White Mountains Reports Third Quarter 2002 Results

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HAMILTON, Bermuda, Nov 1, 2002 /PRNewswire-FirstCall via COMTEX/ -- White Mountains Insurance Group, Ltd. (NYSE: WTM) ended the third quarter of 2002 with a fully converted tangible book value per share of $249, which is a $24 increase since the beginning of the year. Investment gains and improving underwriting results in its insurance and reinsurance subsidiaries contributed to the positive results.

Chairman Jack Byrne said, "I am pleased. Our book value per share is growing nicely again, our balance sheet is solid, our underwriting results are well ahead of plan and we are making money on our investments. Our investment portfolio is a mountain of dry powder. I am excited about several actions that we have taken in the last few weeks that are allowing us to continue to improve the strength of our balance sheet. We raised $225 million from the sale of our equity that we expect to use to repay the $260 million seller note that is coming due. These actions will lower our debt to quite comfortable levels. We also restructured our credit facility to defer amortization and improve our flexibility. Montpelier Re had a successful IPO demonstrating the lovely value in the business created less than a year ago. In addition, we are continuing with our equity registration and, once the SEC has approved the registration statement, we will determine whether to pursue the public offering based on our needs and opportunities then. There is great disorder under Heaven, and the situation is excellent."

White Mountains reported comprehensive net income of $889 million for the nine months ended September 30, 2002, as compared to a comprehensive net loss of $133 million for the nine months ended September 30, 2001. Comprehensive net income for the first nine months of 2002 includes $667 million of net deferred credits, which were primarily recognized during the first quarter in connection with the adoption of new accounting standards.

For the quarter ended September 30, 2002, White Mountains reported comprehensive net income of $133 million, versus comprehensive net income of $8 million for the third quarter of 2001. After tax operating income for the quarter was $11 million at its insurance and reinsurance subsidiaries versus an after tax operating loss of $128 million for the comparable period in 2001. Net after tax investment gains were $168 million for the quarter as compared to gains of $113 million for the comparable 2001 period. Holding company losses, which are primarily due to financing and purchase accounting charges, were $46 million for the quarter. Third quarter 2001 results included approximately $85 million of after tax losses from the World Trade Center attacks.

On October 24, 2002 White Mountains closed a $225 million private placement of equity securities at a price of $295 per share. The financing included $200 million in the form of WTM convertible preference shares, which will be exchanged into 677,966 common shares if approved by shareholders, and $25 million in the form of common shares. On October 31, 2002, White Mountains completed a restructuring of its credit facility, which was established in conjunction with the acquisition of OneBeacon in 2001.

RESULTS OF SIGNIFICANT OPERATING SUBSIDIARIES

OneBeacon: One Beacon reported comprehensive net income of $140 million for the quarter ended September 30, 2002 and $249 million for the nine months ended September 30, 2002. After tax operating income was $19 million and $55 million for the three months and nine months ended September 30, 2002, respectively. After tax deferred acquisition cost write-offs on the business transferred to Liberty Mutual for the three months and nine months were $9 million and $31 million, respectively. Net after tax investment gains were $130 million and $225 million for the three months and nine months ended September 30, 2002, respectively.

For core business, the third quarter 2002 trade ratio was slightly under 100%. The core trade ratio for the first nine months of 2002 was 102% compared to 114% for all of 2001. Business in runoff had a trade ratio of 122% for the third quarter of 2002 and 119% for the first nine months of 2002, versus 125% for all of 2001. Net written premiums for business in runoff was $162 million for the third quarter of 2002 and $620 million for the first nine months of 2002, as compared to $1.7 billion for all of 2001. For the combined core and runoff businesses, the third quarter trade ratio was 107%. The total trade ratio for the first nine months of 2002 was 109% compared to 120% for all of 2001. The 2001 trade ratio included approximately three points relating to September 11.

