White Mountains uses observable inputs for the vast majority of its investment portfolio. Fair value measurements for securities for which quoted prices are unavailable are estimated based upon reference to observable inputs such as benchmark interest rates, matrix pricing, market comparables, broker quotes and other relevant inputs. In circumstances where quoted prices or observable inputs are adjusted to reflect management s best estimate of fair value, such fair value measurements are considered a lower level measurement in the FAS 157 fair value hierarchy. Other long-term investments, which comprises limited partnerships, hedge fund and private equity interests for which the FAS 159 fair value option has been elected are carried at fair value based upon White Mountains proportionate interest in the underlying partnership s or fund s net asset value, which is deemed to approximate fair value. In circumstances where the partnership net asset value is deemed to differ from fair value due to illiquidity or other factors, net asset value is adjusted accordingly. At March 31, 2009 and December 31, 2008, White Mountains did not adjust the net asset values used to determine fair value because an active secondary market for such investments existed.

The following tables summarizes White Mountains fair value measurements for investments at March 31, 2009 and December 31, 2008, by level:

			March 31, 2009					
Millions		**Fair value**		**Level 1 Inputs**		**Level 2 Inputs**		**Level 3 Inputs**
Fixed maturities	$	5,675.2	$	572.1	$	4,932.5	$	170.6
Common equity securities		318.8		173.0		36.5		109.3
Convertible fixed maturity investments		265.0				264.3		.7
Short-term investments		2,150.6		2,150.6				
Other long-term investments (1)		381.4						381.4
Total investments	$	8,791.0	$	2,895.7	$	5,233.3	$	662.0

(1) The fair value of other long-term investments excludes carrying value of $13.7 associated with other investment limited partnerships accounted for using the equity method.

	December 31, 2008			
Millions	Fair value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Fixed maturities	$ 5,480.5	$ 689.4	$ 4,634.7	$ 156.4
Common equity securities	552.7	399.2	40.2	113.3
Convertible fixed maturity investments	308.8		308.8	
Short-term investments	2,244.5	2,244.5		
Other long-term investments (1)	402.4			402.4
Total investments	$ 8,988.9	$ 3,333.1	$ 4,983.7	$ 672.1

(1) The fair value of other long-term investments excludes carrying value of $13.8 associated with other investment limited partnerships accounted for using the equity method.

In addition to the investment portfolio described above, White Mountains has $38.0 million and $41.8 million of liabilities recorded at fair value in accordance with FAS 157 and included in other liabilities as of March 31, 2009 and December 31, 2008. These liabilities relate to securities that have been sold short by limited partnerships that White Mountains invests in and is required to consolidate under GAAP. All of the liabilities included have been deemed to have a Level 1 designation.

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The following table summarizes the changes in White Mountains Level 3 fair value measurements for the three months ended March 31, 2009:

Millions	Fixed Maturities	Common equity securities	Convertible fixed maturities	Other investments	Total
Balance at January 1, 2009	$ 156.4	$ 113.3	$	$ 402.4	$ 672.1
Total realized and unrealized losses	(3.6)	(3.6)		(44.3)	(51.5)
Purchases	16.4		.7	45.5	62.6
Sales	(17.1)	(.4)		(22.2)	(39.7)
Transfers in	57.9				57.9
Transfers out	(39.4)				(39.4)
Balance at March 31, 2009	$ 170.6	$ 109.3	$ .7	$ 381.4	$ 662.0

Transfers into Level 3 measurements for fixed maturities relate primarily to securities as of the quarter end for which observable inputs were unavailable. Such securities were manually priced using a combination of market inputs such as benchmark interest rates, market comparables and/or broker quotes. Transfers out of Level 3 measurements for fixed maturity investments relate to securities that were manually priced in the prior period but have been priced using observable inputs in the current period.

