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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

August 2, 2004
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) 640-2200
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.01 COMPLETION OF ACQUISITION OF ASSETS.

On August 2, 2004, White Mountains Insurance Group, Ltd. ("White Mountains" or the "Registrant") issued a press release stating that the investor group led by White Mountains and Berkshire Hathaway Inc. had completed its previously announced acquisition of the life and investments business of Safeco Corporation ("Symetra Financial"). The press release was previously furnished as Exhibit 99.2 on the Registrant's Form 8-K dated August 2, 2004. This current report on Form 8-K/A amends the Registrant's Form 8-K dated August 2, 2004 (filed on August 12, 2004) by furnishing the financial statements and pro forma financial information required pursuant to Item 9.01 of Form 8-K.

The Stock Purchase Agreement by and among Safeco Corporation, General America Corporation, White Mountains Insurance Group, Ltd. and Occum Acquisition Corp. was filed previously as Exhibit 10 to the Registrant's Form 8-K dated March 15, 2004.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) *Financial Statements of Businesses Acquired.*

The audited combined financial statements of Symetra Financial as of and for the year ended December 31, 2003 are filed herewith as Exhibit 99.3. The unaudited interim combined financial statements for Symetra Financial as of June 30, 2004 and for the six months ended June 30, 2004 and 2003 are filed herewith as Exhibit 99.4. The GAAP financial statements of Symetra Financial filed herewith as Exhibits 99.3 and 99.4 were prepared by the management of Symetra Financial for the indicated pre-acquisition periods. The investor group that purchased Symetra Financial is in the process of reviewing Symetra Financial's statutory accounting records for potential purchase price adjustments pursuant to the terms of the Stock Purchase Agreement.

(b) *Pro Forma Financial Information.*

The unaudited pro forma condensed combined balance sheet of the Registrant as of June 30, 2004 and the unaudited pro forma condensed combined income statements of the Registrant for the six months ended June 30, 2004 and year ended December 31, 2003 are furnished herewith as Exhibit 99.5.

(c) Exhibits. The following exhibits are attached herewith:

EXHIBIT INDEX

99.3	The audited combined financial statements of Symetra Financial as of and for the year ended December 31, 2003.
99.4	The unaudited combined financial statements for Symetra Financial as of June 30, 2004 and for the six months ended June 30, 2004 and 2003.
99.5	The unaudited pro forma condensed combined balance sheet of the Registrant as of June 30, 2004 and the unaudited pro forma condensed combined income statements of the Registrant for the six months ended June 30, 2004 and the year ended December 31, 2003.

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: October 15, 2004

By: /s/ J. BRIAN PALMER

J. Brian Palmer
Chief Accounting Officer

Exhibit 99.3

COMBINED FINANCIAL STATEMENTS

Symetra Financial
Year Ended December 31, 2003
With Report of Independent Auditors

Symetra Financial

Combined Financial Statements

Year Ended December 31, 2003

CONTENTS

Report of Independent Registered Public Accounting Firm

Board of Directors
Symetra Financial Corporation

We have audited the accompanying combined balance sheet of Symetra Financial (formerly wholly owned subsidiaries of Safeco Corporation) as of December 31, 2003, and the related combined statements of income, changes in shareholder's equity, comprehensive income and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Company at December 31, 2003, and the combined results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

September 24, 2004

Symetra Financial

Combined Balance Sheet

December 31, 2003
(In thousands)

ASSETS	
Investments:	
Available-for-sale securities:	
Fixed maturities, at fair value (cost or amortized cost: $16,710,722)	$ 18,044,154
Marketable equity securities, at fair value (cost: $97,511)	109,881
Mortgage loans:	
Nonaffiliates	926,286
Affiliates	33,518
Policy loans	85,590
Short-term investments	121,751
Other invested assets	20,957

Total investments	19,342,137
Cash and cash equivalents	15,028
Accrued investment income	231,390
Other notes and accounts receivable	114,871
Reinsurance recoverables	179,754
Deferred policy acquisition costs	282,291
Intangibles and goodwill	150,864
Other assets	3,583
Securities lending collateral	1,054,495
Separate account assets	1,137,439
Total assets	$ 22,511,852

LIABILITIES AND SHAREHOLDER'S EQUITY	
Funds held under deposit contracts	$ 16,582,390
Future policy benefits	331,855
Policy and contract claims	139,114
Unearned premiums	9,838
Other policyholders' funds	46,555
Other liabilities	236,446
Current income taxes payable	26,926
Deferred income tax liability	380,137
Securities lending payable	1,054,495
Separate account liabilities	1,137,439
Total liabilities	19,945,195
Commitments and contingencies (Note 9)	
Capital stock (Note 1)	7,459
Additional paid-in capital	397,354
Retained earnings	1,332,072
Accumulated other comprehensive income, net of taxes:	
Unrealized gains and losses on available-for-sale securities and derivative financial instruments	886,980
Deferred policy acquisition costs valuation allowance	(57,208)
Total accumulated other comprehensive income	829,772
Total shareholder's equity	2,566,657
Total liabilities and shareholder's equity	$ 22,511,852

SEE NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statement of Income

Year Ended December 31, 2003
(In thousands)

Revenues:	
Premiums	$ 680,518
Net investment income	1,211,680
Other revenues	86,199
Net realized investment losses	(25,573)
Total	1,952,824
Benefits and expenses:	
Policy benefits	1,355,768
Other underwriting and operating expenses	346,753
Amortization of deferred policy acquisition costs	51,327
Intangibles and goodwill amortization	8,331
Total	1,762,179
Income before income taxes	190,645
Provision for income taxes:	
Current	42,597
Deferred	9,358
Total	51,955
Net income	$ 138,690

SEE NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statement of Changes in Shareholder's Equity

Year Ended December 31, 2003
(In thousands)

Capital stock	$ 7,459
Additional paid-in capital:	
Balance at beginning of year	390,874
Capital contribution from Safeco	4,537
Stock option expense allocation from Safeco	1,943
Balance at end of year	397,354
Retained earnings:	
Balance at beginning of year	1,193,382
Net income	138,690
Balance at end of year	1,332,072
Accumulated other comprehensive income, net of taxes:	
Balance at beginning of year	702,074
Other comprehensive income	127,698
Balance at end of year	829,772
Shareholder's equity	$ 2,566,657

SEE NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statement of Comprehensive Income

Year Ended December 31, 2003
(In thousands)

Net income	$ 138,690
Other comprehensive income, net of taxes:	
Change in unrealized gains and losses on available-for-sale securities (net of tax: $72,357)	134,376
Reclassification adjustment for net realized investment losses included in net income (net of tax: $8,936)	16,594
Derivatives qualifying as cash flow hedges --net change in fair value (net of tax: $(765))	(1,421)
Adjustment for deferred policy acquisition costs valuation allowance (net of tax: $(11,766))	(21,851)
Other comprehensive income	127,698
Comprehensive income	$ 266,388

SEE NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statement of Cash Flows

Year Ended December 31, 2003
(In thousands)

OPERATING ACTIVITIES	
Insurance premiums received	$ 592,664
Dividends and interest received	1,146,172
Other operating receipts	88,238
Insurance claims and policy benefits paid	(525,843)

Underwriting, acquisition and operating costs paid	(401,503)
Income taxes paid	(11,232)
Net cash provided by operating activities	888,496
INVESTING ACTIVITIES	
Purchases of:	
Fixed maturities available-for-sale	(4,468,976)
Equity securities available-for-sale	(9,953)
Other invested assets	(8,737)
Issuance of nonaffiliated mortgage loans	(117,810)
Issuance of policy loans	(22,229)
Maturities and calls of fixed maturities available-for-sale	2,110,144
Sales of:	
Fixed maturities available-for-sale	1,286,177
Equity securities available-for-sale	27,101
Other invested assets	10,140
Repayment of nonaffiliated mortgage loans	111,456
Repayment of policy loans	23,327
Repayment of affiliated mortgage loans	1,669
Net decrease in short-term investments	43,767
Other, net	(370)
Net cash used in investing activities	(1,014,294)
FINANCING ACTIVITIES	
Funds received under deposit contracts	1,219,314
Return of funds held under deposit contracts	(1,124,411)
Net cash provided by financing activities	94,903
Net decrease in cash	(30,895)
Cash and cash equivalents at beginning of year	45,923
Cash and cash equivalents at end of year	$ 15,028

SEE NOTES TO COMBINED FINANCIAL STATEMENTS.

