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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

JUNE 1, 2001
Date of Report (Date of earliest event reported)

WHITE MOUNTAINS INSURANCE GROUP, LTD.

(Exact name of registrant as specified in its charter)

BERMUDA	1-8993	94-2708455
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. Employer Identification No.)

80 SOUTH MAIN STREET, HANOVER, NEW HAMPSHIRE 03755
(Address of principal executive offices)

(603) 640-2202
(Registrant's telephone number, including area code)

EXPLANATORY PARAGRAPH

White Mountains Insurance Group, Ltd. ("White Mountains" or the "Registrant") is filing this Form 8-K/A to amend certain of its previously filed Forms 8-K and 8-K/A that presented financial information relating to CGU Corporation and its subsidiaries ("CGU"). This amendment has no impact on the Registrant's financial statements or tangible book value per share in any period. The amendment simply reflects the recording of certain amounts in CGU's historical, pre-acquisition financial statements rather than as purchase accounting adjustments that had previously been recorded by the Registrant at the time of its acquisition of CGU on June 1, 2001. The amendment also presents CGU's financial statements as of and for the five months ended May 31, 2001 in accordance with Regulation S-X, Article 10, Interim Financial Statements.

Specifically, this Form 8-K/A reflects the following items in CGU's historical financial statements: (i) $110.4 million to establish a liability relating to obligations associated with assigned risk exposures in New York; (ii) $42 million in allowances for doubtful accounts on insurance balances receivable; and (iii) $18 million of liabilities relating to premium deficiency reserves associated with CGU's National Accounts and National Programs. These amounts are no longer accounted for as purchase accounting adjustments. In addition, in this Form 8-K/A, both Note 7 to CGU's audited financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for CGU for the year ended December 31, 2000 compared to the year ended December 31, 1999 have been expanded to include a more detailed explanation of the loss reserve increase recorded by CGU in the fourth quarter of 2000.

ITEM 2. ACQUISITION OF ASSETS

The Registrant announced on June 1, 2001 that it completed its acquisition of the U.S. property and casualty operations ("CGU") of London-based CGNU plc.

The Stock Purchase Agreement and the press release dated September 25, 2000 were previously filed as Exhibits 99 (a) and 99 (b), respectively, to the Form 8-K dated September 25, 2000. Amendment No.1 to the Stock Purchase Agreement, the Registrant's press release dated October 19, 2000, the Convertible Preferred Stock Term Sheet, the Berkshire Hathaway Preferred Stock and Warrants Term Sheet, the Senior Secured Credit Facilities Commitment and the Amendment to the Senior Secured Credit Facilities Commitment were previously filed as Exhibits 99(c), 99(d), 99(e), 99(f), 99(g) and 99(h), respectively, to the Form 8-K dated October 19, 2000. Amendment No. 2 to the Stock Purchase Agreement, the summary of the terms and conditions of the modified Lehman financing commitment and the Registrant's press release dated February 20, 2001 were previously filed as Exhibits 99(i), 99(j) and 99(k), respectively, to the Form 8-K dated February 20, 2001. The reinsurance contracts with National Indemnity Company and General Re Corporation (and related agreements) and the Registrant's press release dated June 1, 2001 were previously filed as Exhibits 99(m), 99(n), 99(o), 99(p), 99(q) and 99(r), respectively, to the Form 8-K dated June 1, 2001. The Registrant's Warrant Agreement and Subscription Agreement with Berkshire Hathaway Inc., each dated May 30, 2001, as well as the Registrant's Subordinated Note Due 2002 and Note Purchase Option Agreement with CGU International Holdings Luxembourg S.A. and CGU Holdings LLC, each dated as of June 1, 2001, were previously filed as Exhibits 99(s), 99(t), 99(u) and 99(v), respectively, to the Form 8-K dated June 8, 2001. Exhibit 99(1) has been intentionally omitted.

Included as Exhibits 99(w), 99(x), 99(y) and 99(z) to this Current Report on Form 8-K are the audited consolidated financial statements of CGU Corporation for the years ended December 31, 2000, 1999 and 1998, the unaudited consolidated financial statements of CGU Corporation for the five months ended May 31, 2001 and the six months ended June 30, 2000, the unaudited pro forma condensed combined income statements of the Registrant for the six months ended June 30, 2001 and for the year ended December 31, 2000, and Management's Discussion and Analysis to the audited consolidated financial statements of CGU Corporation for the years ended December 31, 2000, 1999 and 1998, respectively, which are incorporated by reference herein in their entirety.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED.

The audited consolidated financial statements CGU Corporation for the years ended December 31, 2000, 1999 and 1998 are enclosed as Exhibit 99(w).

The unaudited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations of CGU Corporation for the five months ended May 31, 2001 compared to the six months ended June 30, 2000 are enclosed herein as Exhibit 99(x).

The Management's Discussion and Analysis of Financial Condition and Results of Operations of CGU Corporation for the years ended December 31, 2000, 1999 and 1998 are enclosed as Exhibit 99(z).

(b) PRO FORMA FINANCIAL INFORMATION.

The unaudited pro forma condensed combined income statements of the Registrant for the six months ended June 30, 2001 and for the year ended December 31, 2000 are enclosed herein as Exhibit 99(y).

(c) EXHIBITS. The following exhibits are filed herewith:

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
99 (w)	The audited consolidated financial statements of CGU Corporation for the years ended December 31, 2000, 1999 and 1998.
99 (x)	The unaudited consolidated financial statements of CGU Corporation for the five months ended May 31, 2001 and the six months ended June 30, 2000 and Management's Discussion and Analysis of Financial Condition and Results of Operations of CGU Corporation for such periods.
99 (y)	The unaudited pro forma condensed combined income statements of the Registrant for the six months ended June 30, 2001 and for the year ended December 31, 2000.
99 (z)	Management's Discussion and Analysis of Financial Condition and Results of Operations of CGU Corporation for the years ended December 31, 2000, 1999 and 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

DATED: MARCH 27, 2003

BY: /S/ J. BRIAN PALMER

J. BRIAN PALMER
CHIEF ACCOUNTING OFFICER

Exhibit 99(w)

CGU CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF CGNU PLC)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31,
2000, 1999 AND 1998

CGU CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF CGNU PLC)
CONSOLIDATED FINANCIAL STATEMENTS
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
CGU Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows present fairly, in all material respects, the financial position of CGU Corporation and its subsidiaries (the "Company") at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, effective January 1, 1999, the Company changed its method of accounting for insurance-related assessments.

/s/ PricewaterhouseCoopers LLP
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May 8, 2001

CGU CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF CGNU PLC)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNT)

	2000	1999
ASSETS		
Fixed maturity investments, at fair value (amortized cost $7,995,352 and $6,574,647)	$ 8,154,276	$ 6,680,941
Common equity securities, at fair value (cost $474,528 and $1,600,630)	765,162	2,433,643
Preferred equity securities, at fair value (cost $116,513 and $119,547)	146,919	154,828
Short-term investments, at amortized cost (which approximates fair value)	321,173	280,621
Other investments	98,752	73,846
Total investments	9,486,282	9,623,879
Cash	45,826	50,800
Insurance balances receivable	1,419,538	1,283,065
Reinsurance recoverable on paid and unpaid losses	1,558,184	1,516,361
Deferred policy acquisition costs	420,810	451,632
Investment income accrued	103,584	122,574
Net deferred federal income taxes	107,332	--
Other assets	564,762	446,324
Net assets of discontinued operations	503,800	505,602

Total assets	$14,210,118	$14,000,237
LIABILITIES		
Loss and loss adjustment expense reserves	$ 6,982,728	$ 6,368,828
Unearned insurance premiums	2,042,468	2,023,396
Long-term debt	1,113,900	1,130,750
Net deferred federal income taxes	--	102,627
Accounts payable and other liabilities	872,316	603,138
Total liabilities	11,011,412	10,228,739
Commitments and contingencies (Notes 11, 12 and 16)		
SHAREHOLDERS' EQUITY		
Common stock, $1.00 par value; authorized 100,000 shares, 16,022 shares outstanding	16	16
Additional paid-in capital	753,200	753,200
Retained earnings	2,135,727	2,400,619
Accumulated other comprehensive income	309,763	617,663
Total shareholders' equity	3,198,706	3,771,498
Total liabilities and shareholders' equity	$14,210,118	$14,000,237

The accompanying notes are an integral part of the consolidated financial statements.

CGU CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF CGNU PLC)
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(DOLLARS IN THOUSANDS)

	2000	1999	1998
Revenues:			
Earned insurance premiums	$ 4,275,059	$ 4,259,995	$ 4,041,878
Net investment income	504,884	502,125	480,276
Net realized gains from investment securities and other investments	732,769	381,948	400,335
Total revenues	5,512,712	5,144,068	4,922,489
Expenses:			
Losses and loss adjustment expenses	4,301,997	3,252,406	3,946,847
Underwriting and other operating expenses	1,497,698	1,516,614	1,462,800
Total expenses	5,799,695	4,769,020	5,409,647
Pretax earnings (loss)	(286,983)	375,048	(487,158)
Federal income tax benefit (provision)	83,318	(104,474)	186,150
Net income (loss) from continuing operations before cumulative effect of change in			

accounting
principle
(203,665)
270,574
(301,008)
Cumulative
effect of
change in
accounting
principle,
net of tax -
- (9,405) --

Net income
(loss) from
continuing
operations
(203,665)
261,169
(301,008)
Income from
discontinued
operations
40,817
54,146
46,691 Loss
on disposal
of
discontinued
operations
(102,044) --
-- ---------
-- ---------
-- ---------
-- Net
income
(loss) from
discontinued
operations
(61,227)
54,146
46,691 -----
------ -----
------ -----
------ Net
income
(loss)
(264,892)
315,315
(254,317)
Other
comprehensive
income, net
of tax:
Increase
(decrease)
in net
unrealized
appreciation
of
investments
(304,218)
(552,945)
281,836 Gain
(loss) on
foreign
currency
exchange
(3,682)
29,276
(16,283) ---
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-------- ---

Comprehensive
net income
(loss) $
(572,792) $
(208,354) $
11,236
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The accompanying notes are an integral part of the consolidated financial
statements.

CGU CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF CGNU PLC)
CONSOLIDATED STATEMENTS SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(DOLLARS IN THOUSANDS)

	2000	1999	1998
Common stock:			
Balance, beginning of year	$ 16	$ 16	$ 18
Common stock issued to parent	--	--	9
Retirement of shares due to merger	--	--	(11)
Balance, end of year	16	16	16
Additional paid-in capital:			
Balance, beginning of year	753,200	753,200	1,378,199
Common stock issued to parent	--	--	474,999
Return of capital distribution	--	--	(1,099,998)
Balance, end of year	753,200	753,200	753,200
Accumulated other comprehensive income:			
Balance, beginning of year	617,663	1,141,332	875,779
Increase (decrease) in net unrealized appreciation of investments (net of deferred federal income tax)	(304,218)	(552,945)	281,836
Gain (loss) on foreign currency exchange (net of federal income tax)	(3,682)	29,276	

(16,283) ---
-------- ---
-------- ---

Balance, end of year
309,763
617,663
1,141,332 --
--------- --
--------- --

Retained earnings:
Balance, beginning of year
2,400,619
2,085,304
2,339,867
Net income (loss)
(264,892)
315,315
(254,317)
Dividend to shareholder
-- -- (246)

Balance, end of year
2,135,727
2,400,619
2,085,304 --
--------- --
--------- --

Total shareholders' equity $
3,198,706 $
3,771,498 $
3,979,852
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The accompanying notes are an integral part of the consolidated financial statements.

CGU CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF CGNU PLC)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(DOLLARS IN THOUSANDS)

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (264,892)	$ 315,315	$ (254,317)
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on disposal of discontinued operations	102,044	--	--
Net income from discontinued operations	(40,817)	(54,146)	(46,691)
Amortization of bond premium and discount	(32,143)	(6,724)	4,517
Net realized gains from investment securities and other assets	(732,769)	(381,948)	(400,335)
Depreciation and amortization	30,201	47,610	42,186
Deferred federal income taxes	(80,443)	107,243	(179,749)
Change in operating assets and liabilities:			
Reinsurance recoverable on paid and unpaid losses	(41,823)	386,806	(641,304)
Deferred policy acquisition costs	30,822	835	(23,995)
Loss and loss adjustment expense reserves	613,901	(575,197)	

1,235,903
Unearned
insurance
premiums
19,071
(29,010)
109,613
Insurance
balances
receivable
(136,473)
(101,814)
(58,814)
Net change
in other
assets and
liabilities
180,200
125,227
96,481 ----
------- ---
-------- --

Net cash
used by
operating
activities
(353,121)
(165,803)
(116,505) -

CASH FLOWS
FROM
INVESTING
ACTIVITIES:
Purchases
of
investments:
Fixed
maturity
investments
(6,182,395)
(3,206,018)
(1,567,358)
Common
equity
securities
(642,410)
(1,220,016)
(1,516,461)
Preferred
equity
securities
(539) (250)
-- Net
increase
(decrease)
in short-
term
investments
(40,552)
28,106
(107,727)
Net
increase
(decrease)
in other
invested
assets
(31,958)
(3,897)
(54,200)
Proceeds
from the
sales of
investments:
Fixed
maturity
investments
4,785,894
2,985,482
1,198,776
Common
equity
securities
2,316,433
1,372,141
1,548,504
Preferred
equity
securities
4,146
22,733 --
Maturities

of fixed
maturity
investments
207,511
253,628
265,348
Proceeds
from the
sale of
real estate
4,883 8,203
-- Purchase
of National
Farmers
Union
Insurance
Company
(Note 3) --
--
(116,400)
Purchases
of
equipment,
net
(14,233)
(18,809)
(31,063)
Development
of computer
software
(41,783) --
-- --------
--- -------
---- ------
----- Net
cash
provided
(used) by
investing
activities
364,997
221,303
(380,581) -

CASH FLOWS
FROM
FINANCING
ACTIVITIES:
Capital
contribution
-- --
425,295
Return of
capital
distribution
-- --
(1,099,998)
Dividends
paid -- --
(246) Long-
term debt
(16,850)
(4,700)
1,100,000 -

Net cash
provided
(used) by
financing
activities
(16,850)
(4,700)
425,051 ---
-------- --
--------- -

Net
increase
(decrease)
in cash
(4,974)
50,800
(72,035)
Cash,
beginning
of year
50,800 --
72,035 ----
------- ---
-------- --

Cash, end

of year $
45,826 $
50,800 $ --
===========
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The accompanying notes are an integral part of the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Effective June 2, 1998, Commercial Union plc (Commercial Union) and General Accident plc (General Accident), both UK corporations, were merged in a pooling of interests to CGU plc. The U.S. operations of both companies were formally merged on December 31, 1998 when General Accident Corporation of America (GACA) was merged into Commercial Union Corporation (CUC) and the name was changed to CGU Corporation (the "Company"), which is a wholly-owned subsidiary of CGNU plc, its ultimate parent. CGNU plc is a United Kingdom Company listed on the London Stock Exchange, and was formed on May 30, 2000, when CGU plc merged with Norwich Union plc to form CGNU plc. The Company, through certain of its subsidiaries, is primarily engaged in underwriting and risk placement of property and casualty insurance business. The Company is also engaged, through certain other subsidiaries, in underwriting of life insurance and annuities.

The Company's primary subsidiaries are CGU Insurance Company and subsidiaries (Pennsylvania domiciled), Commercial Union Insurance Company and subsidiaries (Massachusetts domiciled), General Accident Insurance Company and subsidiaries (Pennsylvania domiciled), CGU Life Insurance Company of America and subsidiary (Delaware domiciled), National Farmers Union Property and Casualty Company and subsidiary (Colorado domiciled), Houston General Insurance Company and subsidiaries (Texas domiciled), and Pilot Insurance Company (a Canadian Subsidiary).