The following table summarizes the amount of total gains (losses) included in earnings attributable to the change in unrealized gains (losses) for Level 3 assets for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31,	
Millions	2009	2008
Fixed maturities	**$ 9.9**	$ (3.9)
Common equity securities	**(2.7)**	(2.8)
Convertible fixed maturities		
Other long-term investments	**(13.7)**	(17.8)
Total change in unrealized losses - Level 3 assets	**$ (6.5)**	$ (24.5)

Note 5. Debt

Refer to the Company s 2008 Annual Report on Form 10-K for a fuller discussion regarding White Mountains debt obligations as of December 31, 2008. White Mountains debt outstanding as of March 31, 2009 and December 31, 2008 consisted of the following:

Millions	March 31, 2009	December 31, 2008
OBH Senior Notes, at face value (1)	**$ 665.3**	$ 676.0
Unamortized original issue discount	**(.8)**	(.9)
OBH Senior Notes, carrying value	**664.5**	675.1

WMRe Senior Notes, at face value		**400.0**		400.0
Unamortized original issue discount		**(1.0)**		(1.0)
WMRe Senior Notes, carrying value		**399.0**		399.0
WTM Bank Facility		**200.0**		200.0
Mortgage Note		**40.6**		40.8
Sierra Note (2)		**31.1**		31.1
Atlantic Specialty Note		**14.0**		16.0
Total debt	**$**	**1,349.2**	$	1,362.0

(1) During the first quarter of 2009, OneBeacon repurchased $10.6 face value of its outstanding OneBeacon U.S. Holdings, Inc. (OBH) Senior Notes for $8.1, which resulted in a $2.5 gain on extinguishment of debt.

(2) Fully indemnified by Berkshire in connection with the Berkshire Exchange

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Note 6. Income Taxes

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

White Mountains income tax expense (benefit) for the three months ended March 31, 2009 and 2008 represented an effective tax rate of 25.4% and (31.8)%. For the three months ended March 31, 2009, White Mountains effective tax rates are different from the U.S. statutory rate of 35% primarily due to income generated in jurisdictions other than the United States. For the three months ended March 31, 2008, White Mountains effective tax rates are different from the U.S. statutory rate of 35% primarily due to income generated in jurisdictions other than the United States, withholding taxes, non-deductible dividends and accretion on the Berkshire Preferred Stock.

In arriving at the effective tax rate for the three months ended March 31, 2009, White Mountains is treating the change in unrealized investment gains (losses) and realized investment gains (losses) as discrete items separate from the other components of pre-tax income (loss). Therefore, the benefit of these net gains (losses) is calculated at the statutory rate applicable to the jurisdiction in which the gains (losses) are recorded. The majority of investment assets incurring current period net gains (losses) for the three months ended March 31, 2009 are in the U.S. and Sweden, and are taxed at the statutory rates of 35% and 26.3%. The changes in unrealized investment gains (losses) and realized investment gains (losses) are treated as discrete items due to the inability to reliably estimate these amounts for the full year.

White Mountains records a valuation allowance against deferred tax assets if it becomes more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the income tax expense in the period of change. In determining whether or not a valuation allowance, or change therein, is warranted, White Mountains considers factors such as prior earnings history, expected future earnings, carry-back and carry-forward periods and strategies that if executed would result in the realization of a deferred tax asset. As of March 31, 2009, the net U.S. deferred tax assets were approximately $497.0 million. During the next twelve months, it is possible that certain planning strategies will no longer be sufficient to utilize the entire deferred tax asset, which could result in material changes to White Mountains deferred tax assets and tax provision. Utilization of the deferred tax asset is dependent on future profitability and generation of net capital gains.

Under FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), White Mountains classifies all interest and penalties on unrecognized tax benefits as part of income tax expense. With few exceptions, White Mountains is no longer subject to U.S. federal, state or non-U.S. income tax examinations for years before 2003.

In the second quarter of 2006, the Internal Revenue Service (IRS) commenced an examination of income tax returns for 2003 through 2004 for certain U.S. subsidiaries of OneBeacon, White Mountains Re and Esurance. On January 22, 2009, the Company received Form 4549-A (Income Tax Examination Changes) from the IRS relating to the examination of tax years 2003 and 2004. The IRS is asserting that subsidiaries of the Company owe an additional $65.7 million of tax. The estimated total assessment, including interest, withholding tax and utilization of tax credits is $132.3 million. The Company disagrees with the adjustments proposed by the IRS and is vigorously defending its position. The timing of the resolution of these issues is uncertain; however, it is reasonably possible that the resolution could occur within the next 12 months. White Mountains does not expect the resolution of this examination to result in a material change to its financial position.