Combined Statement of Cash Flows
Reconciliation of Net Income to Net Cash Provided by Operating Activities

Year Ended December 31, 2003
(In thousands)

Net income	$ 138,690
Adjustments to reconcile net income to net cash provided by operating activities:	
Net realized investment losses	25,573
Accretion of fixed maturity investments	(21,451)
Accrued interest on accrual bonds	(45,937)
Amortization and depreciation	15,733
Deferred income tax provision	9,358
Interest expense on deposit contracts	905,785
Mortality and expense charges and administrative fees	(84,238)
Other, net	(980)
Changes in:	
Accrued investment income	(3,091)
Deferred policy acquisition costs	(22,490)
Other receivables	(32,821)
Policy and contract claims	(30,918)
Future policy benefits	(8,052)
Unearned premiums	287
Accrued income taxes	28,016
Other assets and liabilities	15,032
Total adjustments	749,806
Net cash provided by operating activities	$ 888,496

There were no significant noncash financing or investing activities for the year ended December 31, 2003, with the exception of the $4,537 capital contribution from Safeco disclosed in Note 13.

SEE NOTES TO COMBINED FINANCIAL STATEMENTS.

Notes to Combined Financial Statements
(All dollar amounts in thousands, unless otherwise stated)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Symetra Financial is a group of stock life insurance and financial services companies. We began as wholly owned subsidiaries of Safeco Corporation (Safeco), a Washington State corporation whose subsidiaries were engaged in two principal businesses: (1) property and casualty insurance, including surety; and (2) life insurance and asset management. As part of Safeco we were included in the segment known as Safeco Life and Investments. We are comprised primarily of Safeco Life Insurance Company, a stock life insurance company organized under the laws of the state of Washington, and its three wholly owned subsidiaries: Safeco National Life Insurance Company, American States Life Insurance Company, and First Safeco National Life Insurance Company of New York.

These companies offer individual and group insurance products, pension products, and annuity products marketed through professional agents in all states and the District of Columbia. Our principal products, measured by 2003 premiums and deposit volume, include: fixed deferred annuities, stop-loss medical insurance, variable annuities, single premium immediate annuities, and individual life insurance.

Also included in this group are Safeco Administrative Services, Inc., a third-party administrator of employee benefit programs; Safeco Asset Management Company, the investment advisor for the Safeco Mutual Funds; Safeco Securities, Inc., the principal underwriter of the Safeco Mutual Funds; Safeco Services Corporation, the transfer agent for the Safeco Mutual Funds; Safeco Investment Services, Inc., a broker-dealer; and Safeco Assigned Benefits Service Company. These affiliates were wholly owned subsidiaries of Safeco.

On September 29, 2003, Safeco announced its intent to sell Safeco Life and Investments. In the fourth quarter of 2003, $8,818 was accrued for employee retention bonuses associated with this planned sale, which is included in other underwriting and operating expenses in the Combined Statement of Income (see Note 15).

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NATURE OF OPERATIONS (CONTINUED)

On August 2, 2004, the following companies were purchased by an investor group led by White Mountains Insurance Group, Ltd., and Berkshire Hathaway, Inc., and became the privately held group of companies known today as Symetra Financial:

- Symetra Life Insurance Company (formerly Safeco Life Insurance Company)
- Symetra National Life Insurance Company (formerly Safeco National Life Insurance Company)
- American States Life Insurance Company
- First Symetra National Life Insurance Company of New York (formerly First Safeco National Life Insurance Company of New York)
- Symetra Administrative Services, Inc. (SAS) (formerly Safeco Administrative Services, Inc.)
- Symetra Asset Management Company (formerly Safeco Asset Management Company)
- Symetra Securities, Inc. (formerly Safeco Securities, Inc.)
- Symetra Services Corporation (formerly Safeco Services Corporation)
- Symetra Investment Services, Inc. (formerly Safeco Investment Services, Inc.)
- Symetra Assigned Benefits Service Company (formerly Safeco Assigned Benefits Service Company)

Throughout our Combined Financial Statements, the member companies of Symetra Financial are referred to as "the Company," "we," and "our" and the new names of the entities have been used as if those names were in effect in 2003. In addition, all references to affiliated companies refer to former Safeco affiliates.

BASIS OF COMBINATION AND REPORTING AND USE OF ESTIMATES

The Combined Financial Statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that may affect the amounts reported in the Combined Financial Statements and accompanying notes. Actual results could differ from those estimates.

All significant intercompany transactions and balances have been eliminated in the Combined Financial Statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

We report life insurance premiums for traditional individual life policies as income when due from the policyholder. These policies, which include guaranteed renewable term and whole life policies, are long-duration contracts.

We report premiums from group life and health policies as income when earned, over the life of the policy. We report the portion of premiums unearned as a liability for unearned premiums on the Combined Balance Sheet.

We report premiums from universal life and investment-type contracts as deposits to policyholders' account balances and reflect these amounts as liabilities rather than as premium income when received. Funds received under these contracts were $1,219,314 in 2003. Revenues from these contracts consist of investment income on these funds and amounts assessed during the period against policyholders' account balances for mortality charges, policy administration charges and surrender charges. We include these amounts in premium and other revenue in the Combined Statement of Income.

Dealers' concession income and commission expense on variable annuity and variable life insurance products and mutual funds are recorded on the trade date as related transactions occur. Commissions paid on the sale of Class B mutual fund shares are capitalized and amortized over a period of six years, matching expected revenues (12b-1 fees and contingent deferred sales charges (CDSC)) with commission expenses. We include these amounts in other revenue and other underwriting and operating expenses in the Combined Statement of Income.

Commissions on the sale of various benefit products and fees received from the administration of employee benefit plans are recognized as income at the time the sale is consummated or the service is rendered.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities," we classify our investments into one of three categories: held-to-maturity, available-for-sale or trading. We determine the appropriate classification of both fixed maturities and equity securities at the time of purchase and re-evaluate such designation as of each balance sheet date. Fixed maturities include bonds, mortgage-backed securities and redeemable preferred stocks. We classify all fixed maturities as available-for-sale and carry them at fair value. We report net unrealized investment gains and losses related to available-for-sale securities in accumulated other comprehensive income (OCI) in Shareholder's Equity, net of related deferred policy acquisition costs and deferred income taxes.

For mortgage-backed securities we recognize income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. Quarterly, we compare actual prepayments to anticipated prepayments and recalculate the effective yield to reflect actual payments-to-date plus anticipated future payments. We include any resulting adjustment in net investment income.

Marketable equity securities include common stocks and nonredeemable preferred stocks. We classify marketable equity securities as available-for-sale and carry them at fair value. Changes in net unrealized investment gains and losses are recorded directly to OCI in Shareholder's Equity, net of related deferred policy acquisition costs and deferred income taxes; Symetra Investment Services records changes in net unrealized investment gains and losses as a component of net realized investment losses in the Combined Statement of Income.

When the collectibility of interest income for fixed maturities is considered doubtful, any accrued but uncollectible interest income is reversed against investment income in the current period. We then place the securities on nonaccrual status and they are not restored to accrual status until all delinquent interest and principal are paid.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

We regularly review the value of our investments. If the value of any of our investments falls below our cost basis in the investment, we analyze the decrease to determine whether it is an other-than-temporary decline in value. To make this determination for each security, we consider:

- How long and by how much the fair value has been below its cost
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential
- Our intent and ability to keep the security long enough for it to recover its value
- Any downgrades of the security by a rating agency
- Any reduction or elimination of dividends, or nonpayment of scheduled interest payments

Based on our analysis, we make a judgment as to whether the loss is other-than-temporary. If the loss is other-than-temporary, we record an impairment charge within Net Realized Investment Losses in our Combined Statement of Income in the period that we make the determination.

We use public market pricing information to determine the fair value of our investments when such information is available. When such information is not available for investments, as in the case of securities that are not publicly traded, we use other valuation techniques. Such techniques include using independent pricing sources, evaluating discounted cash flows, identifying comparable securities with quoted market prices and using internally prepared valuations based on certain modeling and pricing methods. Our investment portfolio at December 31, 2003 included $232,190 of fixed maturities that were not publicly traded, and values for these securities were determined using these other valuation techniques. We owned no equity securities that were not publicly traded.

The cost of securities sold is determined by the "identified cost" method.

We carry mortgage loans at outstanding principal balances, less an allowance for mortgage loan losses. We consider a mortgage loan impaired when it is probable that we will be unable to collect principal and interest amounts due according to the contractual terms of the mortgage loan agreement. For mortgage loans that we determine to be impaired, we charge the difference between the amortized cost and fair value of the underlying collateral to the reserve. We accrue interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured terms. Interest income on nonperforming loans is generally recognized on a cash basis.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

Cash and cash equivalents consist of short-term highly liquid investments with original maturities of less than three months at the time of purchase. Short-term investments consist of highly liquid debt instruments with maturities of greater than three months and less than twelve months when purchased. We carry cash and cash equivalents and short-term investments at cost, which approximates fair value.