Subsidiaries acquired during 1998 and accounted for as purchases under Accounting Principles Board (APB) Opinion No. 16, "Business Combinations" (APB No. 16), are included in the consolidated financial statements from the date of acquisition. The merger of the U.S. operations of GACA and CUC was accounted for as a pooling of interests. Accordingly, the 1998 consolidated financial statements have been restated as though the companies had been merged throughout the accounting periods presented. All significant intercompany transactions have been eliminated in consolidation.

b. PENDING TRANSACTION

On September 25, 2000, CGNU plc announced it had entered into a definitive agreement to sell its U.S. property and casualty operations to White Mountains Insurance Group, Ltd (White Mountains). The agreed-upon purchase price is approximately $2,170,000, subject to purchase price adjustments and certain pre-closing reinsurance transactions, payable in cash and a Sellers Note amounting to $260,000. Concurrent with the sale:

- The Company will enter into certain retroactive reinsurance arrangements which will include the cession of all asbestos, environmental and certain other latent exposures, as well as an excess of loss reinsurance agreement covering adverse development.

- The Company will sell its life insurance and Canadian property and casualty operations to CGNU plc for $503,800, subject to purchase price adjustments and certain reinsurance transactions. As more fully described in Note 2, the sale of the Company's life operations and Canadian property and casualty operations to CGNU plc has been reported as discontinued operations in accordance with APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of a Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (APB No. 30).

- Long-term debt owed to CGNU plc amounting to $1,100,000 at December 31, 2000 and included in the accompanying balance sheet will be paid with proceeds from the anticipated sale of the Company's discontinued operations and with proceeds from sales of investment securities.

Subject to regulatory approvals, the sale is expected to be

consummated in the second quarter of 2001.

c. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

d. INVESTMENTS

Fixed maturity investments (all of which are classified as "Available for Sale") and common and preferred equity securities are stated at fair value based on quoted market prices and in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investment in Debt and Equity Securities." Certain other invested assets are stated at cost, which approximates fair value.

Short-term investments consist of money market funds, certificates of deposit and other securities which mature or become available for use within one year. Short-term investments are carried at amortized cost, which approximated fair value as of December 31, 2000 and 1999.

Unrealized gains and losses from changes in the fair value of common and preferred equity securities and fixed maturity investments, net of applicable deferred federal income taxes, are a separate component of other comprehensive income and, accordingly, do not affect net income. Realized gains and losses on the sale of investments are determined on the basis of specific cost and are included as a component of total revenues. When other than temporary impairment of the value of a specific investment or group of investments is determined, a realized investment loss is recorded.

e. CASH

Cash includes amounts on hand and demand deposits with banks and other financial institutions. Amounts presented in the statement of cash flows are shown net of balances acquired and sold in the purchase and sale of the Company's consolidated subsidiaries.

f. PREMIUMS AND UNEARNED INSURANCE PREMIUMS

Property and casualty premium revenues are earned on a daily pro rata basis over the term of the respective policies. Unearned insurance premiums represent the portion of premiums written applicable to the unexpired term of each policy.

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g. DEFERRED POLICY ACQUISITION COSTS

Deferred policy acquisition costs primarily represent commissions, premium taxes and other costs which are directly attributable to and vary with the production of new business. These costs are deferred and amortized over the applicable premium recognition period. Deferred policy acquisition costs are limited to the amount expected to be recovered from future earned premiums and anticipated investment income. Deferred policy acquisition costs not expected to be recoverable at any given time are immediately expensed. Total acquisition costs expensed in 2000, 1999 and 1998 were $1,030,576, $985,115, and $909,629, respectively. Expenses incurred in 2000 include the recognition of $23,620 of deferred policy acquisition costs that were considered to be unrecoverable in future periods.

h. PROPERTY AND EQUIPMENT

Property and equipment, included in other assets, are carried at cost less accumulated depreciation. Depreciation is charged to income principally on the straight-line method over the estimated useful lives of the assets. The Company estimates that computer equipment and furniture and fixtures have useful lives of between five and ten years. Leasehold improvements are amortized over the lesser of their estimated useful life or the lease term. Internal use software costs are capitalized for significant projects and upon completion are amortized over their estimated useful lives.

The cost of property sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and any resulting gain or loss is credited or charged to income.

i. LOSSES AND LOSS ADJUSTMENT EXPENSES

Liabilities for unpaid losses and loss adjustment expenses are comprised of case basis estimates for claims and claim expenses reported prior to year-end, estimates of incurred but not reported losses and loss expenses, reported reserves from underwriting pools and associations in which the Company participates, and other estimates, net of estimated salvage and subrogation recoverable. These estimates are continually reviewed and updated and any resulting adjustments are reflected in current operating results.

Certain claim settlements are funded by annuities (structured settlements) purchased from various life insurers. The aggregate present value of expected future payment amounts as of December 31, 2000 and 1999, for which the Company is contingently liable in the event of default by the life insurer, was $182,283 and $359,169, respectively. Included in these amounts are annuities from CGU Life Insurance Company, an affiliated company, of $106,100 and $275,686 as of December 31, 2000 and 1999, respectively.

Certain liabilities for unpaid losses related to long-term workers' compensation coverage are discounted to present value at 7.0% in 2000 and 1999. The undiscounted liabilities were $482,889 at December 31, 2000 and $447,389 at December 31, 1999. The effect of discounting these claims is to reduce liabilities for unpaid losses by $230,691 and $227,306 at December 31, 2000 and 1999, respectively.

All policy liabilities and accruals are based on the various estimates discussed above. Although the adequacy of these amounts cannot be assured, the Company believes that it is more likely than not that policy liabilities and accruals will be sufficient to meet future obligations of policies in force. The amount of liabilities and accruals, however, could be revised in the near term if the estimates discussed above are revised.

j. POLICYHOLDER DIVIDENDS

Dividends payable to participating property and casualty insurance policyholders are accrued for in the period in which the related premium was earned. Policyholder dividends of $17,754, $24,861 and $23,117 were included in underwriting expenses in 2000, 1999 and 1998, respectively.

k. FEDERAL INCOME TAXES

The Company files a consolidated federal income tax return with its eligible subsidiary companies, primarily comprised of its property and casualty and life insurance subsidiaries.

In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," the Company uses an asset and liability approach that recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than changes in the tax law or rates, unless enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

l. FOREIGN CURRENCY TRANSLATION

The operations of Pilot Insurance Company ("Pilot"), a discontinued operation located in Canada, are denominated in Canadian dollars. Net unrealized foreign currency translation gains and losses associated with Pilot are reported, after tax, as a net amount in a separate component of accumulated other comprehensive income. Changes in the values of these operations due to currency fluctuations, after tax, are reported on the income statement as a component of other comprehensive income.

m. GOODWILL

The excess of the cost to acquire purchased companies over the net assets acquired is recorded as goodwill. The Company amortizes goodwill on straight-line basis over 20 years. At December 31, 2000 and 1999, respectively, other assets included $41,947 and $47,747 of goodwill.

n. CHANGES IN ACCOUNTING PRINCIPLES

Effective January 1, 1999, the Company changed its accounting policy for guarantee fund assessments and adopted the provisions of American Institute of Certified Public Accountants Statement of Position 97-3, "Accounting by Insurance and other Enterprises for Insurance-Related Assessments" (SOP 97-3). The cumulative effect of this change was to reduce net income by $9,405, representing an increase in unpaid loss and loss adjustment expense reserves of $14,470 less a related deferred federal income tax benefit of $5,065 for the year ended December 31, 1999.

Effective January 1, 1999, the Company changed its accounting policy for internally developed software and adopted the provisions of American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" (SOP 98-1). SOP 98-1 requires that certain costs incurred in developing the internal-use computer software be capitalized and provides guidance for determining whether computer software is to be considered for internal use. During 2000, the Company capitalized $41,783 of eligible computer software costs.

o. NEW AND PENDING ACCOUNTING PRONOUNCEMENTS

On January 1, 2001, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), which establishes accounting and reporting standards for derivative instruments, became effective. FAS 133 did not have a significant impact on the results of operations or financial position of the Company.

In September 2000, the Financial Accounting Standards Board (FASB) issued an exposure draft (ED), "Business Combinations and Intangible Assets." This ED proposes to eliminate the pooling-of-interests method of accounting, which would require that purchase accounting, with its recognition of intangible assets and goodwill, be applied to all business combinations.

As the ED stands, the issuance of this statement could have a significant effect on the Company's intangible assets and amortization charge, as the Company's goodwill and intangible assets would no longer be amortized. Management is currently evaluating the impact of this ED on the Company.

p. CODIFICATION OF STATUTORY ACCOUNTING PRINCIPLES (UNAUDITED)

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

Codification will serve to increase the aggregate statutory policyholders' surplus of the Company's insurance operations by approximately $120,000 (unaudited) as of January 1, 2001 primarily as a result of permitting the recording of deferred tax assets.

q. FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into transactions involving various types of financial instruments, including debt and investments such as fixed maturities and equity securities. These instruments involve credit risk and also may be subject to risk of loss due to interest rate fluctuation. The Company evaluates and monitors each financial instrument individually and, when appropriate, obtains collateral or other security to minimize losses. At December 31, 2000 and 1999, unless otherwise noted in the financial instruments, the carrying amount of the Company's financial instruments approximates their fair value.

2. DISCONTINUED OPERATIONS

On September 25, 2000, in connection with CGNU plc's decision to sell the Company to White Mountains, the Company agreed to sell, commensurate with the sale, four of its subsidiaries to its parent, CGNU plc. Included in the sale are CGU Life Insurance Company of America and subsidiary (CGU Life), Pilot, CGU Annuity Services Corporation (CGUAS), and CGU Investment Management Canada Limited (CGUIMC).

Accordingly, the operating results of the discontinued segments have been reported in the consolidated statements of income and comprehensive income as discontinued operations in accordance with APB No. 30. Subsequent to the September 25, 2000 measurement date through December 31, 2000, operations from the discontinued business generated income of approximately $30,589. Discontinued operations are anticipated to generate income of approximately $13,500 from December 31, 2000 through the anticipated disposal date.

At December 31, 2000, the discontinued segments had assets of approximately $3,700,000, consisting primarily of invested assets, premiums and fees receivable, and deferred acquisition costs, and liabilities of approximately $3,100,000 consisting primarily of policy liabilities. Revenues for the discontinued operations were approximately $649,000, $611,000 and $660,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

The sale is expected to be completed during the second quarter of 2001. The Company anticipates receiving proceeds of $503,800 in connection with the sale of the discontinued operations. As a result of the sale, the Company recorded a $73,122 pretax adjustment related to the write-down of the net assets of the discontinued operations to their net realizable value, which is included in the loss on disposal indicated below.

The consolidated statements of operations for all periods presented include the results of CGU Life, Pilot, CGUAS, and CGUIMC in Net Income from Discontinued Operations.

The following table summarizes the Company's discontinued operations for the three-year period ended December 31, 2000:

	YEAR ENDED DECEMBER 31 2000	1999	1998
Operating income, before income taxes	$ 70,930	$ 78,605	$ 74,227
Income taxes	(30,113)	(24,459)	(27,536)
Net income	$ 40,817	$ 54,146	$ 46,691
Loss on disposal, before income taxes	$ (42,533)	$ --	$ --
Income taxes	(59,511)		
Loss on disposal	$(102,044)	$ --	$ --

3. ACQUISITIONS AND SUBSIDIARIES CONTRIBUTED BY PARENT

On July 16, 1998, CUC acquired Farmers Union Insurance Acquisition Corporation and its two property and casualty insurance subsidiaries, known collectively as National Farmers Union Insurance Companies (NFU), at a cost of $116,400. The acquisition was accounted for as a purchase and, accordingly, NFU's operating results from that date are included in CGU's net income. NFU is engaged in underwriting and risk placement of property and casualty insurance business, primarily in the Midwestern region of the U.S. Goodwill of $42,100 related to the acquisition is being amortized over a 20-year period.

Effective January 1, 1998, Commercial Union plc acquired 100% of the capital stock of Houston General Insurance Company (HG), an underwriter of property and casualty insurance business, from Tokio Marine and Fire Company, Ltd. (TMF), and contributed the HG stock, valued at $50,000, to the capital of the Company. In exchange, the Company issued 205 shares of its common stock to its parent. Effective from the same date, under the terms of a reinsurance agreement between HG and an affiliate of TMF, all premiums, losses, and underwriting expenses associated with HG policies written prior to the effective date and with any renewals or new policies required by statute or contract to be issued on or after the effective date will be 100% ceded to and assumed by the affiliate of TMF. In addition, TMF has indemnified the Company and HG from any decline in the value of the acquired assets, other than invested assets, subsequent to January 1, 1998. The operating results of Houston General are included in the consolidated results.

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(DOLLARS IN THOUSANDS)

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4. INVESTMENTS

NET INVESTMENT INCOME

An analysis of net investment income for the years ended December 31, 2000, 1999 and 1998 is as follows:

	2000	1999	1998
Interest from fixed maturity and short-term investments	$ 472,510	$ 466,257	$ 443,377
Dividends from common and preferred equity securities	31,811	34,793	40,933
Other investment income	9,649	8,707	3,732
Total investment income	513,970	509,757	488,042
Investment expenses	(9,086)	(7,632)	(7,766)
Total net investment income	$ 504,884	$ 502,125	$ 480,276

FIXED MATURITY INVESTMENTS

The amortized cost and fair value of fixed maturity investments available for sale at December 31, 2000 and 1999 are summarized as follows:

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
2000				
U.S. Government and agency obligations	$3,119,428	$ 42,605	$ (12,811)	$3,149,222
Debt				

securities issued by industrial corporations	2,980,490	61,623	(35,619)	3,006,494
Municipal obligations	891,626	90,750	(6,759)	975,617
Mortgage-backed securities	965,878	19,067	(899)	984,046
Foreign government obligations	37,930	1,149	(182)	38,897
Totals	$7,995,352	$ 215,194	$ (56,270)	$8,154,276
1999 U.S. Government and agency obligations	$1,352,748	$ 92,469	$ (19,843)	$1,425,374
Debt securities issued by industrial corporations	2,999,442	51,234	(70,337)	2,980,339
Municipal obligations	1,493,444	102,266	(37,278)	1,558,432
Mortgage-backed securities	729,013	1,799	(14,016)	716,796
Foreign government obligations	--	--	--	--
Totals	$6,574,647	$ 247,768	$ (141,474)	$6,680,941

The amortized cost and fair values of fixed maturity investments by contractual maturity, at December 31, 2000, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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	AMORTIZED COST	FAIR VALUE
Due in one year or less	$2,522,392	$2,523,164
Due after one year through five years	1,307,990	1,341,077
Due after five years through ten years	1,929,250	1,957,410
Due after ten years	1,269,842	1,348,579
Mortgage-backed securities	965,878	984,046
Total	$7,995,352	$8,154,276

At December 31, 2000 and 1999, respectively, fixed maturity investments included $458,295 and $478,450 which were on deposit, with respect to certain of the Company's insurance subsidiaries, with various states and other regulatory agencies.

On a gross basis, gains of $253,801 and losses of $58,023 were realized on 2000 sales of fixed maturity investments available for sale, while gains of $45,588 and $43,181 and losses of $61,767 and $1,654 were realized on 1999 and 1998 sales, respectively.

COMMON EQUITY SECURITIES

Cost and fair value of common equity securities as of December 31, 2000 and 1999 are summarized as follows:

	COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
As of December 31, 2000	$ 474,528	$ 312,507	$ (21,873)	$ 765,162
As of December 31, 1999	1,600,630	936,968	(103,955)	2,433,643

On a gross basis, gains of $764,631 and losses of $210,720 were realized on 2000 sales of common equity securities, while gains of $479,954 and $423,140 and losses of $81,769 and $76,651 were realized on 1999 and 1998 sales, respectively.

PREFERRED EQUITY SECURITIES

Cost and fair value of preferred equity securities as of December 31, 2000 and 1999 are summarized as follows:

UNREALIZED
UNREALIZED

	COST	GAINS	LOSSES	FAIR VALUE
As of December 31, 2000	$116,513	$ 31,361	$ (955)	$146,919
As of December 31, 1999	119,547	37,466	(2,185)	154,828

On a gross basis, gains of $638 and losses of $65 were realized on 2000 sales of preferred equity securities, while gains of $8,583 and $12,294 and losses of $68 and $47 were realized on 1999 and 1998 sales, respectively.

CURRENCY SWAP

In order to protect against fluctuations in the exchange value and return on Sterling denominated U.K. Government debt securities ("Gilts"), the Company had previously entered into a currency swap agreement with an affiliate of its parent. In 1999, the Gilts were sold and the swap agreement was terminated.