In October 2008, the IRS commenced an examination of certain of White Mountains U.S. subsidiaries income tax returns for 2005 through 2006. As of March 31, 2009, the IRS has not proposed any significant adjustments to taxable income as a result of the 2005 through 2006 audit. However, White Mountains does not expect to receive any adjustments that would result in a material change to its financial position.

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Note 7. Weather Contracts

For the three months ended March 31, 2009 and 2008, Galileo recognized $2.7 million and $4.0 million of net gains on its weather and weather contingent derivatives portfolio. As of March 31, 2009 and 2008, Galileo had unamortized deferred gains of $4.0 million and $4.6 million.

The fair values of Galileo s risk management products are subject to change in the near-term and reflect management s best estimate based on various factors including, but not limited to, realized and forecasted weather conditions, changes in interest or foreign currency exchange rates and other market factors. Estimating the fair value of derivative instruments that do not have quoted market prices requires management s judgment in determining amounts that could reasonably be expected to be received from or paid to a third party to settle the contracts. Such amounts could be materially different from the amounts that might be realized in an actual transaction to settle the contract with a third party. Because of the significance of the unobservable inputs used to estimate the fair value of Galileo s weather risk contracts, the fair value measurements of the contracts are deemed to be Level 3 measurements in the FAS 157 fair value hierarchy.

Galileo s weather risk management contracts are summarized in the following table:

Millions	Three Months Ended March 31, 2009		2008	
Net liability for weather derivative contracts as of January 1 (1)	**$**	**13.1**	$	17.9
Net consideration (paid) received during the period for new contracts		**(.2)**		8.4
Net receipts (payments) on contracts settled during the period		**.3**		(7.8)
Net decrease in fair value on settled and unsettled contracts		**(2.7)**		(4.0)
Net liability for weather derivative contracts as of March 31 (2)	**$**	**10.5**	$	14.5

(1) Includes unamortized deferred gains of $5.1 and $2.9 as of January 1, 2009 and 2008.

(2) Includes unamortized deferred gains of $4.0 and $4.6 as of March 31, 2009 and 2008.

The following table summarizes the maturity of contracts outstanding as of March 31, 2009:

Millions	< 1 Year		1-3 Years		3-5 Years		> 5 Years		Total	
Net asset for contracts actively quoted	$		$		$		$		$	
Net liability for contracts using internal pricing models		5.8		4.7						10.5
Total net liability for weather contracts outstanding	$	5.8	$	4.7	$		$		$	10.5(1)

(1) Includes $4.0 in unamortized deferred gains.

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NOTE 8. Variable Annuity Reinsurance

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. At March 31, 2009, the total guarantee value was approximately ¥ 244 billion (approximately $2.5 billion at exchange rates on that date). The collective account values of the underlying variable annuities were approximately 81% of the guarantee value at March 31, 2009. The following table summarizes the pre-tax operating results of WM Life Re for the three months ended March 31, 2009 and 2008:

Millions	Three Months Ended March 31, 2009	2008
Fees, included in other revenues	**$ 6.8**	$ 6.6
Change in fair value of variable annuity liability, included in other revenues	**31.0**	(78.3)
Change in fair value of derivatives and foreign exchange on related excess margin accounts, included in other revenues (1)	**(70.1)**	56.5
Other investment income and (losses) gains	**(.9)**	
Total revenues	**(33.2)**	(15.2)
Change in fair value of variable annuity death benefit liabilities, included in other expenses	**3.8**	(4.7)
Death benefit claims paid, included in other expenses	**(.5)**	
General and administrative expenses	**(1.6)**	(1.0)
Pre-tax loss	**$ (31.5)**	$ (20.9)

(1) The exposure on foreign currency denominated excess margin account deposits is economically hedged with derivative instruments. The change in fair value of the derivative instruments as well as the foreign currency gains/losses are both reported in Other Revenues. The foreign currency (loss) gain on excess margin account deposits was $(17.0) and $0.7 at March 31, 2009 and 2008.