Ray Barrette, Chairman and CEO of OneBeacon, said, "On a trade ratio basis, we made our first underwriting profit in our core business in the third quarter. Although small, and helped by good weather and the hard market, we are beginning to see the results of the significant improvements we have been able to make in the last year and a half. Specialty lines had another good quarter with a 93% trade ratio and significant premium growth. In commercial lines, we had a difficult quarter due to large losses, which were roughly seven points higher than expected, resulting in a quarterly trade ratio of 111%. Commercial lines premiums decreased 38% compared to the third quarter of 2001 as we continue to re-underwrite the book and increase prices. Commercial lines prices were up 21%, year over year during the quarter. Personal lines, including AutoOne, our New York personal automobile LAD division, had a nice quarter with a 96% trade ratio. AutoOne is growing quickly and more than offsetting the shrinkage in our voluntary business."

Barrette continued, "During the quarter, we made significant progress on many of our new initiatives. AutoOne successfully negotiated an increased volume of LAD agreements for 2003 assignments at fees that further justify our large investment in the business starting in late 2001. In August, we received approval to restructure our New Jersey personal auto business into a reciprocal, the New Jersey Skylands Association. This has turned the New Jersey personal auto market from a losing proposition into a nice competitive advantage for OneBeacon. Finally, our new team at OneBeacon Professional Partners has entered the professional/medical liability market in a measured way that reflects not only the rising prices in that market but also the pitfalls created by the turmoil in the business and the legal environment."

Reinsurance: Folksamerica. Folksamerica reported comprehensive net income of $90 million during the first nine months of 2002 versus a comprehensive net loss of $2 million for the comparable 2001 period. Comprehensive net income for the first nine months of 2002 consisted of $32 million of after tax operating income, $31 million of net after tax investment gains and a $27 million gain from amortization of deferred credits, including a $7 million gain on the bargain purchase of Imperial Casualty in the second quarter of 2002. Folksamerica's statutory combined ratio for the first nine months of 2002 was 99%, adjusted for the effects of retroactive reinsurance, compared to 120% for all of 2001.

For the quarter ended September 30, 2002, Folksamerica reported comprehensive net income of $22 million, which consisted of $3 million of after tax operating income and $19 million of net after tax investment gains. Folksamerica's three month statutory combined ratio, adjusted for the effect of retroactive reinsurance, for the three months ended September 30, 2002 was just under 100%. In comparison, Folksamerica's adjusted statutory combined ratio for the third quarter of 2001 was 127%, including a $25 million provision for costs relating to September 11.

Steve Fass, CEO of Folksamerica, said, "Our results, which include a $7 million pre tax provision for European flood losses, are improving as expected. Importantly, reinsurance fundamentals continue to improve, as capacity withdraws and hard market conditions extend to additional lines of business. In this market environment, our clients appreciate our strong balance sheet and our rational, disciplined approach to underwriting."

Montpelier Re. White Mountains recorded $51 million in comprehensive net income from its 26% investment in Montpelier Re during the first nine months of 2002, which included a substantial fair value adjustment to its warrants to acquire shares of Montpelier Re.

Tom Kemp, President of White Mountains and Chief Financial Officer of Montpelier Re, commented, "Montpelier Re continues to deliver excellent results in the nine months since it opened for business. Business is strong and we are experiencing encouraging underwriting results. Most of the losses incurred are IBNR reserves set on a conservative basis. On October 9, 2002, Montpelier Re completed a very successful public offering which netted it $201 million."

White Mountains Underwriting, Ltd. ("WMU"). WMU, White Mountains' newly formed underwriting manager specializing in handling international property excess reinsurance, generated comprehensive net income of $6 million and $21 million for the three months and nine months ended September 30, 2002, respectively. For the three months and nine months ended September 30, 2002, WMU's consulting contract with Olympus Re produced fee income of $8 million and $24 million, respectively.