SECURITIES LENDING

The Company has entered into a Securities Lending Authorization Agreement with a third party under which the Company has designated all fixed maturity investments not on deposit with various states or reinsurance pools as available for lending to brokers approved by the Company. The agreement specifies that all securities loaned shall be collateralized by the borrower at approximately 102% of market value, such collateral to be held by the third party. All securities loaned can be redeemed on short notice. The total market value of securities on loan at December 31, 2000 and 1999 was $1,378,701 and $325,041, respectively, with corresponding collateral valued at $1,403,737 and $331,808, respectively.

OTHER INVESTMENTS

Included in other investments is the Company's 20% interest in United Fire and Casualty Insurance Company (UFC) at December 31, 2000, 1999 and 1998. The Company's investment in UFC is accounted for using the equity method. In addition to UFC, other investments are primarily comprised of unconsolidated ownership interests in various investment partnerships, investments in leveraged leases and trust financing and are valued at cost, or equity, as appropriate.

5. INSURANCE BALANCES RECEIVABLE

The allowance for uncollectible premiums and other receivables was $40,923 and $36,419 at December 31, 2000 and 1999, respectively. The Company estimates the allowance for uncollectible premiums based on analysis of past due recoverables, accounts in legal collection, and historical charges for uncollectible accounts.

6. PROPERTY AND EQUIPMENT

Details of property and equipment, net of accumulated depreciation and amortization, included in other assets in the accompanying financial statements at December 31, are as follows:

	2000	1999
Real estate, net of impairment adjustments	$145,070	$164,568
Furniture, fixtures and computer equipment	199,470	232,818
Internally developed software	41,783	--
Leasehold improvements	30,521	31,761
	416,844	429,147
Less accumulated depreciation and amortization	235,185	260,387
Property and equipment, net	$181,659	$168,760

During 2000, the Company sold two real estate holdings, realizing a loss of $2,494 on proceeds of $4,883. Correspondingly, the Company paid down

certain long-term bonds relating to the property sold, in the aggregate amount of $16,850 (See Note 8).

During 1999, the Company sold two real estate holdings, realizing a gain of $1,436 on proceeds of $8,203. Correspondingly, the Company paid down certain long-term bonds relating to the property sold, in the aggregate amount of $4,700 (See Note 8).

The Company contracts with a third party to conduct annual appraisals of its real estate holdings. As a result of these annual valuations, the Company realized a loss of $11,000 in 2000 and $10,000 in 1999 for other than temporary impairments in the valuation of certain real estate holdings.

7. UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

As discussed in Note 1, the Company establishes loss and loss adjustment expense reserves that are estimates of amounts needed to pay claims and related expenses in the future for insured events that have already occurred. Reinsurance is an arrangement in which a reinsurance company (a reinsurer) contractually agrees to indemnify an insurance company for all or a portion of the insurance risks underwritten by the insurance company. The Company establishes estimates of amounts recoverable from its reinsurers in a manner consistent with the claim liability covered by the reinsurance contracts, net of an allowance for uncollectible amounts. Net insurance loss reserves represent loss and loss adjustment expense reserves reduced by reinsurance recoverable on unpaid losses.

In a broad sense, loss and loss adjustment expense reserves have two components: case reserves, which are reserves established within the claims function for claims that have been reported to the Company, and reserves established by management for claims incurred but not reported to the Company and for future development on claims that have been reported (collectively, IBNR). Case reserves are estimated based on the experience and knowledge of claims staff regarding the nature and potential cost of each claim. The Company's claims staff periodically adjusts case reserves as additional information becomes known or payments are made. Generally accepted actuarial methods are used to project estimates of IBNR. Actuaries use a variety of statistical and analytical methods to determine estimates of IBNR, which are based, in part, on historical claim reporting and payment patterns. In estimating IBNR, actuaries consider all available information, including historical experience, changes in business mix, coverage limits, changes in claims handling practices, pricing, reinsurance protections, inflation and the effects of legal, social and legislative trends on future claim payments. Management exercises judgment based upon its knowledge of its business, review of the outcome of actuarial studies, historical experience and other factors to record an estimate it believes reflects its expected ultimate unpaid loss and loss adjustment expenses and related reinsurance recoverables.

Regardless of the techniques used, estimation is inherent in the process of establishing unpaid loss reserves and related reinsurance recoverables as of any given date. Uncertainties in projecting ultimate claim amounts are magnified by the time lag between when a claim actually occurs and when it becomes reported and settled. This time lag is sometimes referred to as the "claim-tail". The claim-tail for most property coverages is typically short. The claim-tail for liability coverages, such as general and product liability, directors and officers liability, medical malpractice and workers' compensation, can be especially long as claims are often reported or settled years after the related occurrences. During the claims reporting and settlement period, additional facts regarding claims and trends become known which may cause the Company to adjust its estimate of its ultimate net loss and loss adjustment expense liability.

Loss and loss adjustment expense reserve estimates at the Company are subject to additional uncertainty as a consequence of numerous factors that occurred subsequent to the 1998 merger of the U.S. operations of General Accident and Commercial Union, two companies with different underwriting and claims management philosophies and practices. Beginning in the mid-1990s, and continuing through the merger and the subsequent operational integration of General Accident and Commercial Union, the Company experienced an environment of significant change, both in its business and operations. Generally accepted actuarial techniques used to estimate reserves rely in large degree on projecting historical trends (such as patterns of claim development (i.e., reported claims and paid losses)) into the future. Accordingly, estimating reserves becomes more uncertain if business mix, case reserve adequacy, claims payment rates, coverage limits and other factors change over time. The breadth and depth of the business and operational changes that occurred at the Company (1) led to a wider range in the reserve estimates produced by a variety of actuarial loss reserving techniques, especially those that rely upon consistent claim development patterns, and (2) introduced greater

complexity to the judgments required to be made by management in determining the impact of the business and operational changes on the development patterns used to estimate reserves.

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	FOR THE YEARS ENDED DECEMBER 31,	
	2000	1999
Balance at January 1	$6,368,828	$6,944,024
Less reinsurance recoverable on unpaid losses	1,285,637	1,651,963
Net balance at January 1	5,083,191	5,292,061
Incurred related to:		
Current year	3,483,967	3,194,913
Prior years	818,030	57,493
Total incurred losses	4,301,997	3,252,406
Cumulative effect of change in accounting principle	--	14,470
Paid related to:		
Current year	1,706,573	1,611,718
Prior years	1,972,243	1,864,028
Total paid	3,678,816	3,475,746
Net balance at December 31	5,706,372	5,083,191
Plus reinsurance recoverable on unpaid losses	1,276,356	1,285,637

Balance at December 31
$6,982,728
$6,368,828
==========
==========

During 2000 and 1999, the Company strengthened loss reserves on prior accident years by $818,030 and $57,493, respectively. The reserve increases recorded in 2000 were for long-tail lines of business as illustrated in the following table. This longer tail casualty business written during the mid-1990s originated primarily from the former General Accident book of business. The table below also includes December 31, 1999 reserve balances (net of reinsurance) which consist of reserves for accident years 1999 and prior.

	RESERVES AS OF DECEMBER 31, 1999	RESERVE INCREASES RECORDED IN 2000
Workers compensation	$ 846,000	$176,172
General liability	1,081,146	318,197
Multiple peril	1,109,547	151,829
Commercial automobile liability	547,671	110,942
Other lines	1,498,364	60,890
Total	5,082,728	$818,030
Less: asbestos and environmental reserves	(956,102)	
Non-asbestos and environmental reserves	$4,126,626	

The Company believes it has made a reasonable provision for its environmental and asbestos exposures as set forth below on a gross and net of reinsurance basis. However, due to significant unresolved legal and coverage issues such as whether coverage exists, definition of an occurrence, determination of ultimate damages and allocation of such damages to financially responsible parties, an indeterminate amount of additional liability may develop over time.

Included in liability for unpaid losses and loss adjustment expense are reserves for environmental and asbestos exposures at December 31, 2000 and 1999. These reserves, which include IBNR provisions for reported and unreported claims and loss adjustment expenses (LAE) including coverage dispute costs, aggregated:

	2000	1999
Gross of reinsurance	$1,039,605	$1,353,110
Net of reinsurance	$ 786,469	$ 956,001

As more fully described in Note 1, environmental and asbestos liabilities will be ceded to a third party in connection with the acquisition of the Company by White Mountains.

8. LONG-TERM DEBT

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

	2000	1999
Term note payable to parent	$1,100,000	$1,100,000
Bonds payable	13,900	30,750
Total long-term debt	$1,113,900	$1,130,750

The term note payable to CGU Holdings LLC, a wholly-owned subsidiary of the Company's ultimate parent and the direct owner of 45.86% of the Company's common stock, was issued on December 31, 1998. Interest at the rate of 6.5% is payable annually on March 31 of each year. The entire principal is due on December 31, 2013. The term note payable agreement contains restrictive covenants regarding financial reporting. Interest paid on the note was $71,500, $17,875, and $0 in 2000, 1999 and 1998, respectively. The fair value of the term note payable to parent was approximately $1,009,000 at December 31, 2000.

The bonds payable mature from 2014 to 2015 and no principal payments are required until maturity. Semi-annual payments of interest are required at rates which will vary based upon an index which is a compilation of certain short-term, tax-free bond issues. The average interest rates were 3.84%, 3.34% and 3.55% for 2000, 1999 and 1998, respectively. Although the terms of the bonds restricted the use of the borrowings to the construction of specific office buildings, the buildings themselves do not constitute collateral for the bonds. Interest paid on the bonds was $1,101, $1,143 and $1,318 for 2000, 1999 and 1998, respectively. During 2000 and 1999, notes with principal of $16,850 and $4,700 were paid subsequent to the sale of the related property.

As more fully described in Note 1, the term note payable to parent will be paid with proceeds from the anticipated sale of the Company's discontinued operations and with proceeds from sales of investment securities upon acquisition of the Company by White Mountains.

9. INCOME TAXES

The federal income tax provision for the years ended December 31, 2000, 1999 and 1998, consists of the following:

	2000	1999	1998
Current taxes	$ 3,230	$ 2,609	$ (9,132)
Deferred taxes	(86,548)	(107,083)	(177,018)
Federal income taxes charged (credited) to continuing operations	$ (83,318)	$(104,474)	$(186,150)

Deferred taxes arise from temporary differences in the bases of assets and liabilities for tax and financial statement purposes. Components of deferred tax assets and liabilities for the property and casualty operations are as follows:

	DECEMBER 31,	
	2000	1999
Deferred tax assets:		
Discounting of loss reserves	$ 213,284	$ 187,457
Unearned premium reserve adjustment	130,199	125,332
Net operating loss and tax credit carryforward	99,125	71,149
Reinsurance fee payable to foreign affiliate	59,500	--
Reserve for post-retirement benefits	26,151	19,043
Deferred compensation reserve		

	14,189	1,543
Accrued interest on term note payable to parent	18,769	18,769
Allowance for doubtful receivables	14,048	30,072
Other	40,955	31,514
Total deferred tax assets	$ 616,220	$ 484,879
Deferred tax liabilities:		
Net unrealized capital gains and losses	(167,851)	(340,400)
Deferred acquisition costs	(147,284)	(158,071)
Disposal of discontinued operations	(48,813)	--
Accumulated bond discount	(31,414)	(60,589)
Prepaid pension cost	(18,571)	(20,474)
Deferred software costs	(14,624)	--
Other	(7,381)	(7,972)
Total deferred tax liabilities	(435,938)	(587,506)
Net deferred tax asset (liability) before valuation allowance	180,282	(102,627)
Valuation allowance	(72,950)	--
Net deferred tax asset (liability)	$ 107,332	$(102,627)

A reconciliation between the statutory federal tax rate and Company's effective tax rate in 2000, 1999 and 1998 is as follows:

	DECEMBER 31,		
	2000	1999	1998
Statutory federal tax rate:	35.0%	35.0%	35.0%
Tax exempt interest	7.3	(6.0)	4.7
Dividends received deduction	2.7	(2.2)	2.0
Nondeductible charges	(1.1)	1.4	(1.3)
Prior year true ups	2.4	4.3	--
Valuation allowance	(25.4)	(0.2)	--
Other	8.1	(4.4)	(2.2)
Effective tax rate	29.0%	27.9%	38.2%

At December 31, 2000, the Company had net operating loss carryforwards available for utilization of approximately $87,848 of which approximately $40,476 are subject to certain limitations that restrict the utilization of these losses to the Company or group of companies that generated them.

At December 31, 2000, the Company had foreign tax credits of approximately $44,950 which begin to expire in 2001 and Alternative Minimum Tax (AMT) credits of approximately $23,428 which do not expire.

Income taxes paid were $14,000, $24,800 and $85,330 for 2000, 1999 and 1998, respectively. Income tax refunds of $24,022, $70,244 and $0 were received in 2000, 1999 and 1998, respectively.

10. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company offers various postretirement benefits to its employees. Under the terms of these plans, the Company reserves the right to change, modify or discontinue the plans.

PENSIONS

The parent Company and certain subsidiaries have noncontributory defined benefit plans covering substantially all employees. The benefits for these plans are based primarily on years of service and employees' pay near retirement. The Company's funding policy is consistent with the funding requirements of federal law and regulations.

OTHER POSTRETIREMENT BENEFITS

The parent Company and certain subsidiaries provide medical and life insurance benefits to pensioners and survivors. The associated plans pay approved claims from existing assets and from company funds.

	PENSION BENEFITS		OTHER BENEFITS	
	2000	1999	2000	1999
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$ 477,731	$ 534,971	$ 110,836	$ 114,181
Service cost	17,629	21,374	2,840	3,172
Interest cost	36,683	34,075	9,193	7,963
Amendments	--	--	2,372	(3)
Assumption changes	--	--	20,697	--
Actuarial (gain)/loss	40,022	(51,694)	2,920	(6,339)
Benefits and expenses (net of participant contributions)	(59,678)	(60,995)	(9,846)	(8,138)
Benefit obligation at end of year	$ 512,387	$ 477,731	$ 139,012	$ 110,836
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 594,987	$ 611,655	$ --	$ --
Actual return on plan assets	14,369	37,283	--	--
Employer contribution	3,343	7,045	9,846	8,138
Benefit (net of participant contributions)	(58,841)	(60,995)	(9,846)	(8,138)
Expenses paid	(837)	--	--	--
Fair value of plan assets at end of year	$ 553,021	$ 594,988	$ --	$ --
Funded status	$ 40,634	$ 117,257	$(139,012)	

$(110,836)
Unrecognized
actuarial
(gain)/loss
(22,967) (86,978)
19,916 (7,139)
Unrecognized
transition
obligation/(asset)
(4,577) (8,551)
39,060 42,353
Unrecognized
prior service
cost 6,792 8,467
5,958 3,979 -----
---- --------- --
------- ---------
Net prepaid
(accrued) benefit
cost $ 19,882 $
30,195 $ (74,078)
$ (71,643)
=========
=========
=========
=========

The amount recognized in the accompanying financial statements consists of:

	PENSION BENEFITS		OTHER BENEFITS	
	2000	1999	2000	1999
Prepaid benefit cost	$ 53,559	$ 46,000	$ --	$ --
Accrued benefit liability	(33,677)	(17,369)	(74,078)	(71,643)
Intangible asset	--	1,564	--	--
Net prepaid (accrued) benefit cost	$ 19,882	$ 30,195	$ (74,078)	$ (71,643)
Weighted average assumptions as of December 31:				
Discount rate	7.50%	7.96%	7.50%	8.00%
Expected return on plan assets	9.50%	9.84%	--	--
Rate of compensation increase	5.00%	4.13%	--	--
Initial medical trend rate	--	--	9.50%	7.00%
Ultimate medical trend rate	--	--	5.50%	5.00%

	PENSION BENEFITS			OTHER BENEFITS		
	2000	1999	1998	2000	1999	1998
Components of						

net periodic benefit cost:

Service cost	$ 17,629	$ 21,374	$ 22,167	$ 2,840	$ 3,172	$ 3,370
Interest cost	36,683	34,075	32,337	9,193	7,963	8,068
Expected return on plan assets	(51,182)	(49,647)	(42,631)	--	(125)	(139)
Amortization of prior service cost	1,716	1,720	982	393	211	36
Amortization of transition obligation/(asset)	(4,179)	(4,372)	(2,618)	3,301	3,301	3,900
Amortization of unrecognized (gain)/loss	5,817	169	71	(26)	(9)	336
Special termination benefits	--	--	18,763	--	--	781
Curtailment/settlement (gain)/ loss	--	--	(11,699)	--	--	6,825
Net periodic benefit cost	$ 6,484	$ 3,319	$ 17,372	$ 15,701	$ 14,513	$ 23,177

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care rates would have the following effects:

	1-PERCENTAGE-POINT INCREASE	1-PERCENTAGE-POINT DECREASE
Effect on total of service and interest cost components	$ 1,209	$ 1,083
Effect on postretirement benefit obligation	15,475	13,930

11. OPERATING LEASES

Net rental expense for 2000, 1999 and 1998 aggregated $51,032, $47,686 and $52,303, respectively, net of sublease rental income of $1,716, $432 and $20, respectively. The Company leases office facilities, computer and transportation equipment with remaining lease terms ranging from one to ten years. Minimum lease commitments for each of the next five years, and thereafter, are as follows:

	RENTAL EXPENSE	SUBLEASE INCOME
2001	$ 48,203	$2,261
2002	39,044	1,743
2003	32,255	1,743
2004	21,558	787
2005	16,259	695
Thereafter	31,889	232
	$189,208	$7,461

Under the existing leases, there are no material contingent rental agreements, escalation clauses or restrictions imposed on the Company.