All of White Mountains variable annuity reinsurance liabilities ($432.3 million) were classified as Level 3 measurements at March 31, 2009. The following table summarizes the changes in White Mountains variable annuity reinsurance guarantee liabilities and derivative instruments for the quarter ended March 31, 2009:

Millions	(Guarantee Liabilities) Level 3	Derivative Instruments Level 3 (1)	Derivative Instruments Level 2 (2)	Derivative Instruments Level 1 (3)	Net Derivative Assets (Guarantee Liabilities)
Balance at January 1, 2009	$ (467.1)	$ 198.3	$ 5.0	$ (24.9)	$ (288.7)
Purchases		8.8			8.8
Realized and unrealized gains (losses)	34.8	(15.7)	(6.4)	(31.0)	(18.3)
Transfers in (out)					
Sales/settlements				11.6	11.6
Balance at March 31, 2009	$ (432.3)	$ 191.4	$ (1.4)	$ (44.3)	$ (286.6)

(1) Comprises OTC instruments.

(2) Comprises interest rate swaps. Fair value measurement based upon bid/ask pricing quotes for similar instruments that are actively traded.

(3) Comprises exchange traded equity index, foreign currency and interest rate futures. Fair value measurements based upon quoted prices for identical instruments that are actively traded.

The following summarizes realized and unrealized derivative gains (losses) recognized in other revenues for the quarter ended March 31, 2009 and 2008 and carrying value at March 31, 2009 and December 31, 2008, by type of instrument:

	Gains (losses) recognized		Carrying value	
Type of Instrument (Millions)	**2009**	**2008**	**2009**	**2008**
Fixed income/Interest rate	**$ (11.5)**	$ 2.7	**$ (3.2)**	$ (4.3)
Foreign exchange	**(72.3)**	19.1	**37.4**	60.2
Equity	**30.7**	34.0	**111.5**	122.5
Total	**$ (53.1)**	$ 55.8	**$ 145.7**	$ 178.4

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WM Life Re enters into both over-the-counter (OTC) and exchange traded derivative contracts to economically hedge the liability from the variable annuity benefit guarantee. In the case of OTC derivatives, WM Life Re has exposure to credit risk for amounts that are uncollateralized by counterparties. WM Life Re s internal risk management guidelines establish net counterparty exposure thresholds that take into account over-the-counter counterparties credit ratings. WM Life Re has entered into master netting agreements with certain of its counterparties whereby the collateral provided (held) is calculated on a net basis. The net collateral held under this arrangement was $7.3 million at March 31, 2009.

The following summarizes collateral provided to WM Life Re from counterparties:

Millions		March 31, 2009		December 31, 2008
Short term investments	**$**	**11.0**	$	10.6
Fixed maturity securities		**7.3**		53.7
Total	**$**	**18.3**	$	64.3

Collateral held by or provided by WM Life Re in the form of fixed maturity securities comprise U.S. Treasury securities, which are recorded at fair value. Collateral in the form of short-term investments consists of money-market instruments, carried at amortized cost which approximates fair value.

The following summarizes the fair value, collateral held and net exposure on OTC derivative instruments recorded within other assets:

Millions		March 31, 2009		December 31, 2008
Fair value of OTC derivative instruments	**$**	**197.2**	$	209.1
Collateral held		**(18.3)**		(64.3)
Net exposure on fair value of OTC instruments	**$**	**178.9**	$	144.8

The following table summarizes uncollateralized amounts due under WM Life Re s OTC derivative contracts as of March 31, 2009:

Counterparty (Millions)		Uncollateralized balance as of March 31, 2009	S&P Rating(1)
Bank of America (3)	**$**	**51.5**	A+
Barclays		**44.2**	A+
Citigroup (3)		**44.2**	A
Other		**39.0**	(2)
Total	**$**	**178.9**	

(1) AA+ is the second highest of twenty-one creditworthiness ratings, A+ is the fifth highest of twenty-one creditworthiness ratings, A is the sixth highest of twenty-one creditworthiness ratings.

(2) The ratings of the counterparties included in Other were A (46%), A+ (34%) and AA+ (20%).

(3) Collateral provided (held) calculated under master netting arrangement.