ADDITIONAL INFORMATION

White Mountains is a Bermuda-domiciled financial services holding company traded on the New York Stock Exchange under the symbol WTM. Additional financial information and other items of interest are available at the Company's web site located at www.whitemountains.com . The Company expects to file its Form 10-Q with the Securities and Exchange Commission on or before Thursday, November 14, 2002 and urges shareholders to refer to that document for more complete information concerning White Mountains' financial results.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(millions, except share and per share amounts)

	(unaudited) September 30, 2002	December 31, 2001
Assets		
Fixed maturity investments, at fair value	$ 6,867.7	$ 6,128.3
Short-term investments, at fair value	2,269.8	2,545.8
Common equity securities, at fair value	272.7	173.6
Other investments	184.5	158.0
Total investments	9,594.7	9,005.7
Reinsurance recoverable on unpaid losses	4,177.3	4,203.5
Reinsurance recoverable on paid losses	145.5	138.5
Insurance premiums receivable - currently due	99.0	195.8
Insurance premiums receivable - other	662.9	793.0
Reinsurance premiums receivable	63.1	73.2
Deferred tax asset	458.7	696.4
Current taxes recoverable	43.4	69.9
Deferred acquisition costs	259.7	313.3
Investments in unconsolidated insurance affiliates	365.3	311.1
Other assets	1,200.1	692.4
Total Assets	$ 17,069.7	$ 16,492.8
Liabilities		
Loss and loss adjustment expense reserves	$ 9,133.2	$ 9,527.6
Unearned insurance and reinsurance premiums	1,601.1	1,814.5
Debt	1,047.2	1,125.4
Accounts payable on unsettled investment purchases	1,271.0	236.0
Deferred credits	-	682.5
Funds held under reinsurance treaties	262.5	361.7
Other liabilities	1,234.9	1,130.2
Total liabilities	14,549.9	14,877.9
Minority Interest - subsidiary preferred stock	178.0	170.3
Common Shareholders' Equity		
Common shares and paid-in surplus	1,101.4	1,085.1
Retained earnings	1,050.0	355.1
Accumulated other comprehensive income, after tax	190.4	4.4
Total common shareholders' equity	2,341.8	1,444.6
Total Liabilities, Minority Interest and Common Shareholders' Equity	$ 17,069.7	$ 16,492.8
Common shares outstanding (000's)	8,286 sh	8,265 sh
Common and equivalent shares outstanding (000's)	10,064 sh	10,048 sh
Fully converted book value per common and equivalent share	$ 249.38	$ 160.36
Unamortized deferred credits less goodwill per common and equivalent share	-	65.45
Fully converted tangible book value per common and equivalent share	$ 249.38	$ 225.81

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(millions, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	**2002**	2001
Revenues:				
Earned insurance and reinsurance premiums	**$ 857.9**	$ 1,067.4	**$ 2,695.2**	$ 1,616.4
Net investment income	**88.1**	119.3	**276.2**	201.5
Net realized gains	**102.2**	118.6	**105.2**	160.4
Other revenue	**14.9**	34.1	**79.0**	67.9
Total revenues	**1,063.1**	1,339.4	**3,155.6**	2,046.2
Expenses:				
Loss and loss adjustment expenses	**617.0**	1,015.2	**1,969.4**	1,515.9
Insurance and reinsurance acquisition expenses	**181.0**	217.1	**523.1**	337.8
General and administrative expenses	**146.7**	151.8	**472.7**	252.2
Share appreciation expense for Series B Warrants	**-**	(19.3)	**-**	58.8
Accretion of fair value adjustment to loss and loss adjustment expense reserves	**14.2**	32.5	**65.6**	40.0
Interest expense	**17.3**	19.5	**53.0**	27.9
Total expenses	**976.2**	1,416.8	**3,083.8**	2,232.6
Pretax income (loss)	**86.9**	(77.4)	**71.8**	(186.4)
Tax (provision) benefit	**(22.0)**	42.4	**(5.5)**	66.8
Net income (loss) before minority interest and accounting changes	**64.9**	(35.0)	**66.3**	(119.6)
Accretion of subsidiary preferred stock to face value	**(2.7)**	(2.2)	**(7.7)**	(2.9)
Dividends on subsidiary preferred stock	**(7.6)**	(7.6)	**(22.7)**	(10.0)
Net income (loss) from continuing operations	**54.6**	(44.8)	**35.9**	(132.5)
Cumulative effect of changes in accounting principles	**-**	-	**660.2**	-
Extraordinary gain - excess of fair value of acquired net assets over cost	**-**	13.6	**7.1**	13.6
Extraordinary loss on early extinguishment of debt	**-**	-	**-**	(4.8)
Net income (loss)	**54.6**	(31.2)	**703.2**	(123.7)
Other comprehensive income (loss) items, after tax	**78.2**	39.5	**186.0**	(9.1)
Comprehensive net income (loss)	**$ 132.8**	$ 8.3	**$ 889.2**	$ (132.8)
Computation of net income (loss) available to common shareholders:				
Net income (loss)	**$ 54.6**	$ (31.2)	**$ 703.2**	$ (123.7)
Redemption value adjustment - convertible preference shares	**-**	79.2	**-**	(305.1)
Dividends on convertible preference shares	**-**	-	**-**	(.3)
Net income (loss) available to common shareholders	**$ 54.6**	$ 48.0	**$ 703.2**	$ (429.1)
Basic earnings per Common Share:				
Net income (loss) from continuing operations	**$ 6.67**	$ 5.07	**$ 4.38**	$ (70.82)
Net income (loss)	**6.67**	7.08	**85.90**	(69.39)
Diluted earnings per Common Share:				
Net income (loss) from continuing operations	**$ 6.04**	$ 4.56	**$ 3.87**	$ (70.82)
Net income (loss)	**6.04**	6.36	**77.67**	(69.39)