12. REINSURANCE

In the ordinary course of business, the Company reinsures certain risks with other insurance enterprises. Reinsurance limits the Company's maximum loss on catastrophes, large risks and unusually hazardous risks. The Company is contingently liable in the event of default by a reinsurer.

Included in reinsurance recoverable at December 31, 2000 and 1999 are recoverables on paid losses of $281,828 and $288,447, respectively, for the property and casualty operations, which were recorded net of a valuation allowance for uncollectible reinsurance of $20,000 at December 31, 2000 and 1999.

Reinsurance recoverable on paid and unpaid losses with a carrying value of $169,584 and $170,503 and prepaid reinsurance premiums of $12,226 and $8,812 at December 31, 2000 and 1999, respectively, for the property and casualty operations, are due from the National Council on Compensation Insurance, an involuntary pool.

The effect of reinsurance on premiums and losses for the property and casualty operations is as follows:

DECEMBER 31, 2000

	PREMIUM WRITTEN	PREMIUM EARNED	LOSSES AND LOSS ADJUSTMENT EXPENSES INCURRED
Direct	$ 4,654,603	$ 4,630,377	$ 4,767,171
Assumed	73,591	70,495	110,904
Ceded	(434,063)	(425,813)	(576,078)
Net	$ 4,294,131	$ 4,275,059	$ 4,301,997

DECEMBER 31, 1999

	PREMIUM WRITTEN	PREMIUM EARNED	LOSSES AND LOSS ADJUSTMENT EXPENSES INCURRED
Direct	$ 4,485,534	$ 4,518,278	$ 3,503,024
Assumed	65,249	70,158	64,711
Ceded	(302,037)	(328,441)	(315,329)
Net			

$
4,248,746
$
4,259,995
$
3,252,406
===========
===========
===========

DECEMBER
31, 1998 -

LOSSES AND
LOSS
ADJUSTMENT
PREMIUM
PREMIUM
EXPENSES
WRITTEN
EARNED
INCURRED -
------ ---
---- -----

Direct $
4,389,663
$
4,366,704
$
4,675,460
Assumed
77,826
80,906
234,874
Ceded
(354,090)
(405,732)
(963,487)

- --------
--- ------
----- Net
$
4,113,399
$
4,041,878
$
3,946,847
===========
===========
===========

During 2000 the Company purchased a reinsurance contract from an affiliated reinsurer. The contract is a $170,000 stop loss reinsurance agreement covering accident year 2000 losses (the "primary coverage"). This contract was amended in December 2000 to include a $200,000 retroactive reinsurance agreement dated December 31, 2000, covering potential adverse loss development on reserves carried by the Company as of December 31, 2000, excluding all exposures for all policy years prior to 1988, asbestos exposures for all policy years prior to 1993, and all lead-related exposures for all policy years prior to 1993 (the "secondary coverage"). This secondary coverage was not triggered as of December 31, 2000. The Company incurred adverse development up to the limits of the primary coverage and accordingly recorded reinsurance recoverable from the affiliated reinsurer of $170,000 at December 31, 2000.

In addition, a portion of the coverage under certain of the Company's reinsurance contracts in 2000, 1999 and 1998 has been provided by the affiliated reinsurer. Earned insurance premiums ceded to the affiliated reinsurer in 2000, 1999 and 1998 were $15,800, $28,420 and $33,190, respectively.

Total amounts recoverable on paid and unpaid losses ceded to the affiliated reinsurer were $20,961 and $7,114 as of December 31, 2000 and 1999, respectively.

13. OTHER COMPREHENSIVE INCOME

Other comprehensive income was comprised of the following:

2000	BEFORE TAX AMOUNT	TAX (EXPENSE) OR BENEFIT	NET OF TAX AMOUNT
Gain (loss) on foreign currency exchange:			
Balance, beginning of year	$ (39,614)	$ 13,865	$ (25,749)
Change during year	(5,664)	1,982	(3,682)
Balance, end of year	(45,278)	15,847	(29,431)
Net unrealized appreciation of investments:			
Balance, beginning of year	1,005,015	(361,603)	643,412
Change during year	(467,529)	163,311	(304,218)
Balance, end of year			

537,486
(198,292)
339,194 ----
------- ----
------- ----

Total other
comprehensive
income:
Balance,
beginning of
year 965,401
(347,738)
617,663
Change
during year
(473,193)
165,293
(307,900) --
--------- --
--------- --

Balance, end
of year $
492,208 $
(182,445) $
309,763
===========
===========
===========

1999

	BEFORE TAX AMOUNT	TAX (EXPENSE) OR BENEFIT	NET OF TAX AMOUNT
Gain (loss) on foreign currency exchange:			
Balance, beginning of year	$ (55,025)	$ --	$ (55,025)
Change during year	15,411	13,865	29,276
Balance, end of year	(39,614)	13,865	(25,749)
Net unrealized appreciation of investments:			
Balance, beginning of year	1,840,549	(644,192)	1,196,357
Change during year	(835,534)	282,589	(552,945)
Balance, end of year	1,005,015	(361,603)	643,412
Total other comprehensive income:			
Balance, beginning of year	1,785,524	(644,192)	1,141,332
Change during year	(820,123)	296,454	(523,669)
Balance, end of year	$ 965,401	$ (347,738)	$ 617,663

1998	BEFORE TAX AMOUNT	TAX (EXPENSE) OR BENEFIT	NET OF TAX AMOUNT
Gain (loss) on foreign currency exchange:			
Balance, beginning of year	$ (38,742)	$ --	$ (38,742)
Change during year	(16,283)	--	(16,283)
Balance, end of year	(55,025)	--	(55,025)
Net unrealized appreciation of investments:			
Balance, beginning of year	1,406,955	(492,434)	914,521
Change during year	433,594	(151,758)	281,836
Balance, end of year	1,840,549	(644,192)	1,196,357
Total other comprehensive income:			
Balance, beginning of year	1,368,213	(492,434)	875,779
Change during year	417,311	(151,758)	265,553
Balance, end of year	$ 1,785,524	$ (644,192)	$ 1,141,332

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14. STATUTORY BASIS INFORMATION

The Company is required to file an annual statement with state insurance regulatory authorities for each of its insurance subsidiaries prepared on an accounting basis prescribed or permitted by such authorities (statutory basis). Prescribed statutory accounting practices, which differ from accounting principles generally accepted in the United States of America in certain respects, include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

Statutory basis information for 2000, 1999 and 1998 is as follows:

	2000	1999	1998
Net income (loss) for the year	$ 8,234	$ 526,311	$ (428,990)
Policyholders' surplus at December 31	$2,782,986	$3,804,229	$3,580,188

15. DIVIDEND RESTRICTIONS

The Company's ability to pay dividends to its shareholder is dependent on receipt of dividends from its insurance subsidiaries whose shareholder dividends are restricted by state insurance regulatory authorities.

The insurance subsidiaries are subject to state regulations which limit by reference to each companies statutory investment income and policyholders' surplus the dividends that can be paid to their parent company without prior regulatory approval. Dividend restrictions vary between the companies as determined by the laws of the domiciliary states.

Massachusetts's statute limits the dividends an insurer may pay in any twelve-month period, without the prior permission of The Commonwealth of Massachusetts Insurance Commissioner, to the greater of (i) 10% of its statutory policyholder surplus as of the preceding December 31 or (ii) the individual company's statutory net gain from operations for the preceding calendar year (if such insurer is a life company), or its net income for the preceding calendar year (if such insurer is not a life company). In addition, under Massachusetts law, no domestic insurer shall pay a dividend or make any distribution to its shareholders from other than unassigned funds unless the Commissioner shall have approved such dividend or distribution.

Pursuant to Pennsylvania's statute, the maximum amount of dividends and other distributions that an insurer may pay in any twelve-month period, without the prior approval of the Pennsylvania Commissioner of Insurance, is limited to the greater of (i) 10% of it's policyholders' surplus as of the preceding December 31 or (ii) the individual company's statutory net gain from operations for the preceding calendar year (if such insurer is a life company) or its net income for the preceding calendar year (if such insurer is not a life company). Any dividends to be paid by an insurer, whether or not in excess of the aforementioned threshold, from a source other than statutory unassigned surplus would also require the prior approval of the Pennsylvania Commissioner of Insurance.

Under the applicable state restrictions, such subsidiaries paid dividends of $342,288, $180,092 and $302,799 in 2000, 1999 and 1998, respectively.

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16. CONTINGENCIES

REGULATORY AND INDUSTRY DEVELOPMENTS

Unfavorable economic conditions may contribute to an increase in the number of insurance companies that are under regulatory supervision. This may result in an increase in mandatory assessments by state guaranty funds, or voluntary payments by solvent insurance companies to cover losses to policyholders of insolvent or rehabilitated companies. Mandatory assessments, which are subject to statutory limits, can be partially recovered through a reduction in future premium taxes in some states. The Company is not able to reasonably estimate the potential effect on it of any such future assessments or voluntary payments.

LITIGATION

The Company has been named a defendant in various legal proceedings arising in the normal course of business. In the Company's opinion, based on the advice of legal counsel, the ultimate resolution of these proceedings will not have a material effect on the Company's consolidated financial statements. However, liabilities related to these proceedings could be established in the near term if estimates of the ultimate resolution of these proceedings are revised.

RESIDUAL MARKETS

The Company is required to participate in residual markets in various states. The results of the residual markets are not subject to the predictability associated with the Company's own managed business, and are significant to the workers' compensation line of business and both the private passenger and commercial automobile lines of business.

17. SUBSEQUENT EVENTS

During January 2001, the Company sold substantially all of its investments in common equity securities and recognized net realized gains of approximately $246,000.

EXHIBIT 99(x)

CGU CORPORATION
(A Wholly-Owned Subsidiary of CGNU plc)
Consolidated Balance Sheets
As of May 31, 2001 and December 31, 2000
(dollars in millions, except for per share amounts)

	MAY 31, 2001 (UNAUDITED)	DECEMBER 31, 2000
ASSETS		
Fixed maturity investments, at fair value (amortized cost $6,082.5 and $7,995.4)	$ 6,138.7	$ 8,154.3
Common equity securities, at fair value (cost $33.8 and $474.5)	35.0	765.2
Preferred equity securities, at fair value (cost $119.8 and $116.5)	142.7	146.9
Short-term investments, at amortized cost (which approximates fair value)	574.5	321.2
Other investments	38.4	98.8
Total investments	6,929.3	9,486.4
Cash	2,292.5	45.8
Insurance balances receivable	1,262.3	1,419.5
Reinsurance recoverable on paid and unpaid losses	1,596.3	1,558.2
Deferred policy acquisition costs	336.7	420.8
Net deferred federal income taxes	188.1	107.3
Other assets	640.0	668.3
Net assets of discontinued operations	500.9	503.8
Total assets	$ 13,746.1	$ 14,210.1
LIABILITIES		
Loss and loss adjustment expense reserves	$ 6,906.1	$ 6,982.7
Unearned insurance premiums	1,897.7	2,042.5
Long-term debt	1,103.2	1,113.9
Accounts payable and other liabilities	848.0	872.3
Total liabilities	10,755.0	11,011.4
SHAREHOLDERS' EQUITY		
Common stock, $1.00 par value; authorized 100,000 shares, 16,022 shares outstanding	-	-
Additional paid-in capital	753.2	753.2
Retained earnings	2,185.6	2,135.7
Accumulated other comprehensive income	52.3	309.8
Total shareholders' equity	2,991.1	3,198.7
Total liabilities and shareholders' equity	$ 13,746.1	$ 14,210.1

CGU CORPORATION
(A Wholly-Owned Subsidiary of CGNU plc)
Consolidated Statements of Income and Comprehensive Income (Unaudited)
For the Five Months Ended May 31, 2001 and for
The Six Months Ended June 30, 2000
(dollars in millions)

	FIVE MONTHS ENDED MAY 31, 2001	SIX MONTHS ENDED JUNE 30, 2000
Revenues:		
Earned insurance premiums	$ 1,906.9	$ 2,157.0
Net investment income	229.2	243.3
Net realized gains from investment securities and other investments	362.3	43.0
Total revenues	2,498.4	2,443.3
Expenses:		
Losses and loss adjustment expenses	(1,571.1)	(1,640.5)
Underwriting and other operating expenses	(783.5)	(642.6)
Interest expense	(32.7)	(36.4)
Total expenses	(2,387.3)	(2,319.5)
Pretax earnings	111.1	123.8
Federal income tax provision	(55.5)	(24.0)
Net income from continuing operations	55.6	99.8
Income from discontinued operations	17.8	14.3
Loss on disposal of discontinued operations	(23.5)	-
Net income (loss) from discontinued operations	(5.7)	14.3
Net income	49.9	114.1
Other comprehensive income (loss), net of tax:		
Change in net unrealized appreciation of investments	(286.9)	(21.0)
Change in foreign currency translation adjustment	29.4	2.1
Comprehensive net income (loss)	$ (207.6)	$ 95.2

CGU CORPORATION
(A Wholly-Owned Subsidiary of CGNU plc)
Consolidated Statements of Cash Flows (Unaudited)
For the Five Months Ended May 31, 2001 and for
The Six Months Ended June 30, 2000
(dollars in millions)

	FIVE MONTHS ENDED MAY 31, 2001	SIX MONTHS ENDED JUNE 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 49.9	$ 114.1
Adjustments to reconcile net income to net cash used in operating activities:		
Income from discontinued operations	(17.8)	(14.3)
Loss on disposal of discontinued operations	23.5	-
Amortization of bond premium and discount	(38.3)	(3.4)
Net realized gains from investment securities and other investments	(362.3)	(43.0)
Depreciation and amortization	6.9	8.6
Deferred federal income taxes	60.9	20.6
Change in operating assets and liabilities:		
Reinsurance recoverable on paid and unpaid losses	(38.1)	96.3
Deferred policy acquisition costs	84.1	(25.4)
Loss and loss adjustment expense reserves	(76.6)	(247.6)
Unearned insurance premiums	(144.8)	111.9
Insurance balances receivable	157.2	(245.1)
Net change in other assets and liabilities	64.1	(36.9)
Net cash used in operating activities	(231.3)	(264.2)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(7,639.0)	(2,666.9)
Proceeds from the sales and maturities of investments	10,389.5	2,798.6
Net (increase) decrease in short-term investments	(253.3)	165.9
Net decrease in other invested assets	3.5	5.2
Purchases of equipment, net	(4.3)	(34.4)
Development of computer software	(7.7)	(15.3)
Net cash provided by investing activities	2,488.7	253.1
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(10.7)	-
Net cash used in financing activities	(10.7)	-
Net increase (decrease) in cash	2,246.7	(11.1)
Cash, beginning of period	45.8	50.8
Cash, end of period	$ 2,292.5	$ 39.7

CGU CORPORATION
(A Wholly-Owned Subsidiary of CGNU plc)
Notes to Consolidated Financial Statements (Unaudited)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

These interim consolidated financial statements include the accounts of CGU Corporation (CGU or the Company) and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company is a wholly-owned subsidiary of CGNU plc, its ultimate parent. CGNU plc is a United Kingdom Company listed on the London Stock Exchange, and was formed on May 30, 2000, when CGU plc merged with Norwich Union plc to form CGNU plc.