The OTC derivative contracts are subject to restrictions on liquidation of the instruments and distribution of proceeds under collateral agreements. In addition to the OTC contracts, WM Life Re held cash and short-term investments posted as collateral to its reinsurance counterparties as follows:

Millions	**March 31, 2009**	**December 31, 2008**
Cash	**$ 255.2**	$ 225.7
Short-term investments	**40.8**	30.3
Total	**$ 296.0**	$ 256.0

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Note 9. Earnings (Loss) Per Share

Basic earnings (loss) per share amounts are based on the weighted average number of common shares outstanding including unvested restricted shares which are considered participating securities. Diluted earnings (loss) per share amounts are based on the weighted average number of common shares including unvested restricted shares and the net effect of potentially dilutive common shares outstanding. The following table outlines the Company s computation of earnings (loss) per share for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31,			
	2009		2008	
Basic earnings (loss) per share numerators (in millions):				
Income (loss) before extraordinary item	**$**	**30.3**	$	(61.0)
Extraordinary item - excess of fair value of acquired net assets over cost				4.2
Net income (loss)		**30.3**		(56.8)
Dividends declared and paid		**(8.9)**		(21.2)
Undistributed earnings (loss)	**$**	**21.4**	$	(78.0)
Diluted earnings (loss) per share numerators (in millions):				
Income (loss) before extraordinary item	**$**	**30.3**	$	(61.0)
Extraordinary item - excess of fair value of acquired net assets over cost				4.2
Net income (loss)		**30.3**		(56.8)
Dividends declared and paid		**(8.9)**		(21.2)
Undistributed earnings (loss)	**$**	**21.4**	$	(78.0)
Basic earnings (loss) per share denominators (in thousands):				
Average common shares outstanding during the period		**8,766**		10,562
Average unvested restricted shares (1)		**59**		50
Basic earnings (loss) per share denominator		**8,825**		10,612
Diluted earnings (loss) per share denominator (in thousands):				
Average common shares outstanding during the period		**8,766**		10,562
Average unvested restricted shares (1)		**59**		50
Average outstanding dilutive options to acquire common shares (2)		**1**		
Diluted earnings (loss) per share denominator		**8,826**		10,612
Basic earnings (loss) per share (in dollars):				
Income (loss) before extraordinary item	**$**	**3.44**	$	(5.78)
Extraordinary item - excess of fair value of acquired assets over cost				.40
Net income (loss)		**3.44**		(5.38)
Dividends declared and paid		**(1.00)**		(2.00)
Undistributed earnings (loss)	**$**	**2.44**	$	(7.38)
Diluted earnings (loss) per share (in dollars)				
Income (loss) before extraordinary item	**$**	**3.44**	$	(5.78)
Extraordinary item - excess of fair value of acquired assets over cost				.40
Net income (loss)		**3.44**		(5.38)
Dividends declared and paid		**(1.00)**		(2.00)
Undistributed earnings (loss)	**$**	**2.44**	$	(7.38)

(1) Restricted shares outstanding vest either in equal annual installments, upon a stated date or upon the occurrence of a specified event (see **Note 12**).

(2) The diluted earnings per share denominator for the three months ended March 31, 2009 includes 6,000 common shares issuable upon exercise of incentive options at an average stock price of $179.02 per common share. The diluted (loss) per share denominator for the three months ended March 31, 2008 does not include common shares issuable upon exercise of incentive options as they are anti-dilutive to the calculation (see **Note 12**).

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Note 10. Segment Information

White Mountains has determined that its reportable segments are OneBeacon, White Mountains Re, Esurance and Other Operations. White Mountains has made its segment determination based on consideration of the following criteria: (i) the nature of the business activities of each of the Company s subsidiaries and affiliates; (ii) the manner in which the Company s subsidiaries and affiliates are organized; (iii) the existence of primary managers responsible for specific subsidiaries and affiliates; and (iv) the organization of information provided to the Board of Directors. Significant intercompany transactions among White Mountains segments have been eliminated herein. Financial information for White Mountains segments follows:

Millions	**OneBeacon**	**White Mountains Re**	**Esurance**	**Other Operations**	**Total**
Three months ended March 31, 2009					
Earned insurance and reinsurance premiums	$ 487.8	$ 227.4	$ 196.2	$	$ 911.4
Net investment income	21.9	29.4	6.1	3.7	61.1
Net realized and unrealized investment gains (losses)	(5.9)	(20.1)	3.7	(1.0)	(23.3)
Other revenue - foreign currency translation gain		5.4			5.4
Other revenue	9.4	11.0	13.9	(22.4)	11.9
Total revenues	**513.2**	**253.1**	**219.9**	**(19.7)**	**966.5**
Losses and LAE	288.0	109.9	145.3		543.2
Insurance and reinsurance acquisition expenses	95.9	47.4	38.9		182.2
Other underwriting expenses	72.7	24.2	18.5		115.4
General and administrative expenses	5.5	18.7	9.2	17.2	50.6
Amortization of AFI purchase accounting adjustments			5.3		5.3
Accretion of fair value adjustment to loss and LAE reserves	1.4	1.1			2.5
Interest expense on debt	10.9	6.6		1.4	18.9
Total expenses	**474.4**	**207.9**	**217.2**	**18.6**	**918.1**
Pre-tax income (loss)	**$ 38.8**	**$ 45.2**	**$ 2.7**	**$ (38.3)**	**$ 48.4**