We engage in securities lending whereby we loan certain securities from our portfolio to other institutions for short periods of time. We require initial collateral at 102% of the market value of a loaned security. The borrower deposits the collateral with a lending agent. The lending agent invests the collateral to generate additional income according to our guidelines. The market value of the loaned securities is monitored on a daily basis, with additional collateral obtained or refunded as the market value of the loaned securities fluctuates to maintain a collateral value of 102%. We maintain full ownership rights to the securities loaned, and accordingly, the loaned securities are classified as investments. We report the securities lending collateral and the corresponding securities lending payable on the Combined Balance Sheet as an asset and liability.

DERIVATIVE FINANCIAL INSTRUMENTS

Other invested assets on our Combined Balance Sheet are comprised primarily of derivative financial instruments. The Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" in June 1998. SFAS 133 amends or supersedes several previous FASB statements relating to derivatives and requires us to recognize all derivatives as either assets or liabilities in the Combined Balance Sheet at fair value. In June 2000, the FASB issued SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS 133, which addressed a limited number of implementation issues arising from the original statement (collectively, SFAS 133). We adopted SFAS 133, as amended, in January 2001.

Our financial statement recognition of the change in fair value of a derivative depends on the intended use of the derivative and the extent to which it is effective as part of a hedging transaction. Derivatives that are highly effective and designated as either fair value or cash flow hedges receive hedge accounting treatment under SFAS 133.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives that hedge the change in fair value of recognized assets or liabilities are designated as fair value hedges. For derivatives designated as fair value hedges, we recognize the changes in the fair value of both the derivative and the hedged items in net realized investment losses in the Combined Statement of Income.

Derivatives that hedge variable rate assets or liabilities or forecasted transactions are designated as cash flow hedges. For derivatives designated as cash flow hedges, we recognize the changes in fair value of the derivative as a component of OCI, net of deferred income taxes, until the hedged transaction affects current earnings. At the time current earnings are affected by the variability of cash flows, the related portion of deferred gains or losses on cash flow hedge derivatives are reclassified from OCI and recorded in the Combined Statement of Income.

When the changes in fair value of such derivatives do not perfectly offset the changes in fair value of the hedged transaction, we recognize the ineffective portion in the Combined Statement of Income. For derivatives that do not qualify for hedge accounting treatment under SFAS 133, we record the changes in fair value of these derivatives in net realized investment losses in the Combined Statement of Income.

We formally document all relationships between the hedging instruments and hedged items, as well as risk-management objectives and strategies for undertaking various hedge transactions. We link all hedges that are designated as fair value hedges to specific assets or liabilities on the Combined Balance Sheet. We link all hedges that are designated as cash flow hedges to specific variable rate assets or liabilities or to forecasted transactions. We also assess, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge, we discontinue hedge accounting on a prospective basis.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REINSURANCE

We utilize reinsurance agreements to manage our exposure to potential losses. We reinsure all or a portion of our risk to reinsurers for certain types of directly written business. In addition, we reinsure through pools to cover catastrophic losses. Reinsurance does not affect our liability to our policyholders. We remain primarily liable to policyholders for the risks we insure. Accordingly, our policy and contract claims liabilities and future policy benefit reserves are reported gross of any related reinsurance recoverables. We report premiums, benefits and settlement expenses net of reinsurance ceded on the Combined Statement of Income. We account for reinsurance premiums, commissions, expense reimbursements, benefits and reserves related to reinsured business on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. We remain liable to our policyholders to the extent that counterparties to reinsurance ceded contracts do not meet their contractual obligations.

DEFERRED POLICY ACQUISITION COSTS

We defer as assets certain costs, principally commissions and other underwriting costs that vary with and are primarily related to the production of business. We amortize acquisition costs for deferred annuity contracts and universal life insurance policies over the lives of the contracts or policies in proportion to the present value of estimated future gross profits of each of these product lines. In this estimation process, we make assumptions as to surrender rates, mortality experience and investment performance. Actual profits can vary from our estimates and can thereby result in increases or decreases to deferred policy acquisition cost (DAC) amortization rates. We regularly evaluate our assumptions and, when necessary, revise the estimated gross profits of these contracts resulting in adjustments to DAC amortization that are recorded in earnings when such estimates are revised. We adjust the unamortized balance of DAC for the impact on estimated future gross profits as if net unrealized investment gains and losses on securities had been realized as of the balance sheet date. We include the impact of this adjustment, net of tax, in OCI in Shareholder's Equity.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED POLICY ACQUISITION COSTS (CONTINUED)

We amortize acquisition costs for traditional individual life insurance policies over the premium paying period of the related policies using assumptions consistent with those used in computing policy benefit liabilities. We amortize acquisition costs for group life and medical policies over a one-year period.

We conduct regular DAC recoverability analyses for deferred annuity contract, universal life contract and traditional life contract DAC balances. We do a separate recoverability analysis for the DAC balances in each of our business segments. We compare the current DAC balance with the estimated present value of future profitability of the underlying business. The DAC balances are considered recoverable if the present value of future profits is greater than the current DAC balance. As of December 31, 2003, all of our DAC balances were considered recoverable.

INTANGIBLES AND GOODWILL

Goodwill represents the excess of the cost of businesses acquired over the fair value of their net assets, separate from other identifiable intangibles. Other identifiable intangibles for businesses acquired consist mainly of the value of existing blocks of business. We review goodwill annually for impairment, or more frequently if impairment indicators arise. We amortize other purchased intangible assets over their estimated useful lives.

SEPARATE ACCOUNTS

Separate account assets and liabilities reported on the accompanying Combined Balance Sheet consist principally of variable annuities and represent funds that we administer and invest to meet specific investment objectives of the contractholders. The assets of each separate account are legally segregated and are not subject to claims that arise out of our other business activities. We report separate account assets at fair value. Net investment income and net realized and unrealized investment gains and losses generally accrue directly to such contractholders who bear the investment risk, subject in some cases to minimum guaranteed rates. Accordingly, we do not include these investment results in our revenues. Fees charged to contractholders include mortality, policy administration and surrender charges, and are included in premiums and other revenues.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNDS HELD UNDER DEPOSIT CONTRACTS

Liabilities for fixed deferred annuity contracts and guaranteed investment contracts are equal to the accumulated account value of such policies or contracts as of the valuation date. Liabilities for universal life insurance policies are equal to the accumulated account value plus a mortality reserve as of the valuation date. For structured settlement annuities, future benefits are either fully guaranteed or are contingent on the survivorship of the annuitant. Liabilities for fully guaranteed benefits are based on discounted amounts of estimated future benefits. Contingent future benefits are discounted with best-estimate mortality assumptions, which include provisions for longer life spans over time. The interest rate pattern used to calculate the reserve for a structured settlement policy is set at issue. The pattern varies over time starting with interest rates that prevailed at issue and grading to a future level. As of December 31, 2003, the current reserve had near term benefits discounted at 7.89% and long-term benefits discounted at 7.15%.

FUTURE POLICY BENEFITS

We compute liabilities for future policy benefits under traditional individual life and group life insurance policies on the level premium method, which uses a level premium assumption to fund reserves. We select the level premiums so that the actuarial present value of future benefits equals the actuarial present values of future premiums. We set the interest, mortality and persistency assumptions in the year of issue. These liabilities are contingent upon the death of the insured while the policy is in force. We derive mortality assumptions from both company-specific and industry statistics. We discount future benefits at interest rates that vary by year of policy issue, which averaged 4.55% at December 31, 2003.