The Company, through certain of its subsidiaries, is primarily engaged in underwriting and risk placement of property and casualty insurance business. The Company had also engaged, through certain other subsidiaries, in underwriting life insurance and annuities. The Company's primary subsidiaries are CGU Insurance Company and subsidiaries (Pennsylvania domiciled), Commercial Union Insurance Company and subsidiaries (Massachusetts domiciled), General Accident Insurance Company and subsidiaries (Pennsylvania domiciled), National Farmers Union Property and Casualty Company and subsidiary (Colorado domiciled) and Houston General Insurance Company and subsidiaries (Texas domiciled). As described in Note 4, the Company also conducted business through CGU Life Insurance Company of America and subsidiary (CGU Life), Pilot Insurance Company (Pilot), CGU Annuity Services Corporation (CGUAS) and CGU Investment Management Canada Limited (CGUIMC).

All significant intercompany transactions have been eliminated in consolidation. The financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of the Company, including those relating to the sale of the Company's U.S. property and casualty insurance operations. As described in Note 4 and Note 7, CGNU plc entered into a definitive agreement to sell its U.S. property and casualty insurance operations to a wholly-owned subsidiary of White Mountains Insurance Group, Ltd. (White Mountains). These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2000, 1999 and 1998 included in this Form 8-K as Exhibit No. 99 (w).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts in the prior period financial statements have been reclassified to conform with the current presentation. Refer to Exhibit 99 (w) on this Form 8-K for a complete discussion regarding the Company's significant accounting policies.

2. CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2001, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), which establishes accounting and reporting standards for derivative instruments, became effective. SFAS No. 133 did not have a significant impact on the results of operations or financial position of the Company.

3. NEW AND PENDING ACCOUNTING PRONOUNCEMENTS

In September 2000, the Financial Accounting Standards Board (FASB) issued an exposure draft "Business Combinations and Intangible Assets" which proposed to eliminate the pooling-of-interests method of accounting, which would then require that purchase accounting be applied to all business combinations. In June 2001, the FASB issued its final rules under SFAS No. 141 entitled "Business Combinations" and SFAS No. 142 entitled "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be

accounted for using the purchase method. With respect to deferred credits (i.e., negative goodwill), SFAS No. 141 calls for the recognition of all existing deferred credits arising from business combinations prior to July 1, 2001 through the income statement as a change in accounting principle on the first day of the fiscal year beginning after December 15, 2001, and requires deferred credits arising from business combinations for which the acquisition date was after June 30, 2001 to be immediately recognized through the income statement as an extraordinary gain. SFAS No. 142 sets forth new standards concerning accounting for deferred credits, goodwill and other intangible assets arising from business combinations. With respect to goodwill, SFAS No. 142 calls for the amortization of existing and prospective goodwill only when the asset acquired is deemed to have been impaired rather than systematically over a perceived period of benefit. SFAS No. 142 is effective for interim and annual periods beginning after December 15, 2001. The issuance of these accounting pronouncements does not impact the Company's results of operations or financial position for the periods presented.

4. DISCONTINUED OPERATIONS

On September 25, 2000, in connection with CGNU plc's decision to sell the Company to White Mountains, the Company agreed to sell, commensurate with the sale of its U.S. property and casualty insurance operations, four of its subsidiaries to its parent, CGNU plc. Included in the sale are CGU Life, Pilot, CGUAS and CGUIMC. In accordance with APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of a Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", the consolidated statements of income and comprehensive income for all periods presented include the results of CGU Life, Pilot, CGUAS and CGUIMC in income from discontinued operations. Included in the Company's results of operations for the five months ended May 31, 2001 is a provision for loss on disposal of discontinued operations of $23.5 million, recorded to adjust their carrying value to the expected proceeds from their sale.

5. UNPAID LOSS AND LOSS ADJUSTMENT RESERVES

The Company establishes loss and loss adjustment expense reserves that are estimates of amounts needed to pay claims and related expenses in the future for insured events that have already occurred. Reinsurance is an arrangement in which a reinsurance company (a reinsurer) contractually agrees to indemnify an insurance company for all or a portion of the insurance risks underwritten by the insurance company. The Company establishes estimates of amounts recoverable from its reinsurers in a manner consistent with the claim liability covered by the reinsurance contracts, net of an allowance for uncollectible amounts. Net insurance loss reserves represent loss and loss adjustment expense reserves reduced by reinsurance recoverable on unpaid losses.

In a broad sense, loss and loss adjustment expense reserves have two components: case reserves, which are reserves established within the claims function for claims that have been reported to the Company, and reserves established by management for claims incurred but not reported to the Company and for future development on claims that have been reported (collectively, IBNR). Case reserves are estimated based on the experience and knowledge of claims staff regarding the nature and potential cost of each claim. The Company's claims staff periodically adjusts case reserves as additional information becomes known or payments are made. Generally accepted actuarial methods are used to project estimates of IBNR. Actuaries use a variety of statistical and analytical methods to determine

estimates of IBNR, which are based, in part, on historical claim reporting and payment patterns. In estimating IBNR, actuaries consider all available information, including historical experience, changes in business mix, coverage limits, changes in claims handling practices, pricing, reinsurance protections, inflation and the effects of legal, social and legislative trends on future claim payments. Management exercises judgment based upon its knowledge of its business, review of the outcome of actuarial studies, historical experience and other factors to record an estimate it believes reflects its expected ultimate unpaid loss and loss adjustment expenses and related reinsurance recoverables.

Regardless of the techniques used, estimation is inherent in the process of establishing unpaid loss reserves and related reinsurance recoverables as of any given date. Uncertainties in projecting ultimate claim amounts are magnified by the time lag between when a claim actually occurs and when it becomes reported and settled. This time lag is sometimes referred to as the "claim-tail". The claim-tail for most property coverages is typically short. The claim-tail for liability coverages, such as general and product liability, directors and officers liability, medical malpractice and workers' compensation, can be especially long as claims are often reported or settled years after the related occurrences. During the claims reporting and settlement period, additional facts regarding claims and trends become known which may cause the Company to adjust its estimate of its ultimate net loss and loss adjustment expense liability.

Loss and loss adjustment expense reserve estimates at the Company are subject to additional uncertainty as a consequence of numerous factors that occurred subsequent to the 1998 merger of the U.S. operations of General Accident plc (General Accident) and Commercial Union plc (Commercial Union), two companies with different underwriting and claims management philosophies and practices. Beginning in the mid-1990s, and continuing through the merger and the subsequent operational integration of General Accident and Commercial Union, the Company experienced an environment of significant change, both in its business and operations. Generally accepted actuarial techniques used to estimate reserves rely in large degree on projecting historical trends (such as patterns of claim development (i.e., reported claims and paid losses)) into the future. Accordingly, estimating reserves becomes more uncertain if business mix, case reserve adequacy, claims payment rates, coverage limits and other factors change over time. The breadth and depth of the business and operational changes that occurred at the Company (1) led to a wider range in the reserve estimates produced by a variety of actuarial loss reserving techniques, especially those that rely upon consistent claim development patterns, and (2) introduced greater complexity to the judgments required to be made by management in determining the impact of the business and operational changes on the development patterns used to estimate reserves.

Activity in the liability for unpaid loss and loss adjustment expenses is summarized as follows (dollars in millions):

	AS OF MAY 31, 2001	AS OF JUNE 30, 2000
Gross beginning balance	$ 6,982.7	$ 6,368.8
Less reinsurance recoverable on unpaid losses	(1,276.3)	(1,285.6)
Net beginning balance	5,706.4	5,083.2
Incurred related to:		
Current year	1,554.4	1,640.5
Prior years	16.7	-
Total incurred losses	1,571.1	1,640.5
Total paid losses	(1,567.6)	(1,610.7)
Net ending balance	5,709.9	5,113.0
Plus reinsurance recoverable on unpaid losses	1,196.2	1,008.2
Gross ending balance	$ 6,906.1	$ 6,121.2

6. CONTINGENCIES

a. LITIGATION

The Company has been named a defendant in various legal proceedings arising in the normal course of business. In the Company's opinion, based on the advice of legal counsel, the ultimate resolution of these proceedings will not have a material effect on the Company's consolidated financial statements. However, liabilities related to these proceedings could be established in the near term if estimates of the ultimate resolution of these proceedings are revised.

b. RESIDUAL MARKETS

As a condition to its licenses to do business in certain states, the Company must participate in various mandatory shared market mechanisms commonly referred to as "residual" or "involuntary" markets. These markets generally consist of risks considered to be undesirable from a standard or routine underwriting perspective. Each state dictates the levels of insurance coverage that is mandatorily assigned to participating insurers within these markets. The total amount of such business an insurer must accept in a particular state is generally based on that insurer's market share of voluntary business written within that state. In certain cases, the Company is obligated to write business from shared market mechanisms at a future date based on its historical market share of all voluntary policies written within that state. The actual underwriting results associated with this business have historically been, and are anticipated to continue to be, significantly worse than those policies underwritten by the Company in its core businesses, particularly with respect to private passenger automobile, commercial automobile and workers compensation lines of business.

The insurance laws of many states generally provide that property and casualty insurers doing business in those states belong to a statutory property and casualty guaranty association or workers compensation second injury funds. The purpose of guaranty associations is to protect policyholders by requiring that solvent property and casualty insurers pay certain insurance claims of insolvent insurers. These guaranty associations generally pay these claims by assessing solvent insurers proportionately based on the insurer's share of voluntary premiums written in the state.

ACCOUNTING FOR MANDATORY SHARED MARKET MECHANISMS
Premiums associated with market assignments to be written in the current period are recognized as revenues and are earned ratably over the terms of the related policies. Acquisition costs such as commissions, premium taxes, brokerage expenses and other costs which are directly attributable to and vary with the production of new business are deferred and amortized over the applicable premium recognition period. Deferred acquisition costs are limited to the amount expected to be recovered from future earned premiums and anticipated investment income. This limitation is referred to as a premium deficiency. A premium deficiency is recognized if the sum of expected loss and loss adjustment expenses, expected dividends to policyholders, unamortized acquisition costs, and maintenance costs exceeds related unearned premiums. A premium deficiency is recognized by charging any unamortized acquisition costs to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds unamortized acquisition costs then a liability is accrued for the excess deficiency.

The Company's market assignments are typically required to be written in the current period, however, in certain special cases the Company is required to accept policy assignments at a future date. The Company's residual market assignments to be written in the future primarily relate to private passenger automobile assigned risk exposures within the state of New York where several of the Company's insurance subsidiaries write voluntary automobile insurance. In doing so, these subsidiaries are obligated to accept assignments from the New York Automobile Insurance Plan (NYAIP), a residual insurance market that obtains personal automobile insurance for those individuals who cannot otherwise obtain insurance coverage in the voluntary insurance market. The share of involuntary written premium for policies assigned by the NYAIP to a particular insurer in a given year is based on the proportion of the total voluntary writings in the state of New York two years prior. Under the NYAIP, an insurance company can contractually transfer its NYAIP obligation to another insurance company. This process is called Limited Assigned Distribution (LAD), and the companies that assume this obligation are called LAD servicing carriers. LAD servicing carriers are paid fees to assume the insurance risk of NYAIP obligations, which are typically a percentage of the total premiums the LAD servicing carrier must write to fulfill the NYAIP obligation of the transferor company. In return, the LAD servicing carrier is contractually obligated to pay all loss and loss adjustment and other underwriting expenses related to the NYAIP assigned premiums of the transferor company, with no recourse to the transferor. Anticipated losses associated with future market assignments are recognized when the amount of such anticipated losses is determined to be probable and can be reasonably estimatable.

The ultimate amount of loss in the case of an NYAIP obligation is either (1) the total fees paid to a LAD servicing carrier to transfer the NYAIP obligation, (2) the excess of loss and loss adjustment expenses and other underwriting expenses to be paid over premiums to be collected from NYAIP assigned policies (if OneBeacon decided to write the assigned policies itself) net of applicable credits available under the program resulting from voluntary writings of qualifying policies or (3) some combination of (1) and (2). The ultimate amount of the loss is dependent on both direct and indirect future factors, including the claims experience of NYAIP policyholders, future increases or decreases in the premium rates which New York allows companies to charge NYAIP assigned policyholders, and the future entrance or exit of LAD servicing carriers to the LAD servicing market. Management regularly reviews and updates this obligation and any adjustments to the obligation are reflected in current operations. As of May 31, 2001, the Company's liability for obligations associated with NYAIP assignments resulting from voluntary business written in the preceding two-year period was $110.4 million.

ACCOUNTING FOR INSURANCE-RELATED ASSESSMENTS

Charges associated with insurance-related assessments are recognized as underwriting expenses when all of the following occur: (1) when an assessment is imposed or it is probable that an assessment will be imposed, (2) when the event obligating an entity to pay an assessment occurs and (3) when the amount of the assessment can be reasonably estimated.

7. SUBSEQUENT EVENTS

On June 1, 2001, in conjunction with the sale of its U.S. property and casualty insurance operations, the Company undertook a series of significant and related transactions with CGNU plc, including:

- - The sale of the Company's discontinued operations to CGNU plc was completed. The Company received proceeds of $500.9 million from CGNU plc.

- - The Company repaid $1.1 billion in intercompany debt to CGNU plc with proceeds from the sale of the Company's life insurance and Canadian operations to CGNU plc, the sale of certain other assets to CGNU plc and available cash. In addition, CGNU plc made a $200.0 million cash contribution to the Company.

- - CGNU plc caused the Company to purchase reinsurance protection with National Indemnity Company (the NICO Cover) for $1,114.8 million in cash. Pursuant to the NICO Cover, the Company obtained $2.5 billion in total coverage against its asbestos, environmental and certain other latent exposures and ceded net nominal loss reserves of $747.6 million. Additionally, CGNU plc caused the Company to purchase reinsurance protection with General Reinsurance Corporation (the GRC Cover) for $275.0 million in cash. Pursuant to the GRC Cover, the Company obtained $400.0 million of adverse development coverage on accident year 2000 and prior losses and ceded $170.0 million of loss reserves.

On June 1, 2001, CGNU plc completed its previously announced sale of its U.S. property and casualty insurance operations to White Mountains. The purchase price was $2,114.3 million of which $260.0 million consisted of a Seller Note issued by White Mountains to CGNU plc, with the balance paid in cash. The Seller Note has an eighteen month term and bears interest at a rate equal to 50 basis points over the rate on White Mountains' revolving loan

facility. The Seller Note may be settled in cash, or at White Mountains' option, with shares valued at $245.00 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

On June 1, 2001 a wholly-owned subsidiary of White Mountains Insurance Group, Ltd. (White Mountains) acquired CGU Corporation (CGU or the Company) from London-based CGNU plc. The consolidated financial statements of the Company as of and for the five months ended May 31, 2001, for the six months ended June 30, 2000 and as of and for the year ended December 31, 2000 were prepared in their entirety under the direction of the former management of the Company, and for the benefit of, CGNU plc.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions, which are based on information known as of the date the financial statements are prepared and issued, that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results can differ from those estimates, particularly with respect to loss and loss adjustment expense reserves, as further information subsequently unfolds. The Company's financial results for the year ended December 31, 2000 included $818.0 million of loss and loss adjustment expenses related to events that were determined to have occurred in prior accident years. For further discussion of this adverse development on prior accident years, see Exhibits 99(w) and 99(z).

These historic financial statements are not necessarily indicative of financial results expected in future periods and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2000, 1999 and 1998 included in this Form 8-K as Exhibit No. 99(w).

On September 25, 2000, in connection with its pending acquisition by White Mountains, the Company determined that it would sell its life insurance operations, its Canadian property and casualty operations and certain other non-insurance operations to its parent, CGNU plc, immediately prior to White Mountains' acquisition of the Company on June 1, 2001. Accordingly, these discontinued operations have been excluded from the Company's continuing operations herein.