Millions	**OneBeacon**	**White Mountains Re**	**Esurance**	**Other Operations**	**Total**
Three months ended March 31, 2008					
Earned insurance and reinsurance premiums	$ 455.3	$ 266.8	$ 207.0	$	$ 929.1
Net investment income	50.1	50.5	7.9	8.3	116.8
Net realized and unrealized investment losses	(55.4)	(52.5)	(7.1)	(3.0)	(118.0)
Other revenue foreign currency translation loss		(13.1)			(13.1)
Other revenue	3.6	.2	3.1	16.2	23.1
Total revenues	453.6	251.9	210.9	21.5	937.9
Losses and LAE	300.9	168.2	168.4	1.2	638.7
Insurance and reinsurance acquisition expenses	84.7	55.6	46.4		186.7
Other underwriting expenses	70.1	27.0	19.0	.7	116.8
General and administrative expenses	2.9	5.1	.6	48.1	56.7
Accretion of fair value adjustment to loss and LAE reserves	3.0	1.2			4.2
Interest expense on debt	11.5	6.9		1.0	19.4
Interest expense - dividends on preferred stock	7.1				7.1
Interest expense - accretion on preferred stock	10.5				10.5
Total expenses	490.7	264.0	234.4	51.0	1,040.1
Pre-tax loss	$ (37.1)	$ (12.1)	$ (23.5)	$ (29.5)	$ (102.2)

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Note 11. Investments in Unconsolidated Affiliates

White Mountains investments in unconsolidated affiliates represent investments in other companies in which White Mountains has a significant voting and economic interest but does not control the entity.

Symetra

At March 31, 2009, White Mountains owned 24% of the common shares of Symetra on a fully converted basis, consisting of 17.4 million common shares and warrants to acquire an additional 9.5 million common shares. White Mountains accounts for its investment in common shares of Symetra using the equity method of accounting and accounts for its Symetra warrants under FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, recording the warrants at fair value with changes in fair value recognized through the income statement as a realized investment gain or loss. Symetra s warrants are not publicly traded. Accordingly, the fair value measurement of the warrants is based on unobservable inputs and is classified as a Level 3 measurement.

The following table summarizes amounts recorded by White Mountains relating to its investment in Symetra:

	2009			2008		
Millions	**Common Shares**	**Warrants**	**Total**	**Common Shares**	**Warrants**	**Total**
Carrying value of investment in Symetra as of January 1	**$ 54.0**	**$ 27.3**	**$ 81.3**	$ 241.3	$ 77.3	$ 318.6
Equity in earnings of Symetra (1)	**1.3**		**1.3**	.7		.7
Net unrealized losses from Symetra s fixed maturity portfolio	**(18.0)**		**(18.0)**	(20.7)		(20.7)
Increase (Decrease) in value of warrants		**.4**	**.4**		(4.3)	(4.3)
Carrying value of investment in Symetra as of March 31 (2)	**$ 37.3**	**$ 27.7**	**$ 65.0**	$ 221.3	$ 73.0	$ 294.3

(1) Equity in earnings is net of tax of $0.

(2) Includes White Mountains equity in net unrealized losses from Symetra s fixed maturity portfolio of $218.3 as of March 31, 2009 and $26.3 as of March 31, 2008.

Pentelia

White Mountains acquired a 33% equity interest in Pentelia Capital Management (PCM) for $1.6 million in April 2007. This investment is accounted for under the equity method. White Mountains investment in PCM as of March 31, 2009 was $1.6 million.

Delos

White Mountains owns approximately 18% of Delos and accounts for its investment in Delos under the equity method. For the three months ended March 31, 2009, White Mountains recorded $(0.6) million of pre-tax equity in earnings and $(0.3) million of pre-tax equity in unrealized investment losses from its investment in Delos. White Mountains investment in Delos at March 31, 2009 totaled $33.1 million.