WHITE MOUNTAINS INSURANCE GROUP, LTD.
FULLY CONVERTED TANGIBLE BOOK VALUE PER COMMON AND EQUIVALENT SHARE
(unaudited)

	September 30, 2002		June 30, 2002		December 31, 2001	
Numerator (in millions):						
common shareholders' equity	$ **2,341.8**		$ 2,205.1		$ 1,444.6	
proceeds from assumed exercise of outstanding warrants	**300.0**		300.0		300.0	
benefits to be received from share obligations under employee benefit plan	**9.9**		10.9		16.5	
remaining accretion of preferred stock to face value	**(142.0)**		(144.7)		(149.7)	
Book value numerator	**2,509.7**		2,371.3		1,611.4	
recognition of unamortized deferred credits	-		-		682.5	
recognition of unamortized goodwill	-		-		(24.8)	
Tangible book value numerator	$ **2,509.7**		$ 2,371.3		$ 2,269.1	
Denominator (in shares):						
common shares outstanding	**8,285,981**	sh	8,284,181	sh	8,264,681	sh
shares issuable upon exercise of outstanding warrants	**1,714,285**		1,714,285		1,714,285	
share obligations under employee benefits plans	**63,865**		65,665		69,210	
Book value denominator	**10,064,131**	sh	10,064,131	sh	10,048,176	sh
Fully converted book value per common and equivalent share	$ **249.38**		$ 235.62		$ 160.36	
Fully converted tangible book value per common and equivalent s	$ **249.38**		$ 235.62		$ 225.81	

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

The information contained in this earnings release may contain "forward- looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this release which address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. The words "believe," "intend," "expect," "anticipate," "project," "estimate," "predict" and similar expressions are also intended to identify forward-looking statements. These forward-looking statements include, among others, statements with respect to White Mountains':

- growth in book value per share or return on equity;
- business strategy;
- financial and operating targets or plans;
- incurred losses and the adequacy of its loss and loss adjustment expense reserves;
- projections of revenues, income (or loss), earnings (or loss) per share, dividends, market share or other financial forecasts;
- expansion and growth of our business and operations; and
- future capital expenditures.

These statements are based on certain assumptions and analyses made by White Mountains in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers
- changes in applicable domestic or foreign laws or regulations, our competitors or our clients;
- an economic downturn or other economic conditions adversely affecting our financial position;
- loss reserves established subsequently proving to have been inadequate; and
- other factors, most of which are beyond our control.

Consequently, all of the forward-looking statements made in this earnings release are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. White Mountains assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.