On June 1, 2001, in conjunction with the sale of the Company's U.S. property and casualty insurance operations, CGNU plc caused the Company to purchase $2.5 billion in reinsurance protection for its asbestos, environmental and certain other latent exposures with National Indemnity Company (the NICO Cover) and $400.0 million of adverse loss development reinsurance protection with General Reinsurance Corporation (the GRC Cover).

RESULTS OF OPERATIONS--FIVE MONTHS ENDED MAY 31, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

The discussion which follows describes the results of operations for the periods presented in the consolidated financial statements presented herein. Discussion and analysis below for 2001 is for the five months ended May 31, the date prior to the sale of the Company's U.S. property and casualty operations; whereas the period presented for 2000 includes the month of June. The discussion and analysis below for the 2001 period does not include the effects of the NICO Cover and the GRC Cover.

CGU reported net income from continuing operations of $55.6 million for the five months ended May 31, 2001

compared to net income from continuing operations of $99.8 million for the six months ended June 30, 2000. The decrease in income from continuing operations is mainly due to the increases in loss and loss adjustment expenses through the five months ended May 31 and other underwriting expenses incurred during 2001 as further described below. The combined ratio, calculated excluding the effects the NICO Cover and the GRC Cover, for the five months ended May 31, 2001 was 123%. OneBeacon's reported combined ratio for the six months ended June 30, 2000 was 106%.

Net written premiums for the five months ended May 31, 2001 were $1,758.7 million, compared to $2,274.4 million for the six months ended June 30, 2000. The decrease in net written premium reflects the effect of management's decision not to renew accounts, such as certain commercial lines policies, considered to have performed poorly, as well as the beginning effects of certain actions taken at the behest of White Mountains subsequent to White Mountains' agreement to purchase the Company to terminate underperforming accounts and agents and re-underwrite the book of business. Earned insurance premiums for the five months ended May 31, 2001 were $1,906.9 million, compared to $2,157.0 million for the six months ended June 30, 2000. The decrease in earned premium is due in part to the inclusion of an additional month of earned premium in the 2000 period presented.

Loss and loss adjustment expenses were $1,571.1 million for the five months ended May 31, 2001, compared to $1,640.5 million for the six months ended June 30, 2000. A decrease due to the inclusion of one less month in the 2001 period was offset by the impact of using higher selected loss ratios to establish reserves for "long-tail" coverages in 2001 as compared to 2000. For some lines of business, such as "long-tail" coverages, claims data reported in the early development of an accident year are often too limited to provide a meaningful basis for analysis due to the delay in reporting of claims. For this type of business, the Company uses a selected loss ratio for the initial accident year or years. The selected loss ratio is chosen based upon information used in pricing policies for that line of business, as well as any publicly available industry data, such as industry pricing, experience and trends, for that line of business. Selected loss ratios used to set reserves in 2001 reflected management's expectation of higher losses on policies written in 2001 in its workers compensation and general liability lines as a result of adverse development experienced in those lines during 2000.

Other underwriting expenses for the five months ended May 31, 2001 were $783.5 million, compared to $642.6 million for the six months ended June 30, 2000. This increase, despite the comparison of five months to six months, resulted from the immediate recognition of certain deferred policy acquisition costs considered to be unrecoverable in future periods due to poor underwriting results experienced during 2001 and 2000. This increase also resulted from the recording of pretax adjustments of (i) $110.4 million to establish a liability relating to obligations associated with assigned risk exposures in New York in response to changes in the New York Automobile Insurance Plan and fees charged by Limited Assigned Distribution servicing carriers, (ii) $42.0 million in allowances for doubtful accounts on insurance balances receivable relating to uncollectible receivables due from agents that had been terminated and (iii) $18.0 million of liabilities relating to premium deficiency reserves on unearned premium as of May 31, 2001 associated with the Company's National Accounts and National Programs. In addition, other underwriting expenses increased during the 2001 period relating to employee benefit obligations, write-offs of non-utilizable software costs and litigation reserves recorded in the normal course of business.

Net investment income totaled $229.2 million for the five months ended May 31, 2001, compared to $243.3 million for the six months ended June 30, 2000. A decrease due to the inclusion of one less month in the 2001 period was partially offset by an increase resulting from a decision made by the Company during the 2000 fourth quarter and 2001 first quarter to liquidate a large portion of its common equity portfolio in favor of additional investments in fixed maturities.

Net realized gains from sales of investment securities and other investments totaled $362.3 million for the five months ended May 31, 2001, compared to $43.0 million for the six months ended June 30, 2000. The $319.3 million increase resulted from the sale of a large portion of the Company's common equity portfolio during the 2001 first quarter.

Interest expense for the five months ended May 31, 2001 was $32.7 million, compared to $36.4 million for the six months ended June 30, 2000. This $3.7 million decrease primarily resulted from the inclusion of one less month in the 2001 period compared to the 2000 period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash are premiums, investment income, reinsurance recoveries on paid losses, and proceeds from investment sales and maturities. The Company's primary uses of cash are claims payments, underwriting and other operating expenses, commissions and other acquisition costs, taxes and purchases of investment securities. The fixed maturity portfolio of the Company at May 31, 2001 consisted primarily of publicly traded, investment grade corporate debt securities, U.S. government and agency securities and mortgage-backed securities.

The Company maintains a portion of its investment portfolio in highly liquid, short-term securities to provide for its immediate cash needs.

On June 1, 2001, the Company repaid its $1.1 billion intercompany term note with CGNU immediately prior to its acquisition by White Mountains.

On June 1, 2001, CGNU plc made a $200.0 million cash contribution to the Company immediately prior to its acquisition by White Mountains.

On June 1, 2001, in conjunction with the acquisition, CGNU plc caused the Company to purchase the NICO Cover for $1,114.8 million in cash. Pursuant to the NICO Cover, OneBeacon obtained $2.5 billion in total coverage against its asbestos, environmental and certain other latent exposures and ceded net nominal loss reserves of $747.6 million.

On June 1, 2001, in conjunction with the acquisition, CGNU plc caused the Company to purchase the GRC Cover for $275.0 million in cash. Pursuant to the GRC Cover, the Company obtained $400.0 million of adverse development coverage.

The Company's ability to pay dividends to its shareholder is dependent on the receipt of dividends from its insurance subsidiaries. In a given calendar year, the Company's insurance subsidiaries can generally dividend the greater of 10% of their statutory surplus at the beginning of the year or the prior year's statutory net income without prior regulatory approval subject to the availability of unassigned funds (the statutory accounting equivalent of retained earnings). Larger dividends can be paid only upon regulatory approval.

EXHIBIT 99(y)

WHITE MOUNTAINS INSURANCE GROUP, LTD.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

INTRODUCTION AND OVERVIEW

On June 1, 2001, White Mountains Insurance Group, Ltd. (the "Company") acquired OneBeacon Insurance Group ("OneBeacon", formerly CGU) from CGNU plc ("CGNU") for total consideration of $2.1 billion (the "Acquisition"), of which $260.0 million consisted of a convertible note payable (the "Seller Note") with the balance paid in cash.

The following unaudited pro forma condensed combined income statements of the Company for the year ended December 31, 2000 and the six months ended June 30, 2001 present results for the Company as if the Acquisition had occurred as of January 1, 2000. The Acquisition was fully reflected in the Company's June 30, 2001 balance sheet. Therefore, a pro forma condensed consolidated balance sheet at June 30, 2001 has not been supplied herein.

The consolidated financial statements of OneBeacon for the first five of the six months ended June 30, 2001 and the year ended December 31, 2000 were prepared in their entirety under the direction of the former management of OneBeacon, and for the benefit of CGNU. The consolidated financial statements of OneBeacon for the one month ended June 30, 2001 were prepared in their entirety under the direction of, and for the benefit of the Company.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions, which are based on information known as of the date the financial statements are prepared and issued, that affect the reported amounts of assets, liabilities, revenues and expenses. Eventual results can differ from those estimates, particularly with respect to loss and loss adjustment expense reserves, as further information subsequently unfolds.

An overview of each column presented in the unaudited pro forma condensed combined income statements for the period ended June 30, 2001 and December 31, 2000 is as follows:

WHITE MOUNTAINS

The "White Mountains" column represents the Company's historical results as reported in its Quarterly Report on Form 10-Q for the period ended June 30, 2001 and in its Annual Report on Form 10-K for the year ended December 31, 2000.

ONEBEACON

The amounts presented in the "OneBeacon" column represent OneBeacon's historical stand-alone results for each applicable period. As such, OneBeacon's results as presented in the unaudited pro forma condensed combined income statement for the six months ended June 30, 2001 exclude the results of Folksamerica Holding Company, Inc. and its subsidiaries ("Folksamerica"), which became a wholly owned subsidiary of OneBeacon on June 1, 2001. Folksamerica's results for the full six months ended June 30, 2001 are included in the White Mountains column.

ADJUSTMENTS FOR THE ACQUISITION

The amounts in the "Adjustments for the Acquisition" column represent various closing and related pre-closing transactions undertaken in the acquisition of OneBeacon by the Company as described below.

DEBT TENDER AND DEBT ESCROW TRANSACTIONS

In connection with the Acquisition, the Company completed a tender offer and consent solicitation for $96.3 million in outstanding medium-term notes (the "Debt Tender") which facilitated the Acquisition by amending the indenture governing the notes. Pursuant to the Debt Tender, the Company repurchased and retired $90.9 million of its medium-term notes and subsequently prepaid, in the form of a fully-funded irrevocable escrow arrangement (the "Debt Escrow"), the balance of the outstanding medium-term notes.

EQUITY FINANCING

On June 1, 2001, a small group of private investors purchased $437.6 million of a newly-issued class of non-voting convertible preference shares of the Company (the "Convertible Preference Shares"). The Convertible Preference Shares bear a dividend of 1% per year and will be automatically converted (at a conversion price of approximately $200.00 per share) into 2,184,583 common shares upon approval of the conversion by the Company's shareholders. If shareholder approval has not been obtained prior to March 31, 2003, each holder of Convertible Preference Shares will thereafter have the right to require the Company to repurchase the Convertible Preference Shares on an "as converted" basis at the then-current price of a common share. Since the market value of the Company's common shares at June 1, 2001 ($346.00 per common share) exceeded the private investors' cost of the Convertible Preference Shares (approximately $200.00 per common share), this instrument is deemed to have a beneficial conversion feature. This determination requires that the Convertible Preference Shares be marked-to-market, by an adjustment to retained earnings until the date the Convertible Preference Shares are converted to permanent common equity (which will occur upon shareholder approval, if and when such approval is obtained).

On June 1, 2001, Berkshire Hathaway, Inc. ("Berkshire") purchased from the Company, for $75.0 million in cash, warrants (the "Warrants") to acquire 1,714,285 common shares at an exercise price of $175.00 per share. Of the total Warrants purchased by Berkshire, Warrants to purchase 1,170,000 common shares (the "Series A Warrants") were immediately exercisable and Warrants to purchase approximately 544,285 common shares (the "Series B Warrants") will become exercisable upon approval by shareholders. Shareholder approval will be sought at the same time as approval of the conversion of Convertible Preference Shares is sought. If shareholder approval has not been obtained by March 31, 2003, Berkshire will thereafter have the right to require the Company to repurchase the Series B Warrants at a price per Series B Warrant equal to the then-current market price per common share less $175.00. The Warrants have a term of seven years from the date of issuance although the Company has the right to call the Warrants for $60.0 million in cash commencing on the fourth anniversary of their issuance. Since the Series B Warrants do not yet represent common equity to the Company, they constitute a contingent put liability (similar in nature to a stock appreciation right) which will be carried at fair value through a periodic charge or credit to the income statement. The Series B Warrants will become permanent common equity upon shareholder approval, if and when such approval is obtained.

On June 1, 2001, Berkshire also purchased for $225.0 million, $300.0 million in face value of cumulative non-voting preferred stock (the "Berkshire Preferred Stock") of a subsidiary of the Company. The Berkshire Preferred Stock is entitled to a dividend of no less than 2.35475% per quarter and is mandatorily redeemable after seven years. The Berkshire Preferred Stock represents subsidiary preferred stock which is considered to be minority interest in the Company's consolidated financial statements.On June 1, 2001, Zenith Insurance Company purchased $20.0 million in cumulative non-voting preferred stock (the "Zenith Preferred Stock") of a subsidiary of the Company. The Zenith Preferred Stock is entitled to a dividend of no less than 2.5% per quarter through June 30, 2007 and a dividend of no less than 3.5% thereafter and is mandatorily redeemable after ten years. The Zenith Preferred Stock represents subsidiary preferred stock which is considered to be minority interest in the Company's consolidated financial statements.

BANK FINANCING

On June 1, 2001, a subsidiary of the Company borrowed $700.0 million in term loans and $125.0 million in revolving loans (of a $175.0 million revolving loan facility) from a banking syndicate arranged by Lehman Brothers Inc. (collectively the "Lehman Facility"). The term loans are repayable in quarterly installments with a final maturity on the sixth anniversary of the closing date. The revolving loan facility is available on a revolving basis from the closing date until the fifth anniversary of the closing. The loans are variable rate instruments which are currently tied to a rate based on the three-month eurodollar rate.

SIGNIFICANT REINSURANCE CONTRACTS

Immediately prior to the Acquisition, OneBeacon entered into reinsurance agreements with National Indemnity Company (the "NICO Cover") and General Re Corporation (the "GRC Cover") which provide OneBeacon with significant reinsurance protections against unanticipated increases in recorded reserves for insurance losses and loss adjustment expenses. The NICO Cover provides up to $2.5 billion of protection against OneBeacon's asbestos, environmental and certain other latent exposures. The GRC Cover provides for up to $400.0 million in excess of loss reinsurance protection against adverse development on accident year 2000 and prior losses. Because the NICO Cover and the GRC Cover were material non-recurring transactions undertaken in connection with the Acquisition, the financial effects of the NICO Cover and the GRC Cover are excluded from the pro forma statements of operations for the year ended December 31, 2000 and the six months ended June 30, 2001. The potential effects of the NICO Cover and the GRC Cover on White Mountains' premiums and Net loss from continuing operations for the year ended December 31, 2000 and the six months ended June 30, 2001 are supplementally disclosed in Note K herein.

SELLER NOTE

On June 1, 2001, the Company issued the Seller Note to CGNU. The Seller Note has an 18 month term and bears interest at a rate equal to 50 basis points over the rate on the Lehman Facility described above. The Seller Note may be settled in cash, or at the Company's option, with common shares valued at $245.00 per share. The Company has classified this obligation as debt since management believes it has the ability to settle this obligation in a form other than pursuant to the Note Purchase Option Agreement which governs the Seller Note.

PRECLOSING TRANSACTIONS WITH CGNU

On June 1, 2001, OneBeacon repaid $1.1 billion in intercompany debt to CGNU with proceeds from the sale of OneBeacon's life insurance and Canadian operations to CGNU, the sale of certain other assets to CGNU and available cash. In addition, CGNU made a $200.0 million cash contribution to OneBeacon immediately prior to Acquisition.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed combined income statements of the Company for the year ended December 31, 2000 and the six months ended June 30, 2001 present results for the Company as if the Acquisition had occurred as of January 1, 2000.

The unaudited pro forma financial information is provided for informational purposes only. The unaudited pro forma financial information does not purport to represent what the Company's results of operations actually would have been had the Acquisition, in fact, occurred as of the date indicated, or to project the Company's results of operations for any future date or period. The pro forma adjustments are based on available information and assumptions that the Company currently believes are reasonable under the circumstances and that are considered to be material to the overall pro forma presentation. The unaudited pro forma financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2000, the Company's Quarterly Reports on Form 10-Q for the period ended March 31, 2001 and June 30, 2001, CGU's audited consolidated financial statements for the years ended December 31, 2000, 1999 and 1998 which are enclosed herein as Exhibit 99(w) and CGU's unaudited consolidated balance sheet as of May 31, 2001 and CGU's unaudited income statements and statements of cash flows for the five months ended May 31, 2001 and the six months ended June 30, 2000, which are enclosed herein as Exhibit 99(x).