Answer Financial

In January 2008, White Mountains acquired 42% of the outstanding debt and equity of AFI. In conjunction with this transaction, AFI completed a restructuring. During the first quarter of 2008, White Mountains contributed an additional $2.5 million to AFI. White Mountains accounted for its investment in AFI under the equity method at March 31, 2008. For the three months ended March 31, 2008, White Mountains recorded $0.1 million of after-tax equity in earnings from its investment in AFI. As of April 1, 2008, White Mountains ownership in AFI increased to 68.9%. As a result, White Mountains now accounts for its investment in AFI as a consolidated subsidiary. On July 30, 2008, White Mountains acquired the remaining equity and debt interests in AFI from the minority owner.

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Note 12. Employee Share-Based Incentive Compensation Plans

White Mountains Long-Term Incentive Plan (the WTM Incentive Plan) provides for grants of various types of share-based and non share-based incentive awards to key employees and service providers of the Company and certain of its subsidiaries. White Mountains share-based compensation incentive awards consists of performance shares, restricted shares and stock options.

Share-Based Compensation Based on White Mountains Common Shares

WTM Performance Shares

Performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. Performance share awards vest, subject to the attainment of performance goals, at the end of a three-year period and are valued based on the market value of common shares at the time awards are paid. The following table summarizes performance share activity for the three months ended March 31, 2009 and 2008 for WTM performance shares granted under the WTM Incentive Plan and phantom WTM performance shares granted under subsidiary plans (WTM Phantom Share Plans):

	Three Months Ended March 31,			
	2009		2008	
Millions, except share amounts	**Target Performance Shares Outstanding**	**Accrued Expense**	**Target Performance Shares Outstanding**	**Accrued Expense**
Beginning of period	**164,179**	**$ 4.4**	146,742	$ 47.3
Payments and deferrals (1)	**(51,960)**		(43,608)	(15.5)
New awards	**66,373**		61,165	
Forfeitures and cancellations	**(3,451)**	**(.2)**	(1,303)	
Expense recognized		**(3.2)**		8.3
Ending March 31,	**175,141**	**$ 1.0**	162,996	$ 40.1

(1) There were no payments made in 2009 for the 2006-2008 performance cycle. WTM performance share payments in 2008 for the 2005-2007 performance cycle ranged from 64% to 101% of target. Amounts include deposits of payout amounts into White Mountains deferred compensation plan at the election of participants.

If 100% of the outstanding WTM performance shares had been vested on March 31, 2009, the total additional compensation cost to be recognized would have been $10.2 million, based on current accrual factors (common share price and payout assumptions).

For the 2005-2007 performance cycle, the Company issued common shares for 1,700 performance shares earned and all other performance shares earned were settled in cash or by deferral into certain non-qualified deferred compensation plans of the Company or its subsidiaries.

Performance shares granted under the WTM Incentive Plan

The following table summarizes performance shares outstanding and accrued expense for performance shares awarded under the Incentive Plan at March 31, 2009 for each performance cycle:

Millions, except share amounts	**Target Performance Shares Outstanding**		**Accrued Expense**
Performance cycle:			
2007 2009	45,311	$	
2008 2010	52,102		
2009 2011	57,530		.9
Sub-total	154,943		.9
Assumed forfeitures	(3,874)		
Total at March 31, 2009	**151,069**	**$**	**.9**

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Phantom Performance Shares granted under WTM Phantom Share Plans

The following table summarizes phantom WTM performance shares outstanding and accrued expense for awards made under the WTM Phantom Share Plans at March 31, 2009 for each performance cycle:

Millions, except share amounts	Target WTM Phantom Performance Shares Outstanding		Accrued Expense
Performance cycle:			
2007 2009	7,081	$	
2008 2010	8,765		
2009 2011	8,843		.1
Sub-total	24,689		.1
Assumed forfeitures	(617)		
Total at March 31, 2009	**24,072**	**$**	**.1**