POLICY AND CONTRACT CLAIMS

Liabilities for policy and contract claims primarily represent liabilities for claims under group medical coverages and are established on the basis of reported losses ("case basis" method). We also provide for claims incurred but not reported (IBNR), based on historical experience. We continually review estimates for reported but unpaid claims and IBNR. Any necessary adjustments are reflected in current operating results. The majority of these claims are incurred and paid in full within a one-year period. Policy and contract claims liabilities amounted to less than 1% of total liabilities at December 31, 2003.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL STOCK

Capital stock for Symetra Financial is comprised of the following (in thousands, except par value and share amounts):

COMPANY	PAR VALUE	SHARES AUTHORIZED	SHARES ISSUED AND OUTSTANDING	CAPITAL STOCK VALUE
Symetra Life Insurance Company Common Stock	$ 250	20,000	20,000	$ 5,000
Symetra Administrative Services, Inc. Common Stock	100	10,000	10,000	1,000
Symetra Asset Management Company Common Stock	1	3,000	600	.6
Common Stock (non-voting)	1	3,000	2,400	2.4
Preferred Stock (6% non-cumulative, non-participating)	100	4,000	4,000	400
Symetra Securities, Inc. Common Stock	100	10,000	10,000	1,000
Symetra Services Corporation Common Stock	100	500	500	50
Symetra Investment Services, Inc. Common Stock	.10	50,000,000	50,000	5
Symetra Assigned Benefits Service Company Common Stock	1	1,000	1,000	1
Total				$ 7,459

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

Through the date of acquisition, we are included in a combined federal income tax return filed by Safeco. Tax payments (credits) are made to or received from Safeco on a separate tax return filing basis. Income taxes have been provided using the liability method in accordance with SFAS 109, "Accounting for Income Taxes." The provision for income taxes has two components: amounts currently payable or receivable and deferred income taxes. Deferred income taxes are recognized when assets and liabilities have different values for financial statement and tax reporting purposes. A valuation allowance is recorded to reduce a deferred income tax asset to the amount expected to be recoverable. Although realization of deferred income tax assets is not assured, it was considered more likely than not that the deferred income tax assets would be realized through future earnings, including, but not limited to, the generation of future operating income, reversal of existing temporary differences and available tax planning strategies. Accordingly, no valuation allowance was recorded at December 31, 2003.

RESTRICTED ASSETS

Symetra Investment Services, Inc. and Symetra Securities, Inc. are subject to the Securities and Exchange Commission Uniform Capital Rule 15c3-1, which requires maintenance of minimum net capital. At December 31, 2003, Symetra Investment Services, Inc. and Symetra Securities, Inc. maintained minimum net capital of $217 and $10, respectively, and were in compliance with this requirement.

NEW ACCOUNTING STANDARDS

New accounting pronouncements that we have recently adopted, or will adopt in the near future, are as follows:

SFAS 146, "ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES"
The FASB issued SFAS 146 in June 2002. The standard requires companies to recognize costs associated with exit and disposal activities when they are incurred rather than the date of a commitment to an exit or disposal plan. It also expands disclosure requirements to include costs by reportable segment. The standard is effective for exit or disposal activities that were initiated after December 31, 2002. We adopted SFAS 146 with no impact on our Combined Financial Statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SFAS 149, "AMENDMENT OF STATEMENT 133 ON DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES"
The FASB issued SFAS 149 in April 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities under SFAS 133. We adopted SFAS 149 with no impact on our Combined Financial Statements.

FASB INTERPRETATION NUMBER (FIN) 45, "GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS"
FIN 45 was issued in November 2002. FIN 45 elaborates on the disclosures required to be made by a guarantor in its financial statements and clarifies that a guarantor is required to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The recognition provisions are effective prospectively for guarantees issued or modified after December 15, 2002. The disclosure requirements for all guarantees are effective for periods ending after December 15, 2002. We do not have any guarantees subject to the recognition provisions of FIN 45. In accordance with the disclosure provisions under FIN 45, the following guarantees were in effect at December 31, 2003:

> In June 2000, we issued a guarantee to General America Corporation (GAC), an affiliate. Under the guarantee, we guarantee repayment of a loan made by GAC to Investar Holdings (Investar), an insurance agency. The loan was made in June 2000 and matures in June 2017. The principal balance of the loan was $15.9 million at December 31, 2003. On August 2, 2004, Symetra Financial Corporation acquired this loan from GAC and the guarantee is no longer in effect. We do not have any guarantees subject to the recognition provisions of FIN 45.

FIN 46R, "CONSOLIDATION OF VARIABLE INTEREST ENTITIES"
The FASB issued FIN 46R in December 2003. FIN 46R changes the method of determining whether certain entities should be combined in our Combined Financial Statements. Except for entities considered to be special purpose entities, FIN 46R is effective in the first period ending after March 15, 2004. We adopted FIN 46R effective December 31, 2003. An entity is subject to FIN 46R and is called a Variable Interest Entity (VIE) if it has:

(All dollar amounts in thousands, unless otherwise stated)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIN 46R, "CONSOLIDATION OF VARIABLE INTEREST ENTITIES" (CONTINUED)

- Equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties
- Equity investors that cannot make significant decisions about the entity's operations, or do not absorb the expected losses or receive the expected returns of the entity

All other entities are evaluated for combination under existing guidance. FIN 46R requires VIEs to be combined by their primary beneficiary, which is the party that has a majority of the expected losses or a majority of the expected residual returns of the VIE, or both.

We have identified certain interests in VIEs as defined by FIN 46R. Based on our analysis of these interests, we do not meet the FIN 46R definition of "primary beneficiary" of any of these entities and therefore have not combined these entities. Even though combination is not required, FIN 46R requires disclosure of the nature of any significant interests in a VIE, a description of the VIE's activities and the maximum exposure to potential losses due to our involvement.

In June 2000, GAC extended a loan to Investar that we guaranteed. Safeco's analysis of Investar determined Investar's equity at risk was not sufficient to finance its activities and is therefore considered a VIE under FIN 46R. The loan is secured by the assets of Investar and personally guaranteed by its equity holders. Based on Safeco's analysis of Investar's expected losses and expected residual returns, neither GAC nor the Company is the primary beneficiary. The potential exposure to losses is limited to the senior debt holding, which was $15.9 million as of December 31, 2003, excluding the value of rights to the assets of the agency and personal guarantees provided by the equity holders. On August 2, 2004, Symetra Financial Corporation acquired this loan from GAC and the guarantee is no longer in effect.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA) STATEMENT OF POSITION (SOP) 03-1, "ACCOUNTING AND REPORTING BY INSURANCE ENTERPRISES FOR CERTAIN NONTRADITIONAL LONG-DURATION CONTRACTS AND FOR SEPARATE ACCOUNTS"

The provisions of SOP 03-1 are effective for fiscal years beginning after December 15, 2003. SOP 03-1 provides guidance in three areas: separate account presentation and valuation; the accounting recognition given sales inducements; and the classification and valuation of long-duration contract liabilities. We adopted SOP 03-1 effective January 1, 2004. Upon adoption, there was no material impact to our Combined Financial Statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMERGING ISSUES TASK FORCE (EITF) 03-1, "THE MEANING OF OTHER-THAN-TEMPORARY IMPAIRMENT AND ITS APPLICATION TO CERTAIN INVESTMENTS"

The provisions of EITF 03-1 are effective for fiscal years ending after December 15, 2003. EITF 03-1 provides disclosure requirements for investments in debt and marketable equity securities that are accounted for under SFAS 115. We have included the required disclosures within this report.

2. INVESTMENTS

The following tables summarize our fixed maturities and marketable equity securities:

DECEMBER 31, 2003	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	NET UNREALIZED GAINS	FAIR VALUE
Fixed maturities:					
U.S. Government and agencies	$ 395,684	$ 76,380	$ (638)	$ 75,742	$ 471,426
State and political subdivisions	585,405	63,595	(3,569)	60,026	645,431
Foreign governments	236,843	75,344	-	75,344	312,187
Corporate securities	11,291,051	1,034,829	(64,644)	970,185	12,261,236
Mortgage-backed securities	4,201,739	189,290	(37,155)	152,135	4,353,874
Total fixed maturities	16,710,722	1,439,438	(106,006)	1,333,432	18,044,154
Marketable equity securities	97,511	14,034	(1,664)	12,370	109,881
Total	$ 16,808,233	$ 1,453,472	$ (107,670)	$ 1,345,802	$ 18,154,035

(All dollar amounts in thousands, unless otherwise stated)

2. INVESTMENTS (CONTINUED)

The following table shows our investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2003.

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES
Fixed maturities:						
U.S. Government and agencies	$ 29,890	$ (343)	$ 4,528	$ (295)	$ 34,418	$ (638)
State and political subdivisions	102,690	(3,569)	-	-	102,690	(3,569)
Corporate securities	1,322,216	(56,372)	92,056	(8,272)	1,414,272	(64,644)
Mortgage-backed securities	1,177,166	(36,524)	43,917	(631)	1,221,083	(37,155)
Total fixed maturities	2,631,962	(96,808)	140,501	(9,198)	2,772,463	(106,006)
Marketable equity securities	6,964	(1,068)	5,304	(596)	12,268	(1,664)
Total	$ 2,638,926	$ (97,876)	$ 145,805	$ (9,794)	$ 2,784,731	$ (107,670)

We reviewed all our investments with unrealized losses at the end of 2003 in accordance with our impairment policy described in Note 1. After considering the number of investment positions that were in unrealized loss positions and other evidence, such as volatility of the security's market price, our evaluation determined that these declines in fair value were temporary.