WHITE MOUNTAINS INSURANCE GROUP, LTD.
UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2001
(in millions of dollars, except share and per share data)

REVENUES	White Mountains	OneBeacon	Adjustments for the Acquisition	White Mountains Pro Forma Combined
Earned insurance and reinsurance premiums	$ 549.0	$ 1,906.9	$ -	$ 2,455.9
Net realized gains (losses) on investment securities	33.3	362.3		395.6
Net investment income	82.2	229.2	(7.6) E	
			(36.4) F	267.4
Other revenues	42.3	-	40.6 G	82.9
TOTAL REVENUES	706.8	2,498.4	(3.4)	3,201.8
EXPENSES				
Losses and loss adjustment expenses	500.7	1,571.1	-	2,071.8
Other underwriting expenses	221.1	783.5	5.8 H	1,010.4
Accretion of discounted loss reserves	7.5	-	28.4 G	35.9
Interest expense	8.4	32.7	(2.1) A	
			28.8 C	
			(36.4) F	
			9.1 G	40.5
Share appreciation expense - contingent warrants	78.1	-	-	78.1
TOTAL EXPENSES	815.8	2,387.3	33.6	3,236.7
PRETAX EARNINGS (LOSS)	(109.0)	111.1	(37.0)	(34.9)
Income tax benefit (provision)	24.4	(55.5)	10.1 C	
			9.9 G	
			2.0 H	(9.1)
Minority interest:				
Accretion of subsidiary preferred stock to face value	(0.7)	-	(3.7) B	(4.4)
Dividends on subsidiary preferred stock	(2.4)	-	(11.9) B	
			(0.8) D	(15.1)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	$ (87.7)	$ 55.6	$ (31.4)	$ (63.5)
Average shares used in computing loss per share	5,878,024			5,878,024
Loss per common share (Note I):				
Net loss from continuing operations available to common shareholders	$ (80.35)			$ (32.43)

See the accompanying notes to the unaudited pro forma condensed combined financial statements.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2000
(in millions of dollars, except share and per share data)

REVENUES	White Mountains	OneBeacon	Adjustments for the Acquisition	White Mountains Pro Forma Combined
Earned insurance and reinsurance premiums	$ 334.4	$ 4,275.0	-	$ 4,609.4
Net realized gains (losses) on investment securities	(8.4)	732.8	-	724.4
Net investment income	85.9	504.9	$ (20.0) E (71.5) F	499.3
Gains on sales of subsidiaries and other assets	385.8	-	-	385.8
Other revenues	50.5	-	97.4 G	147.9
TOTAL REVENUES	848.2	5,512.7	5.9	6,366.8
EXPENSES				
Losses and loss adjustment expenses	287.7	4,302.0	-	4,589.7
Other underwriting expenses	189.0	1,426.2	12.7 H	1,627.9
Accretion of discounted loss reserves	-	-	105.0 G	105.0
Interest expense	16.1	71.5	(7.2) A 73.8 C (71.5) F 24.7 G	107.4
Share appreciation expense - contingent warrants	-	-	62.6 B	62.6
TOTAL EXPENSES	492.8	5,799.7	200.1	6,492.6
PRETAX EARNINGS (LOSS)	355.4	(287.0)	(194.2)	(125.8)
Income tax benefit (provision)	(42.5)	83.3	25.8 C 36.8 G 4.4 H	107.8
Minority interest:				
Accretion of subsidiary preferred stock to face value	-	-	(10.7) B	(10.7)
Dividends on subsidiary preferred stock	-	-	(28.3) B (2.0) D	(30.3)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 312.9	$ (203.7)	$ (168.2)	$ (59.0)
Earnings per Common Share (Note I):				
Average shares used in computing basic earnings per share	5,894,875			5,894,875
Basic earnings (loss) per common share (Note I):				
Net income (loss) from continuing operations available to common shareholders	$ 53.08			$ (54.74)
Average shares used in computing diluted earnings per share	5,920,625			5,894,875
Diluted earnings (loss) per common share (Note I):				
Net income (loss) from continuing operations available to common shareholders	$ 52.84			$ (54.74)

See the accompanying notes to the unaudited pro forma condensed combined financial statements.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

NOTES TO UNAUDITED PRO FORMA CONDENSED
COMBINED FINANCIAL STATEMENTS

ADJUSTMENTS FOR THE ACQUISITION

The pro forma Acquisition adjustments, as they relate to the unaudited pro forma condensed combined statements of income, are described below. Due to the timing of the Acquisition, the Company's actual results for the six months ended June 30, 2001 contained OneBeacon's actual results for the one month ended June 30, 2001. As a result, the pro forma income statement adjustments presented for the six months ended June 30, 2001 related to the Acquisition represent adjustments only for the period January 1, 2001 to May 31, 2001 unless otherwise noted.

(A) Pursuant to the Debt Tender, the Company repurchased and retired $90.9 million of $96.3 million in medium-term notes and subsequently prepaid, through the Debt Escrow, the balance of its outstanding medium-term notes. The $2.1 million and $7.2 million reductions in interest expense presented on the pro forma income statements for the periods ended June 30, 2001 and December 31, 2000, respectively, represent interest expense on medium-term notes retired under the Debt Tender.

The medium-term notes are an obligation of the Company, which is domiciled in Bermuda. Accordingly, no Federal income taxes were recorded for these adjustments.

(B) On June 1, 2001, White Mountains received a total of $300.0 million in cash from Berkshire in full payment for the Berkshire Preferred Stock and the Warrants. The total proceeds received were allocated to each instrument based on their relative estimated fair values at the date of acquisition. As a result, $145.2 million of such proceeds were allocated to the Berkshire Preferred Stock and $154.8 million of such proceeds were allocated to the Warrants. Of the amount initially allocated to the Warrants, a further allocation was made among the Series A Warrants and the Series B Warrants of $105.7 million and $49.1 million, respectively, based on the relative number of Warrants in each series. The estimated fair values attributed to the Warrants were determined using the Black-Scholes option pricing model.

Share appreciation expense relating to the Series B Warrants of $62.6 million recorded on the December 31, 2000 pro forma income statement represents the excess of the estimated fair value of the Series B Warrants of $111.7 million over the purchase price allocation to the Series B Warrants of $49.1 million. This treatment assumes that shareholder approval did not occur during this period. Upon shareholder approval, the estimated fair value of the Series B Warrants recorded as a liability will be reclassed to shareholders' equity. The Company recorded $58.8 million of share appreciation expense related to the Series B Warrants in its June 30, 2001 income statement; accordingly, no pro forma adjustment is necessary for the six months ended June 30, 2001.

Berkshire Preferred Stock dividends of $11.9 million and $28.3 million recorded for the periods ended June 30, 2001 and December 31, 2000, respectively, represent regular dividends on the Berkshire Preferred Stock. Accretion of subsidiary preferred stock to face value of $3.7 million and $10.7 million recorded for the periods ended June 30, 2001 and December 31, 2000, respectively, represent accretion on the Berkshire Preferred Stock which is required to transition the Berkshire Preferred Stock's recorded value (initially $145.2 million) to its face value of $300.0 million over the instrument's seven-year term. The accretion was determined using the interest method of amortization.

The Warrants are an obligation of the Company which is domiciled in Bermuda. Accordingly, no Federal income taxes were recorded for the Warrants.

(C) On June 1, 2001, Fund American Companies, Inc., a wholly owned subsidiary of the Company, borrowed $825.0 million pursuant to the Lehman Facility. The increases in interest expense of $28.8 million and $73.8 million for the periods ended June 30, 2001 and December 31, 2000, respectively, represent interest on the Lehman Facility. A one-eighth percentage variance in interest rates would result in decreased or increased interest expense of $1.0 million. The Lehman Facility is an obligation of Fund American which is domiciled in the United States. As a result, a Federal income tax benefit of $10.1 million and $25.8 million, for the periods ended June 30, 2001 and December 31, 2000, respectively, were recorded for these adjustments.

(D) On June 1, 2001, a subsidiary of the Company received a total of $20.0 million in cash from Zenith Insurance Company in full payment for the Zenith Preferred Stock. Zenith Preferred Stock dividends of $0.8 million and $2.0 million, recorded for the periods ended June 30, 2001 and December 31, 2000, respectively, represent regular dividends on the Zenith Preferred Stock.

(E) The Company utilized $364.0 million of its cash on hand to fund the Acquisition, the Debt Tender, the Debt Escrow and related expenses. The Company estimates that it earned $7.6 million and $20.0 million, for the periods ended June 30, 2001 and December 31, 2000, respectively, on such balances which were held in the form of short-term investments.

Cash on hand used to fund the Acquisition was previously held at a subsidiary of the Company which is domiciled in Barbados. As a result, no Federal income taxes were recorded for this adjustment.

(F) The $36.4 million and $71.5 million reductions in net investment income and interest expense recorded on the pro forma income statements for the periods ended June 30, 2001 and December 31, 2000, respectively, resulted from the repayment of the $1.1 billion CGNU intercompany note. The yield of 6.5% on the CGNU intercompany note approximated OneBeacon's historical pre-tax yield on its fixed maturity portfolio during the periods.

(G) The Acquisition will be accounted for by the purchase method of accounting in accordance with the treatment of a purchase business combination under Accounting Principles Board Opinion ("APB") 16, "Business Combinations." and, therefore, the assets and liabilities of CGU will be recorded at their estimated fair values at June 1, 2001. The preliminary adjustments to record the assets and liabilities of CGU to their estimated fair values and to allocate the excess of such estimated fair values of the net assets acquired over the purchase price follow. Such values were determined using management's best estimate.

DETERMINATION OF PURCHASE PRICE (in millions)

Total purchase price paid in cash	$	1,811.9
Acquisition expenses incurred and paid through closing		42.4
Total cash paid		1,854.3
Seller Note issued to CGNU		260.0
Total purchase price	$	$2,114.3

ALLOCATION OF PURCHASE PRICE

Net book value of CGU at June 1, 2001	$	2,991.1
Total purchase price		(2,114.3)
Adjustments to net book value described in note (J)		(106.9)

ADJUSTMENTS TO REFLECT THE ESTIMATED FAIR VALUE OF ASSETS AND LIABILITIES ASSUMED:	
Loss and loss adjustment expense reserves	652.1
Reinsurance recoverable	(352.1)
Amounts recorded in other assets:	
Employee benefit plans	(31.2)
Miscellaneous other	(.2)
Amounts recorded in other liabilities:	
Recognition of liabilities in connection with the Acquisition	(43.3)
Employee benefit plans	(54.8)
Miscellaneous other	(36.5)
ADJUSTMENTS TO REDUCE THE CARRYING VALUE OF NONCURRENT, NON-FINANCIAL ASSETS:	
Amounts recorded in other assets:	
Property, plant and equipment	(185.9)
Miscellaneous other	(18.4)
Goodwill and intangible assets	(42.2)
Net Federal deferred and current taxes relating to purchase accounting adjustments	(24.6)
RESULTING DEFERRED CREDIT	$ 682.0

DETERMINATION OF PURCHASE PRICE

SELLER NOTE. On June 1, 2001, the Company issued the $260.0 million Seller Note to CGNU. For the pro forma periods ended June 30, 2001 and December 31, 2000, interest expense on the Seller Note was $9.1 million and $24.7 million, respectively.

ALLOCATION OF PURCHASE PRICE

ADJUSTMENTS TO REFLECT THE ESTIMATED FAIR VALUE OF ASSETS AND LIABILITIES ASSUMED:

The following pro forma purchase accounting adjustments were undertaken to reflect CGU's assets and liabilities purchased by the Company at their estimated fair values.

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES AND REINSURANCE RECOVERABLES. The estimated fair values of CGU's loss and loss adjustment expense reserves and related reinsurance recoverables were based on the present value of their expected cash flows with consideration for the uncertainty inherent in both the timing of, and the ultimate amount of, future payments for losses and receipts of amounts recoverable from reinsurers. In estimating the fair value of such items, management adjusted CGU's nominal loss reserves (net of the effects of reinsurance obtained from NICO and GRC in connection with the Acquisition) and discounted them to their present value assuming a 4.7% risk-free discount rate. The series of future cash flows related to such loss payments and reinsurance recoveries were actuarially developed using CGU's historical loss data. The "price" for bearing the uncertainty inherent in CGU's net loss reserves was assumed to be approximately 11% of the present value of the expected underlying cash flows of the loss reserves and reinsurance recoverables, which is believed to be reflective of the cost CGU would likely incur if it had attempted to obtain reinsurance for the full amount of its net loss and loss adjustment expense reserves with a third party reinsurer. As a result, loss and loss adjustment expense reserves and the related reinsurance recoverables on those amounts have been reduced by $652.1 million and $352.1 million, respectively. This reduction to net loss and loss adjustment expense

reserves of $300.0 million will be accreted through an income statement charge over the period that the claims are expected to be settled.

Accretion of loss and loss adjustment expense reserves of $28.4 million and $105.0 million recorded on the pro forma income statements for the periods ended June 30, 2001 and December 31, 2000, respectively, represent the amortization of net loss and loss adjustment expense reserves (which were reduced to their estimated fair value in purchase accounting) to their nominal value over the respective reporting period. The accretion expenses recorded during these periods assumes that 19% and 35% of the loss and loss adjustment expense reserves acquired by White Mountains pursuant to the Acquisition are recognized during the first and second years, respectively, on an annualized basis. As a result, a Federal income tax benefit of $9.9 million and $36.8 million, for the periods ended June 30, 2001 and December 31, 2000, respectively, were recorded for this adjustment.

RECOGNITION OF LIABILITIES IN CONNECTION WITH THE ACQUISITION. The $43.3 million pro forma adjustment to increase other liabilities represents $28.0 million of liabilities associated with the fair value of obligations under National Accounts and National Programs contracts and $15.3 million representing White Mountains' best estimate of the expected costs to exit certain business activities of CGU. Costs associated with the exit of certain of CGU's business activities have been estimated in accordance with EITF No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination".

EMPLOYEE BENEFITS PLANS. In accordance with Financial Accounting Standards Board ("FASB") No. 87, "Employers' Accounting for Pensions", CGU's pension plan was required to recognize all previously unrecognized transition items as of the date of the Acquisition which increased the prepaid pension asset by $2.6 million. In addition, White Mountains revised the weighted average discount rate used to determine CGU's pension obligations from 7.5% to 7.0% in light of current market conditions which reduced the pension asset by $33.8 million. The net impact of the pension adjustments served to decrease other assets by $31.2 million pretax.

In accordance with FASB No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", CGU's postretirement plan was required to recognize all previously unrecognized transition items as of the date of the Acquisition which increased other liabilities by $47.0 million. In addition, White Mountains revised the weighted average discount rate used to determine CGU's postretirement obligations from 7.5% to 7.0% in light of current market conditions which increased other liabilities by $7.8 million. The total impact of the postretirement adjustments served to increase other liabilities by $54.8 million pretax.

ADJUSTMENTS TO REDUCE THE CARRYING VALUE OF NONCURRENT, NON-FINANCIAL ASSETS:

After recording all assets and liabilities purchased at their estimated fair values, the excess of acquired net assets over the purchase price has been used to reduce the estimated fair values of all noncurrent, non-financial assets acquired, in accordance with APB 16.

AMORTIZATION OF DEFERRED CREDIT. The excess of the estimated fair value of net assets (after the reduction of the carrying amounts of noncurrent, non-financial assets acquired) over the purchase price related to the Acquisition of $682.0 million has been recorded as a deferred credit in accordance with APB 16. The deferred credit is being amortized systematically to income over the estimated period of benefit of seven years. As a result, deferred credit amortization of $40.6 million and $97.4 million has been recorded on the pro forma income statements for the periods ended June 30, 2001 and December 31, 2000, respectively.

In June 2001 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141 entitled "Business Combinations". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method and calls for the recognition of all existing deferred credits arising from business combinations prior to July 1, 2001 through the income statement on the first day of the fiscal year beginning after December 15, 2001. In accordance with SFAS No. 141, White Mountains will recognize its remaining unamortized deferred credit balance on January 1, 2002 as a cumulative effect of a change in accounting principle.