Restricted Shares

At March 31, 2009 and 2008, the Company had 90,120 and 53,200 unvested restricted shares outstanding under the WTM Incentive Plan. The following outlines the unrecognized compensation cost associated with the outstanding restricted share awards made under the WTM Incentive Plan for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31,					
	2009			2008		
Millions, except share amounts	Restricted Shares		Unamortized Grant Date Fair Value	Restricted Shares		Unamortized Grant Date Fair Value
Non-vested, beginning of period	**53,200**	**$**	**24.2**	54,000	$	26.7
Granted	**45,320**		**9.2**	6,200		3.1
Vested	**(8,400)**			(7,000)		
Forfeited						
Expense recognized			**(1.9)**			(1.2)
Non-vested at March 31	**90,120**	**$**	**31.5**	53,200	$	28.6

During the first quarter of 2009, White Mountains issued 40,820 restricted shares that cliff vest on December 31, 2010 and 4,500 restricted shares that vest in equal installments at December 31, 2011, 2012 and 2013. If a recipient of the restricted shares that are scheduled to cliff vest on December 31, 2010 is terminated without cause after December 31, 2009 (as defined in the WTM LTIP), 50% of the restricted shares will vest.

During the first quarter of 2008, White Mountains awarded 4,200 restricted shares that vest in equal annual installments over three years and 2,000 restricted shares that cliff vest in February 2011 based on continuous service throughout the award period.

During the first quarter of 2007, White Mountains made the following grants of restricted shares to the Company s Chairman and CEO in connection with his hiring: (1) 35,000 restricted shares that vest in equal annual installments over five years; (2) 15,000 restricted shares that vest in the event of a change in control of the Company before January 20, 2012. During the first quarter of 2007, White Mountains also awarded 4,000 restricted shares to other employees that cliff vest in February 2010 based on continuous service by the employee throughout the award period.

Of the unrecognized compensation cost at March 31, 2009, $22.9 million is expected to be recognized ratably over the remaining vesting periods and $8.6 million would be recognized in the event of a change in control before January 20, 2012. Upon vesting, all restrictions initially placed upon the restricted shares lapse.

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Non-Qualified Options

In January 2007, the Company issued 200,000 seven-year Non-Qualified Options to the Company s Chairman and CEO that vest in equal annual installments over five years and that have an initial exercise price of $650 per common share that escalates at an annual rate of 5% less the annual regular dividend rate (the Escalator). The fair value of the Non-Qualified Options at the grant date was estimated using a closed-form option model using an expected volatility assumption of 29.7%, a risk-free interest rate assumption of 1.1% (or 4.7% less the Escalator), a forfeiture assumption of 0%, an expected dividend rate assumption of 1.4% and a term assumption of seven years. The fair value of the Non-Qualified Options was $27.2 million at the grant date and is required to be recognized ratably over the five year vesting period. For the three months ended March 31, 2009 White Mountains recognized $1.4 million of expense associated with its Non-Qualified Options. For the three months ended March 31, 2008, White Mountains recognized $1.4 million of expense associated with its Non-Qualified Options. At March 31, 2009, 80,000 Non-Qualified Options were exercisable at a strike price of $710.01.

Incentive Options

At March 31, 2009 and 2008, the Company had 6,000 and 8,700 Incentive Options outstanding which were granted to certain key employees on February 28, 2000 (the grant date) under the WTM Incentive Plan. The 81,000 Incentive Options originally granted were issued at an exercise price equal to the market price of the Company s underlying common shares on February 27, 2000. The exercise price escalates by 6% per annum over the life of the Incentive Options. The Incentive Options vest ratably over a ten-year service period. Upon the adoption of FAS 123R, the grant date fair value of the awards as originally disclosed for FAS 123, adjusted for estimated future forfeitures, became the basis for recognition of compensation expense for the Incentive Options. The fair value of each Incentive Option award at the grant date was estimated using a closed-form option model using an expected volatility assumption of 18.5%, a risk-free interest rate assumption of 6.4% and an expected term of ten years.

The following table summarizes the Company s Incentive Option activity for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31,			
Millions, except share and per share amounts		**2009**		**2008**
Opening balance - outstanding Options		**6,000**		9,900
Forfeited				(600)
Exercised				(600)
Ending balance - outstanding Options		**6,000**		8,700
Outstanding Options - exercisable		**3,000**		2,700
Exercise price - outstanding Options at beginning of period	**$**	**177.76**	$	167.70
Value of Options exercised (1)				