At December 31, 2003, we held below investment grade fixed maturities of $1,324 million at amortized cost. The respective fair values of these investments were approximately $1,445 million. These holdings amounted to 8.0% of our investments in fixed maturities at fair value at December 31, 2003.

2. INVESTMENTS (CONTINUED)

The following table summarizes the cost or amortized cost and fair value of fixed maturities at December 31, 2003, by contractual years-to-maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	COST OR AMORTIZED COST	FAIR VALUE
One year or less	$ 612,078	$ 629,500
Over one year through five years	2,967,961	3,164,879
Over five years through ten years	2,712,353	2,859,874
Over ten years	6,216,591	7,036,027

(All dollar amounts in thousands, unless otherwise stated)

Mortgage-backed securities	4,201,739	4,353,874
Total fixed maturities	$ 16,710,722	$ 18,044,154

The carrying value of securities on deposit with state regulatory authorities was $10,966 at December 31, 2003.

No industry represented more than 8.8% of the amortized cost of fixed maturities and equity securities at December 31, 2003.

The following table summarizes our combined pretax net investment income:

	YEAR ENDED DECEMBER 31, 2003
Interest:	
Fixed maturities	$ 1,109,561
Mortgage loans	75,513
Short-term investments	4,578
Dividends:	
Marketable equity securities	5,578
Redeemable preferred stock	8,939
Other	14,501
Total investment income	1,218,670
Investment expenses	(6,990)
Net investment income	$ 1,211,680

2. INVESTMENTS (CONTINUED)

The carrying value of investments in fixed maturities that have not produced income for the last twelve months was $30,384 at December 31, 2003. All of our mortgage loans produced income during 2003.

The following table summarizes our combined net realized investment losses before income taxes:

	YEAR ENDED DECEMBER 31, 2003
Fixed maturities	$ (11,555)
Marketable equity securities	561
Other invested assets	(12,068)
Deferred policy acquisition costs adjustment	(2,511)
Net realized investment losses before income taxes	$ (25,573)

(All dollar amounts in thousands, unless otherwise stated)

The following tables summarize the proceeds from sales of investment securities and related net realized investment gains (losses) before income taxes for 2003.

	YEAR ENDED DECEMBER 31, 2003			
	FIXED MATURITIES AVAILABLE-FOR-SALE	MARKETABLE EQUITY SECURITIES	OTHER FINANCIAL INSTRUMENTS AND OTHER	TOTAL
Proceeds from sales	$ 1,286,177	$ 27,101	-	$ 1,313,278
Gross realized investment gains	$ 88,560	$ 2,774	$ 877	$ 92,211
Gross realized investment losses	(13,404)	(800)	(4,327)	(18,531)
Net realized investment gains (losses)	75,156	1,974	(3,450)	73,680
Impairments	(96,621)	(1,413)	-	(98,034)
Other, including gains on calls and redemptions	9,910	-	(11,129)	(1,219)
Net realized investment gains (losses)	$ (11,555)	$ 561	$ (14,579)	$ (25,573)

2. INVESTMENTS (CONTINUED)

The following table summarizes our allowance for mortgage loan losses:

	YEAR ENDED DECEMBER 31, 2003
Allowance at beginning of year	$ 10,554
Loans charged off as uncollectible	(382)
Allowance at end of year	$ 10,172

This allowance relates to mortgage loan investments of $969,756 at December 31, 2003. All of our mortgage loan investments were in good standing at December 31, 2003.

At December 31, 2003, mortgage loans constituted approximately 4.3% of total assets and are secured by first-mortgage liens on income-producing commercial real estate, primarily in the retail, industrial and office building sectors. The majority of the properties are located in the western United States, with 23.9% of the total in California. Individual loans generally do not exceed $10 million.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are instruments whose values are derived from an underlying instrument, indices or rates, have a notional amount and can be net settled. This may include derivatives that are "embedded" in derivative instruments or in certain existing assets or liabilities. We use derivative financial instruments, including interest rate swaps, options and financial futures, as a means of hedging exposure to equity price changes and/or interest rate risk on anticipated transactions or on existing assets and liabilities.

Interest rate risk is the risk of economic loss due to changes in the level of interest rates. We manage interest rate risk through active portfolio management and selective use of interest rate swaps as hedges to change the characteristics of certain assets and liabilities. With interest rate swap agreements, we exchange with a counterparty, at specified intervals, interest rate payments of differing character (for example, fixed-rate payments exchanged for variable-rate payments), based on an underlying principal balance (notional amount). No cash is exchanged at the outset of the contract and no principal payments are made by either party. The net interest accrued and the net interest payments made at each interest payment due date are recorded to interest income or expense, depending on the hedged item.

3. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HEDGES

We use interest rate swaps to hedge the change in fair value of certain fixed-rate assets. At December 31, 2003, we had $317,080 of notional amounts outstanding relating to such hedges. As discussed in Note 1, these derivatives have been designated as fair value hedges and, because they have been determined to be highly effective, changes in their fair value and the related assets that they hedge are recognized on a net basis in net realized investment losses in the Combined Statement of Income. There were no significant fair value hedges discontinued during 2003.

Differences between the changes in fair value of these derivatives and the hedged item(s) represent hedged ineffectiveness. In 2003, no amounts were recognized in earnings due to hedge ineffectiveness.

CASH FLOW HEDGES

We also use interest rate swaps to hedge the variability of future cash flows arising from changes in interest rates associated with certain variable rate assets and forecasted transactions. At December 31, 2003, we had $414,370 of notional amounts outstanding relating to such hedges. As discussed in Note 1, these derivatives have been designated as cash flow hedges and, because they have been determined to be highly effective, we recognize the changes in fair value of the derivative as a component of OCI, net of deferred income taxes, until the hedged transaction affects current earnings. At the time current earnings are affected by the variability of cash flows due to interest rate changes, the related portion of deferred gains or losses on cash flow hedge derivatives are reclassified from OCI and recorded in the Combined Statement of Income. Amounts recorded in OCI related to derivatives qualifying as cash flow hedges resulted in a decrease in OCI of $1,421, after tax, for 2003. The change in OCI for 2003 included an after tax decrease of $11,110 related to the changes in fair value of the derivatives and an after tax increase of $9,689 related to amounts reclassified into the Combined Statement of Income.

An estimated $4,680 of derivative instruments and hedging activity gains included in OCI will be reclassified into the Combined Statement of Income during 2004 to offset the estimated amount of earnings that will be affected by the variability of cash flows due to interest rate changes.

3. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CASH FLOW HEDGES (CONTINUED)

The interest rate swaps related to forecasted transactions that are considered probable of occurring are considered to be highly effective and qualify for hedge treatment under SFAS 133. SFAS 133 requires that amounts deferred in OCI be reclassified into earnings either when the forecasted transaction occurs, or when it is considered not probable of occurring, whichever happens sooner. In 2003, $9,890 after tax was reclassified from OCI to net realized investment losses relating to forecasted transactions that were no longer probable of occurring.

At December 31, 2003, the maximum length of time over which we were hedging our exposure to future cash flows for forecasted transactions was approximately 30 months.

Differences between the changes in fair value of cash flow hedges and the hedged item(s) represent hedge ineffectiveness and are recognized in interest expense. In 2003, no amounts were recognized in interest expense due to hedge ineffectiveness.

OTHER DERIVATIVES

In 1997, we introduced an equity indexed annuity (EIA) product that credits the policyholder based on a percentage of the gain in the S&P 500 Index. Sales of the EIA product were suspended in the fourth quarter of 1998. In connection with this product, we have a hedging program with the objective to hedge the exposure to changes in the S&P 500 Index. This program consists of buying S&P 500 index options. As permitted under a grandfathering clause in SFAS 133, we elected not to apply the fair value adjustment requirement of this statement to the embedded derivatives contained in the liability related to EIA products sold prior to January 1, 1999. The change in fair value of the options used to economically hedge the EIA liability is recognized as an adjustment to Policy Benefits in the Combined Statement of Income. We recognized pretax gains of $16,985 in 2003 on these options.

Investments in mortgage-backed securities (see Note 2) principally include collateralized mortgage obligations, pass-through and commercial loan-backed mortgage obligations, which are technically defined as derivative instruments. However, they are exempt from derivative disclosure and accounting requirements under SFAS 133.

3. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

OTHER DERIVATIVES (CONTINUED)

Counterparty credit risk is the risk that a counterparty to a derivative contract will be unable to perform its obligations. We manage counterparty credit risk on an individual counterparty basis and gains and losses are netted by counterparty. We mitigate counterparty credit risk through credit reviews, approval controls and by only entering into agreements with credit-worthy counterparties. We perform ongoing monitoring of counterparty credit exposure risk against credit limits. The contract or notional amounts of these instruments reflect the extent of involvement we have in a particular class of derivative financial instrument. However, the maximum loss of cash flow associated with these instruments can be less than these amounts. For interest rate swaps, forward contracts and financial futures, credit risk is limited to the amount that it would cost us to replace the contract.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The aggregate fair value amounts disclosed here do not represent our underlying value and, accordingly, care should be exercised in drawing conclusions about our business or financial condition based on the fair value information disclosed below.

We determine fair value amounts for financial instruments using available third-party market information. When such information is not available, we determine the fair value amounts using appropriate valuation methodologies including discounted cash flows and market prices of comparable instruments. Significant judgment is required in developing certain of these estimates of fair value and the estimates may not represent amounts at December 31, 2003 that would be realized in a current market exchange.

Estimated fair values for fixed maturities and marketable equity securities, other than non-publicly traded fixed maturities, are based on quoted market prices or prices obtained from independent pricing services.

Our investment portfolio includes $232,190 of non-publicly traded fixed maturity securities, representing 1.2% of the portfolio at December 31, 2003. Our portfolio does not include any non-publicly traded equity securities.

We estimate the fair values for mortgage loans by discounting the projected cash flows using the current rate at which loans would be made to borrowers with similar credit ratings and for the same maturities.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

For cash and cash equivalents, policy loans, short-term investments, accounts receivable and other liabilities, carrying value is a reasonable estimate of fair value.

We estimate the fair values of investment contracts (funds held under deposit contracts) with defined maturities by discounting projected cash flows using rates that would be offered for similar contracts with the same remaining maturities. For investment contracts with no defined maturities, we estimate fair values to be the present surrender value.

Separate account assets and the related liabilities are reported at fair value using quoted market prices.

In accordance with SFAS 133, all derivatives are carried at fair value on the Combined Balance Sheet. The fair values of the derivative financial instruments generally represent the estimated amounts that we would expect to receive or pay upon termination of the contracts as of the reporting date. Quoted fair values are available for certain derivatives. For derivative instruments not actively traded, we estimate fair values using values obtained from independent pricing services, internal modeling or quoted market prices of comparable instruments.

Other insurance-related financial instruments are exempt from fair value disclosure requirements.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes the carrying or reported values and corresponding fair values of financial instruments:

DECEMBER
31, 2003 --

(All dollar amounts in thousands, unless otherwise stated)

	CARRYING AMOUNT	FAIR VALUE
Financial assets:		
Fixed maturities	$ 18,044,154	$ 18,044,154
Marketable equity securities	109,881	109,881
Mortgage loans	959,804	1,016,000
Separate account assets	1,137,439	1,137,439
Derivative financial instruments:		
Interest rate swaps	14,631	14,631
Options	6,189	6,189
Financial liabilities:		
Funds held under deposit contracts	16,582,390	17,543,000
Separate account liabilities	1,137,439	1,137,439
Derivative financial instruments:		
Options	607	607

5. REINSURANCE

We use reinsurance to manage exposure to potential losses. Although the reinsurer is liable to us to the extent of the reinsurance ceded, we remain primarily liable to the policyholders as the direct insurer on all risks reinsured. We evaluate the financial condition of our reinsurers to minimize our exposure to losses from reinsurer insolvencies. To our knowledge, none of our major reinsurers is currently experiencing material financial difficulties. We analyze reinsurance recoverables according to the credit ratings and types of our reinsurers. Of the total amount due from reinsurers at December 31, 2003, 93.7% was with reinsurers rated A or higher by A.M. Best. We had no reserve for uncollectible reinsurance in 2003. None of our reinsurance contracts exclude certified terrorist acts.

Individual Life Reinsurance - For our individual life business, we have coinsurance agreements where the reinsurer reimburses us based on the percentage in the contract that range from 50% to 80%, based upon the year that the policy was written. For policies written prior to 2000, we recover 50% of the death benefit that we pay on covered claims from the reinsurer. This percentage was increased in 2000 to 80% for a majority of the policies written and was increased in 2002 to cover 80% of all new business written.

5. REINSURANCE (CONTINUED)

Group Long-Term Disability and Group Short-Term Disability - We reinsure 100% of our Group Long-Term Disability and Group Short-Term Disability business. The reinsurer is responsible for paying all claims.

Reinsurance recoverables are comprised of the following amounts:

DECEMBER 31, 2003 -------

------ LIFE INSURANCE Reinsurance recoverables on: Policy and contract claim reserves $ 3,689 Paid claims 1,841 Life policy liabilities 90,607 ------------- Total life insurance 96,137 ------------- ACCIDENT AND HEALTH INSURANCE Reinsurance recoverables on: Policy and contract claim reserves 83,425 Paid claims 192 ------------- Total accident and health insurance 83,617 ------------- Total reinsurance recoverables $ 179,754 =============

5. REINSURANCE (CONTINUED)

The effects of reinsurance on earned premiums are as follows:

YEAR ENDED DECEMBER 31, 2003 ------------- EARNED PREMIUMS Direct: Accident and health premiums $ 465,734 Life insurance premiums 164,704 ------------- Total 630,438 ------------- Ceded: Accident and health premiums (18,618) Life insurance premiums (29,911) ------------- Total (48,529) ------------- Assumed: Accident and health premiums 97,985 Life insurance premiums 624 ------------- Total 98,609 -------------

(All dollar amounts in thousands, unless otherwise stated)

Total earned premiums	$ 680,518

Ceded reinsurance reduced our policy benefits by $32,964 in 2003. Included in this amount are accident and health amounts of $10,813.

6. INTANGIBLES AND GOODWILL

We review goodwill and indefinite-lived intangible assets annually (or more frequently if impairment indicators arise) for impairment. We amortize separable intangible assets over their useful lives (but with no maximum life) unless we deem them to have an indefinite life.

6. INTANGIBLES AND GOODWILL (CONTINUED)

Included in the intangibles and goodwill balance on our Combined Balance Sheet is the present value of future profits (PVFP). PVFP represents the actuarially determined present value of anticipated profits to be realized from annuity and life insurance business purchased. We determine the present value of anticipated profits using the credited interest rate. For annuity contracts, amortization of the PVFP is in relation to the present value of the expected gross profits on the contracts, discounted using the interest rate credited to the underlying policies. The change in the PVFP is comprised of amortization and an adjustment to amortization for realized losses on investment securities of $138 for the year ended December 31, 2003. We review the PVFP periodically to determine that the unamortized portion does not exceed expected recoverable amounts. We did not record any impairment adjustments in 2003.

The following table presents our intangible assets and goodwill at December 31, 2003. The PVFP, distribution agreement and renewal rights acquired have been amortized over a useful life of 20 years. All other intangible assets have been amortized over a useful life of five years or less.

DECEMBER 31, 2003	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT
Unamortized intangible assets: Goodwill	$ 54,192	$ -	$ 54,192
Amortizable intangible assets:			
Present value of future profits	82,272	(37,075)	45,197
Distribution agreement	35,000	(11,900)	23,100
Renewal rights	25,700	(1,820)	23,880
Administrative agreement	8,766	(4,451)	4,315
Other intangible assets	288	(108)	180
Total	$ 206,218	$ (55,354)	$ 150,864

Amortization expense for intangible assets, pretax, was $8,331 for 2003. Estimated future pretax amortization for the year ended December 31, 2004, is $4,384.

There were no changes in the carrying value of goodwill in 2003.

7. INCOME TAXES

We use the liability method of accounting for income taxes in accordance with SFAS 109 under which deferred income tax assets and liabilities are determined based on the differences between their financial reporting and their tax bases and are measured using the enacted tax rates.

The difference of $14,771 between income tax computed by applying the U.S. federal income tax rate of 35% to income before income taxes and the combined provision for income taxes was primarily due to the tax effect of the separate accounts dividend received deduction for 2003, and the recording of a recoverable from the Internal Revenue Service for the separate accounts dividend received deduction for the period 1995 through 2001, which amounted to $2,771 and $13,174, respectively.