(H) On June 1, 2001, White Mountains awarded 73,500 restricted shares to its key employees pursuant to the Acquisition which will vest in June 2003. Compensation expenses of $5.8 million and $12.7 million recorded on the

pro forma income statements for the periods ended June 30, 2001 and December 31, 2000, respectively, represent restricted share awards deemed to have been earned by recipients over the periods. As a result, a Federal income tax benefit of $2.0 million and $4.4 million, for the periods ended June 30, 2001 and December 31, 2000, respectively, were recorded for this adjustment.

EARNINGS PER SHARE

(I) The basic earnings per common share computation is determined using the weighted average number of common shares outstanding during the period. The diluted earnings per common share computation is determined using the weighted average number of common shares and dilutive common share equivalents outstanding during the period. The pro forma income statements for the periods ended June 30, 2001 and December 31, 2000 each present a net loss to common shareholders. Accordingly, no additional common share equivalents resulting from the Acquisition have been included in the pro forma earnings per share computations as the inclusion of such potential shares would be anti-dilutive.

On June 1, 2001, the Company received a total of $437.6 million in cash from a small group of private investors in full payment for the Convertible Preference Shares. Due to the beneficial conversion feature inherent in the Convertible Preference Shares that existed on the date of conversion, the Convertible Preference Shares must be marked to market (based on the market value of the underlying Common Shares) while they were assumed to be outstanding, with the excess of market value over the cash proceeds being charged directly to retained earnings and included in the Company's determination of earnings or loss per share. In addition, in determining earnings (loss) per share, earnings from continuing operations are reduced by dividends assumed to be paid on the Convertible Preference Shares.

Based on the market value of Common Shares on June 30, 2001 and December 31, 2000, the pro forma loss per share for the the six months ended June 30, 2001 and the year ended December 31, 2000 was computed as follows:

	Six Months ended June 30, 2001	Year ended December 31, 2000
NET LOSS FROM CONTINUING OPERATIONS	$ (63.5)	$ (59.0)
Redemption value adjustment - Convertible Preference Shares	(125.0)	(259.3)
Dividends on Convertible Preference Shares	(2.1)	(4.4)
NET LOSS FROM CONTINUING OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS	$ (190.6)	$ (322.7)
Average shares used in computing loss per share	5,878,024	5,894,875
Loss per common share:		
Net loss from continuing operations available to common shareholders	$ (32.43)	$ (54.74)

NON-RECURRING TRANSACTIONS

SIGNIFICANT REINSURANCE CONTRACTS AND REPAYMENT OF DEBT

(J) Effective June 1, 2001, in accordance with a provision in the OneBeacon purchase and sale agreement, CGNU caused OneBeacon to purchase the NICO Cover for total consideration of $1,322.3 million and the GRC Cover for total consideration of $275.0 million in cash. The NICO Cover and the GRC Cover, which were contingent on, and occurred contemporaneously with the Acquisition, qualify for prospective reinsurance accounting treatment under the Emerging Issues Task Force Technical Matter Document No. D-54 ("EITF Topic D-54") which characterizes the protection as an indemnification by the seller for increases in the liabilities for losses and loss adjustment expenses that existed at the acquisition date. Because the NICO Cover and the GRC Cover were material non-recurring transactions undertaken in connection with the Acquisition, the financial effects of the NICO Cover and the GRC Cover are excluded from the pro forma statements of operations for the year ended December 31, 2000 and the six months ended June 30, 2001. The NICO Cover and the GRC Cover would have reduced revenues by $1.5 billion and increased the net loss from continuing operations by $306.9 million during the pro forma periods presented.

On June 1, 2001, OneBeacon repaid $1.1 billion in intercompany debt to CGNU with proceeds from the sale of OneBeacon's life insurance and Canadian operations to CGNU, the sale of certain other assets to CGNU and available cash. In addition, CGNU made a $200.0 million cash contribution to OneBeacon immediately prior to Acquisition.

Exhibit 99(z)

MANAGEMENT'S DISCUSSION AND ANALYSIS TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CGU CORPORATION FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

CGU Corporation ("the Company") reported a net loss from continuing operations of $203.7 million for the year ended December 31, 2000 versus net income from continuing operations of $270.6 million for the comparable 1999 period. The decline in net income in 2000 related principally to an $818.0 million increase in loss and loss adjustment expense reserves recorded during that period relating to prior accident year losses, partially offset by an increase in net realized gains from sales of investment securities. The Company's reported combined ratio for 2000 was 134% versus 110% for 1999.

Net written premiums from 1999 to 2000 increased slightly to $4,294.1 million in 2000 versus $4,248.7 million in 1999. Net earned premiums also increased slightly to $4,275.1 million in 2000 versus $4,260.0 million in 1999. The net $15.1 million increase in net earned premiums was comprised of a $35.8 million increase in premiums relating to commercial lines, a $27.4 million increase relating to specialty lines and a $48.1 million decrease relating to personal lines.

Commercial lines net earned premiums increased in 2000 primarily as a result of overall price increases but were offset slightly by management's decision not to renew accounts considered to have performed poorly and by premiums ceded in connection with certain reinsurance coverages. Specialty lines net earned premiums increased in 2000 as the Company increased its focus on specialty writings at this time. However, incurred losses on this business line were later determined to be much higher than originally anticipated which prompted the Company to discontinue writing many of its specialty products in 2001. Personal lines net earned premiums declined in 2000.

The Company's loss and loss adjustment expenses increased $1,049.6 million to $4,302.0 million in 2000 versus $3,252.4 million in 1999. The increase in loss and loss adjustment expenses resulted primarily from $818.0 million of adverse loss development recorded during 2000 relating to prior accident years as compared to $57.5 million of adverse development recorded during 1999. The adverse loss development recorded during 2000 related to long-tail lines of business, primarily for accident years 1998 and prior. Reserve increases were $176.2 million for workers compensation (on reserves as of December 31, 1999 of $846.0 million), $318.2 million for general liability (on reserves as of December 31, 1999 of $1.1 billion), $151.8 million for multiple peril (on reserves as of December 31, 1999 of $1.1 billion) and $110.9 million for commercial automobile liability (on reserves as of December 31, 1999 of $547.7 million). These increases in reserves reflected the impact of external factors, as well as Company-specific factors. External factors included the emergence of construction defect losses, medical inflation, a general deterioration in market pricing, terms and conditions, adverse judicial rulings and higher-than-anticipated legal costs. These external factors were also experienced throughout the property and casualty insurance industry as evidenced by adverse development reported by other property and casualty insurers. A significant portion of the 2000 reserve increases is attributable to Company-specific factors including changes in the mix of business written in the mid-1990s by the U.S. subsidiaries of General Accident plc ("General Accident") and Commercial Union plc ("Commercial Union"), which had merged in 1998 to form CGU Corporation ("CGU"). Along with being adversely impacted by external factors much of this new business written by the legacy companies was, in hindsight, poorly written and priced.

Beginning in 1999, post-merger initiatives led to changes in case reserving philosophy and the speed of claim payments, especially for business written by General Accident. These changes impacted the loss development patterns of CGU causing reported and paid losses to be higher than that which would have been predicted from historical experience. By affecting development patterns, these internal operational factors made it more difficult than usual for management, its actuaries, and independent actuaries to estimate reserves at the end of 1999. After reviewing the then current claims data and performing additional tests to evaluate the impact of the internal operational changes, prior management concluded that the apparent increase in claim development activity (i.e., the dollar amounts of reported claims and paid losses) in 1999 was largely the result of the post-merger operational initiatives and accordingly an increase in reserves for prior accident years was not warranted. Further, industry information available at the time, in general, did not provide strong evidence of deteriorating results. In 2000, as more claim development information became available with respect to the emergence of external factors, changes in business mix and the impact of internal operational changes in CGU's business, management increased reserves on prior accident years.

Catastrophe losses net of reinsurance decreased $44.6 million to $89.0 million in 2000 versus $133.6 million in 1999. Catastrophe losses affecting 2000 results consisted of weather related events, including severe weather in the Northeast and the Southeast and winter storms in the Midwest. Catastrophe losses

affecting 1999 results consisted of Hurricane Floyd, severe tornado and hail storms in the Southwest and winter storms in the Midwest and the Northeast.

Other underwriting expenses decreased $18.6 million to $1,425.2 million in 2000 versus $1,443.8 million in 1999. Expenses incurred in 1999 related to the merger of Commercial Union and General Accident at the end of 1998 resulted in higher other underwriting expenses in that year versus 2000 despite increases during 2000 in deferred acquisition cost expenses and additional employee incentive costs related to the acquisition of the Company by White Mountains. The increase in 2000 deferred policy acquisition cost expenses resulted primarily from the immediate recognition of $23.6 million of such costs that were considered to be unrecoverable in future periods due to poor underwriting results experienced during 2000.

Net investment income of $504.9 million in 2000 was essentially unchanged from $502.1 million in 1999. During the latter part of the 2000 fourth quarter the Company significantly decreased its portfolio of common equity securities in favor of additional investments in fixed maturity investments. Due to the timing of these changes in its investment portfolio, these actions did not have a significant impact on the components of the Company's net investment income for 2000.

Net realized gains from sales of investment securities increased $350.9 million to $732.8 million in 2000 versus $381.9 million in 1999. During 2000, the Company recognized net realized gains of $553.9 million from sales of common equity securities versus comparable net realized gains of $398.2 million in 1999. In addition, the Company recognized net realized gains of $195.8 million during 2000 from sales of fixed maturity securities versus comparable net realized losses of $16.1 million in 1999. The increase in net realized gains recognized by the Company during 2000 principally resulted from a decision to reduce its portfolio of common equity securities and to reallocate a larger portion of its fixed maturity portfolio to U.S. Government and agency obligations.

Interest expense of $72.5 million in 2000 was essentially unchanged from $72.8 million recorded in 1999. During 1999 and 2000 the Company's intercompany term loan from its parent remained at approximately $1.1 billion.

The Company's income tax benefit of $83.3 million in 2000 represented an effective tax rate of 29.0%. The Company's income tax expense of $104.5 million in 1999 represented an effective tax rate of 27.9%. The Company's effective rate of tax benefit for 2000 (resulting from a net loss reported during that year) was less than the statutory rate of 35% as a result of establishing deferred tax valuation allowances during the 2000 period which more than offset the effects of tax exempt interest on certain fixed maturity securities and dividends received deductions on dividends relating to certain equity securities. The Company's effective tax rate for 1999 was less than the statutory rate of 35% due to the effects of tax exempt interest on certain fixed maturity securities and dividends received deductions on dividends relating to certain equity securities.

Prior to June 1, 2001 White Mountains Insurance Group, Ltd. ("White Mountains") did not own CGU and therefore did not establish CGU's reserves. In addition, because there has been nearly complete turnover of senior management at CGU since the acquisition, White Mountains has primarily relied on reviews of prior actuarial studies, discussions with in-house actuaries and accountants who were with CGU prior to the acquisition and CGU's independent auditors to determine the factors that led to and caused the adverse development related to prior accident years that was recorded in 2000.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

The Company reported net income from continuing operations of $270.6 million for the year ended December 31, 1999 versus a net loss from continuing operations of $301.0 million for the comparable 1998 period. The net loss recorded during 1998 was the result of a reserve increase relating primarily to environmental and asbestos exposures. Underwriting results recorded during the 1999 period were influenced by reserve levels that were subsequently determined to be inadequate as evidenced by significant reserve increases recorded in 2000. The Company's reported combined ratio for 1999 was 110% versus 134% for 1998.

Net written premiums from 1998 to 1999 increased $135.3 million to $4,248.7 million in 1999 versus $4,113.4 million in 1998. Net earned premiums also increased to $4,260.0 million in 1999 versus $4,041.9 million in 1998. The $218.1 million increase in net earned premiums from 1998 to 1999 consisted of a $155.3 million increase in premiums relating to specialty lines, a $81.0 million increase relating to commercial lines offset by a $18.2 million decrease relating to personal lines.

The increase in specialty lines net earned premiums for 1999 resulted primarily from the acquisition of National Farmers Union Property & Casualty Company and its subsidiaries ("NFU") by the Company on July 16, 1998. In addition, specialty lines net earned premiums increased in 1999 as the Company increased its focus on specialty writings at this time. Commercial lines net earned premiums in 1999 increased principally from increased writings of workers compensation risks. Personal lines net earned premiums declined in 1999.

The Company's loss and loss adjustment expenses decreased $694.5 million to $3,252.4 million in 1999 versus $3,946.9 million in 1998. The decrease in

loss and loss adjustment expenses from 1998 to 1999 resulted from lower reserves recorded in 1999 versus 1998. During 1999 the Company recorded $57.5 million of adverse loss development. During 1998, the Company increased reserves by $614.0 million relating to environmental and asbestos exposures and $226.6 million for other lines.

Catastrophe losses net of reinsurance decreased $44.3 million to $133.6 million in 1999 versus $177.9 million in 1998. Catastrophe losses affecting 1999 results consisted of Hurricane Floyd, severe tornado and hail storms in the Southwest and winter storms in the Midwest and the Northeast. Catastrophe losses affecting 1998 results consisted of a severe ice storm affecting northern New England, tornado and hail storms in the Southeast and the Midwest.

Other underwriting expenses decreased $17.7 million to $1,443.8 million in 1999 versus $1,461.5 million in 1998. During 1999, reductions in costs related to the merger of Commercial Union Corporation and General Accident Corporation of America were partially offset by an increase in expenses related to information systems development and deferred policy acquisition costs.

Net investment income increased $21.8 million to $502.1 million in 1999 versus $480.3 million in 1998. This increase resulted from a combination of higher yields earned as well as a higher concentration of fixed maturity investments during the 1999 period versus 1998.

Net realized gains from sales of investment securities decreased $18.4 million to $381.9 million in 1999 versus $400.3 million in 1998. The decrease in net realized gains from 1998 to 1999 came principally from net realized losses on sales of fixed maturity investments of $16.2 million resulting from decreases in market interest rates during the period.

Interest expense increased $71.4 million to $72.8 million in 1999 versus $1.3 million in 1998. The increase in interest expense during 1999 related principally to an intercompany borrowing of $1.1 billion from the Company's parent which was undertaken in the 1998 fourth quarter.

The Company's income tax expense of $104.5 million in 1999 represented an effective tax rate of 27.9%. The Company's income tax benefit of $186.1 million in 1998 represented an effective tax rate of 38.2%. The Company's effective tax rate for 1999 was less than the statutory rate of 35% due to the effects of tax exempt interest on certain fixed maturity securities and dividends received deductions on dividends relating to certain equity securities. The Company's effective rate of tax benefit for 1998 (resulting from a net loss reported during that year) was greater than the statutory rate of 35% as a result of the effects of tax exempt interest on certain fixed maturity securities and dividends received deductions on dividends relating to certain equity securities.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash are premiums, investment income, reinsurance recoveries on paid losses, and proceeds from investment sales and maturities. The Company's primary uses of cash are claims payments, underwriting and other operating expenses, commissions and other acquisition costs, taxes and purchases of investment securities. The fixed maturity portfolio of the Company at December 31, 2000 consisted primarily of publicly traded, investment grade corporate debt securities, U.S. government and agency securities and mortgage-backed securities.

The Company maintains a portion of its investment portfolio in highly liquid, short-term securities to provide for its immediate cash needs.

In 1998, the Company's parent contributed $475.0 million in capital to the Company consisting of $425.3 million in cash and $50.0 million in the form of common stock of Houston General Insurance Company.

In 1998, the Company made a return of capital distribution of $1.1 billion in cash to its parent.

In 1998, the Company borrowed $1.1 billion from its parent in the form of an intercompany term note from a wholly owned subsidiary of the Company 's ultimate parent and direct owner of 45.9% of the Company's common stock. In addition, the Company also had third-party debt of $13.9 million and $30.8 million at December 31, 2000 and 1999, respectively.

In 1998, the Company purchased NFU for $116.4 million in cash.

The Company's ability to pay dividends to its shareholder is dependent on the receipt of dividends from its insurance subsidiaries. In a given calendar year, the Company's insurance subsidiaries can generally dividend the greater of 10% of their statutory surplus at the beginning of the year or the prior year's statutory net income without prior regulatory approval subject to the availability of unassigned funds (the statutory accounting equivalent of retained earnings). Larger dividends can be paid only upon regulatory approval. During the years ended December 31, 2000, 1999 and 1998, the Company declared and subsequently paid dividends totalling $342.3 million, $180.1 million and $302.8 million, respectively.