The tax effects of temporary differences which give rise to the deferred income tax assets and deferred income tax liabilities were as follows:

DECEMBER 31, 2003

Deferred income tax assets:

(All dollar amounts in thousands, unless otherwise stated)

Goodwill	$ 4,515
Adjustment to life policy liabilities	93,094
Adjustment to claims reserves	3,627
Capitalization of policy acquisition costs	76,060
Investment impairments	44,719
Capital loss carryforwards	8,400
Postretirement benefits	4,210
Uncollected premium adjustment	8,109
Guaranty fund assessments	728
Other	7,338
Total deferred income tax assets	250,800
Deferred income tax liabilities:	
Unrealized appreciation of investment securities (net of deferred policy acquisition costs adjustment: $38,804)	446,797
Deferred policy acquisition costs	129,606
Bond discount accrual	29,145
Present value of future profits	15,819
Intangible assets	8,086
Other	1,484
Total deferred income tax liabilities	630,937
Net deferred income tax liability	$ 380,137

8. COMPREHENSIVE INCOME

Comprehensive income is defined as all changes in Shareholder's Equity, except those arising from transactions with shareholders. Comprehensive income includes net income and OCI, which for us consists of changes in unrealized gains or losses of investments carried at fair value and deferred policy acquisition costs valuation allowance.

(All dollar amounts in thousands, unless otherwise stated)

The components of OCI are as follows:

	DECEMBER 31, 2003
Net unrealized gains on available-for-sale securities	$ 1,345,641
Net unrealized gains on derivative financial instruments	18,773
Adjustment for deferred policy acquisition costs	(88,012)
Deferred income taxes	(446,630)
Accumulated OCI	$ 829,772

The following summarizes the net changes in OCI:

	YEAR ENDED DECEMBER 31, 2003
Increase (decrease) in unrealized appreciation/depreciation of:	
Available-for-sale securities	$ 232,263
Derivative financial instruments	(2,186)
Adjustment for deferred policy acquisition costs	(33,617)
Deferred income taxes	(68,762)
Net change in accumulated OCI	$ 127,698

9. COMMITMENTS AND CONTINGENCIES

At December 31, 2003, unfunded mortgage loan commitments were $16,475. We had no other material commitments or contingencies at December 31, 2003.

Under state insolvency and guaranty laws, insurers licensed to do business in the state can be assessed or required to contribute to state guaranty funds to cover policyholder losses resulting from insurer insolvencies. Liabilities for guaranty funds are not discounted or recorded net of premium taxes and are included in other liabilities in the Combined Balance Sheet. At December 31, 2003, we had liabilities of $7,948 for estimated guaranty fund assessments. We had a related asset for premium tax offsets of $6,877 at December 31, 2003.

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Because of the nature of our business, we are subject to legal actions filed or threatened in the ordinary course of our business operations. We do not believe that such litigation will have a material adverse effect on our combined financial condition, future operating results or liquidity.

10. EMPLOYEE BENEFIT PLANS

Safeco sponsors defined contribution and defined benefit plans covering substantially all employees of the Company and its subsidiaries and provides a postretirement benefit program for certain retired employees. Eligibility for participation in the various plans is generally based on completion of a specified period of continuous service or date of hire. Employer contributions to these plans are made in cash. Costs allocated to the Company for these plans were $6,925 for the year ended December 31, 2003.

The Safeco 401(k)/Profit Sharing Retirement Plan is a defined contribution plan. It includes a minimum contribution of 3% of each eligible participant's compensation, a matching contribution of 66.6% of participant's contributions, up to 6% of eligible compensation, and a profit sharing component based on Safeco's income. No profit-sharing contributions were made in 2003.

The Safeco Employee's Cash Balance Plan (CBP) is a noncontributory defined benefit plan that provides benefits for each year of service after 1988, based on the participant's eligible compensation plus a stipulated rate of return on the benefit balance. Safeco makes contributions to the CBP based on the funding requirements set by the Employee Retirement Income Security Act (ERISA). Costs allocated to the Company for this plan were 1% or less of income before income taxes for the year ended December 2003.

SAS has a profit sharing plan in which all employees over the age of 21 with one year of service are eligible for participation. The Plan is funded entirely by SAS through discretionary contributions. The discretionary contribution charged to operations was $271 for the year ended December 31, 2003.

SAS also has a defined contribution 401(k) salary deferral plan (the 401(k) Plan) in which all employees over the age of 21 with three months of service are eligible for participation. Eligible employees may contribute up to 15% of their annual compensation, subject to annual limitations under the Internal Revenue Code. SAS matches employee contributions at a rate of 33% on the first 6% of salary contributed. Contributions by SAS to the 401(k) Plan were $90 for the year ended December 31, 2003.

10. EMPLOYEE BENEFIT PLANS (CONTINUED)

In addition, Safeco provides certain healthcare and life insurance benefits and other post-retirement benefits (collectively, OPRB) for certain retired employees, their beneficiaries, and eligible dependents. During 2003, Safeco's OPRB program was amended. For current retirees and employees age 50 and over with sufficient service time, Safeco will continue to subsidize a portion of the cost of retiree healthcare benefits, but at a reduced rate. The rate of increase in the subsidy for these healthcare benefits will be capped in future years. Safeco will also continue to provide a capped amount of retiree life insurance benefits to current retirees and employees age 50 and over with sufficient service time. For current employees age 36 or older, who do not otherwise meet the above requirements, Safeco will provide access to their group healthcare plan at retirement, but participants will pay the entire cost of coverage. Retiree life insurance benefits will no longer be offered to this employee group. For current employees age 35 and under, and any employee hired after December 31, 2003, (regardless of age) retiree healthcare and life insurance benefits will no longer be provided. In addition, Safeco's OPRB benefit obligation was revalued to reflect the reduction in staff that is part of a restructuring plan. Due to these actions, Safeco recognized a curtailment gain in 2003, of which $1,329 was allocated to the Company.

Early in 2004, the FASB issued a staff position paper that permits sponsors of retiree benefit programs subject to SFAS 106, "Employers' Accounting for Postretirement Benefits, Other Than Pensions," to make an election to defer accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) until further authoritative guidance is issued. Safeco has elected to make this deferral and, accordingly, has not reflected the effects of the Act on the obligation or annual costs of the OPRB program.

The Company participates in Safeco's Long-Term Incentive Plan of 1997 (the Plan), as amended. Incentive stock options, non-qualified stock options, restricted stock rights (RSR), performance stock rights (PSR) and stock appreciation rights are authorized under the Plan. Stock-based compensation expense allocated to the Company was $2,966 for 2003, which includes stock option expense of $1,943.

Stock options are granted at exercise prices not less than the fair market value of the stock on the date of the grant. The terms and conditions upon which options become exercisable may vary among grants, however, option rights expire no later than ten years from the date of grant. Safeco grants options and rights to key employees. Options generally vest on a straight-line basis over four years.

10. EMPLOYEE BENEFIT PLANS (CONTINUED)

RSRs provide for the holder to receive a stated number of share rights if the holder remains employed for a stated number of years. PSRs provide for the holder to receive a stated number of share rights if the holder attains certain specified performance goals within a stated performance cycle. Performance goals may include operating income, return on equity, relative stock price appreciation and/or other criteria.

As a result of Safeco's sale of the Safeco Life and Investment companies, Safeco retained the liabilities related to OPRB, CBP and Safeco's Long-Term Incentive

(All dollar amounts in thousands, unless otherwise stated)

Plan of 1997.

11. DIVIDEND RESTRICTIONS

Insurance companies are restricted by state regulations as to the aggregate amount of dividends they may pay in any consecutive twelve-month period without regulatory approval. Generally, dividends may be paid out of earned surplus without approval with 30 days prior written notice within certain limits. The limits are generally based on the greater of 10% of the prior year statutory surplus or prior year statutory net gain from operations. Dividends in excess of the prescribed limits or earned surplus require formal state insurance commission approval. Based on statutory limits as of December 31, 2003, the amount of retained earnings available for the payment of dividends without prior regulatory approval is $166,586.

12. STATUTORY-BASIS INFORMATION

State insurance regulatory authorities require insurance companies to file annual statements prepared on an accounting basis prescribed or permitted by their respective state of domicile. Prescribed statutory accounting practices include state laws, regulations and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners (NAIC), including the revised Accounting Practices and Procedures Manual. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

12. STATUTORY-BASIS INFORMATION (CONTINUED)

Statutory net income (loss) and capital and surplus, by company, are as follows:

	YEAR ENDED DECEMBER 31, 2003
Statutory net income (loss):	
Symetra Life Insurance Company	$ 156,699
Symetra National Life Insurance Company	507
First Symetra National Life Insurance Company of New York	(29)
American States Life Insurance Company	14,103
Total	$ 171,280

	DECEMBER 31, 2003
Statutory capital and surplus:	
Symetra Life Insurance Company	$ 1,059,564

Statutory net income differs from income reported in accordance with GAAP primarily because policy acquisition costs are expensed when incurred, reserves are based on different assumptions and income tax expense reflects only taxes paid or currently payable.

Statutory capital and surplus differs from amounts reported in accordance with GAAP primarily because policy acquisition costs are expensed when incurred, reserves are based on different assumptions and fixed maturities are carried at amortized cost.

Life and health insurance companies are subject to certain Risk-Based Capital

(RBC) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life and health insurance company is to be determined based on various risk factors related to it. At December 31, 2003, Symetra Life Insurance Company and its subsidiaries met the RBC requirements.

13. RELATED PARTIES

We are obligated under a real estate lease with GAC, an affiliate. The current minimum annual rental commitment under this obligation is $5,467 at December 31, 2003. The minimum aggregate rental commitment under this lease is $10,750. The lease expires on July 31, 2005.

The amount of rent expense charged to operations was $10,488 for 2003.

13. RELATED PARTIES (CONTINUED)

Safeco and its affiliates provide us with personnel, property, and facilities in carrying out certain of its corporate functions. Safeco annually determines allocation factors based on headcount, time studies, actual usage or other relevant allocation bases in order to allocate expenses for these services and facilities. These expenses are included in net investment income and other operating expenses within our Combined Statement of Income. Safeco charged us expenses of $46,710 for the year ended December 31, 2003. These expenses include charges for corporate overhead, data processing systems, payroll, and other miscellaneous charges.

As of December 31, 2003, we owed Safeco and its affiliates $12,636, which is included in other liabilities on our Combined Balance Sheet. These balances were settled within 30 days.

No shareholder dividends were paid to Safeco during 2003.

During 2003, liabilities of $4,537 owed to Safeco were forgiven and reflected as a capital contribution.

Various affiliated property and casualty companies directly purchased structured settlement annuities from the Company totaling $4,399 in 2003. Symetra Assigned Benefits Service Company and Symetra National Life Insurance Company also purchased structured settlement annuities, which were assigned from various affiliated property and casualty companies totaling $29,308 in 2003.

14. SEGMENT INFORMATION

We provide a broad range of products and services that include individual and group insurance products, pension products, annuities, mutual funds and investment advisory services. These operations are managed separately as six reportable segments: Group, Income Annuities, Retirement Services, Individual, Asset Management and Other based on product groupings:

> Group's principal product is stop-loss medical insurance sold to employers with self-insured medical plans. Also included in this segment are group life, accidental death and dismemberment insurance and disability products.

14. SEGMENT INFORMATION (CONTINUED)

> Income Annuities' principal product is the structured settlement annuity that is sold to fund third-party personal injury settlements, providing a reliable income stream to the injured party.

> Retirement Services' products are primarily fixed and variable deferred annuities (both qualified and non-qualified), tax-sheltered annuities (marketed to teachers and not-for-profit organizations), guaranteed investment contracts and corporate retirement funds.

> Individual's products include term, universal and variable universal life and bank owned life insurance.

> Asset Management is comprised of managing the assets of Safeco Mutual Funds and the investment portfolios supporting our variable annuity and variable universal life products.

> Other is comprised mainly of investment income resulting from the investment of capital and accumulated earnings of the operating lines of business.

We evaluate our results based upon pretax operating earnings, a non-GAAP financial measure that excludes net realized investment losses. Management believes the presentation of segment pretax operating earnings enhances the understanding of our results of operations by highlighting earnings attributable to the normal, recurring operations of the business.

14. SEGMENT INFORMATION (CONTINUED)

The following table presents selected financial information by segment and reconciles pretax operating earnings to amounts reported in the Combined Statement of Income.

INCOME RETIREMENT GROUP ANNUITIES SERVICES INDIVIDUAL ------------
-- Revenues:
Premiums $ 545,102 $ - $ 316 $ 135,100 Net investment income 6,552
513,793 364,709 234,239 Other revenue 1,243 425 23,229 14,179 ----
----
Total (excluding net realized investment gains (losses)) 552,897
514,218 388,254 383,518 Benefits and expenses: Policy benefits
310,848 468,617 283,085 293,218 Other underwriting and operating
expenses 138,857 20,317 59,994 68,376 Amortization of deferred
policy acquisition costs 12,817 - 26,570 11,940 Intangibles and
goodwill amortization 1,361 - 596 3,652 -------------------------
-- Total 463,883 488,934
370,245 377,186 Pretax operating earnings 89,014 25,284 18,009
6,332 Net realized investment gains (losses) 337 (8,624) (3,759)
(6,210) ---
--------- Income before income taxes $ 89,351 $ 16,660 $ 14,250 $
122
===
Assets: Total investments $ 158,885 $ 7,291,134 $ 6,393,137 $
3,900,041 Separate account assets - - 1,032,272 105,167 Total
assets 343,391 7,544,307 8,036,974 4,485,061
ASSET MANAGEMENT OTHER TOTAL ------------------------------------
------------ Revenues: Premiums $ - $ - $ 680,518 Net investment
income 1,067 91,320 1,211,680 Other revenue 23,333 23,790 86,199 -
-- Total (excluding
net realized investment gains (losses)) 24,400 115,110 1,978,397
Benefits and expenses: Policy benefits - - 1,355,768 Other
underwriting and operating expenses 23,098 36,111 346,753
Amortization of deferred policy acquisition costs - - 51,327
Intangibles and goodwill amortization - 2,722 8,331 -------------
---------------------------------- Total 23,098 38,833 1,762,179
Pretax operating earnings 1,302 76,277 216,218 Net realized
investment gains (losses) 969 (8,286) (25,573) ------------------
------------------------------ Income before income taxes $ 2,271
$ 67,991 $ 190,645
=== Assets: Total
investments $ 58,003 $ 1,540,937 $ 19,342,137 Separate account
assets - - 1,137,439 Total assets 79,736 2,022,383 22,511,852

15. SUBSEQUENT EVENTS

Safeco entered into a definitive agreement (Stock Purchase Agreement or SPA), dated March 15, 2004, to sell the Company to an investor group led by White Mountains Insurance Group, Ltd. and Berkshire Hathaway, Inc. The purchase price is $1.35 billion, subject to adjustment based on the Company's June 30, 2004 Adjusted Statutory Book Value as defined in the SPA. The sale was completed on August 2, 2004.

15. SUBSEQUENT EVENTS (CONTINUED)

On March 12, 2004, the Company purchased three mortgage loans from Safeco Insurance Company of America at current book value plus accrued interest totaling $7,237, which approximated fair value.

On June 30, 2004, the Company declared a dividend of $64,300 payable to Safeco in accordance with the SPA.

On July 12, 2004, Safeco contributed capital of $1,131 in cash to the Company. The contribution represented additional proceeds realized upon the sale of certain Company invested assets that were liquidated in accordance with the SPA.

On July 31, 2004, Safeco contributed furniture, equipment, and software to the Company with a total book value of $7,708.

Symetra Financial announced on August 2, 2004, that it will exit the mutual fund business. Effective immediately, Symetra Asset Management, manager of the Safeco mutual funds, has been replaced with a new manager, Boston-based Pioneer Investment Management, Inc. Subject to trustee and fund shareholder approval, it is proposed that the $3.6 billion in assets currently held in Safeco's 22 mutual funds will become part of the Pioneer family of funds. This change is expected to be finalized before the end of the year.

Exhibit 99.4

COMBINED FINANCIAL STATEMENTS

Symetra Financial
Six Months Ended June 30, 2004 and 2003

Symetra Financial

Combined Financial Statements

Six Months Ended June 30, 2004 and 2003

CONTENTS

Symetra Financial

Combined Balance Sheets

(In thousands)

	JUNE 30, 2004 (UNAUDITED)	DECEMBER 31, 2003
ASSETS		
Investments:		
Available-for-sale securities:		
Fixed maturities, at fair value (cost or amortized cost: $16,792,727 and $16,710,722)	$ 17,659,883	$ 18,044,154
Marketable equity securities, at fair value (cost: $97,372 and $97,511)	109,027	109,881
Mortgage loans:		
Nonaffiliates	914,019	926,286
Affiliates	-	33,518
Policy loans	84,810	85,590
Short-term investments	49,074	121,751
Other invested assets	14,699	20,957
Total investments	18,831,512	19,342,137
Cash and cash equivalents	79,659	15,028
Accrued investment income	227,791	231,390
Other notes and accounts receivable	154,331	114,871
Current income taxes recoverable	22,227	-
Reinsurance recoverables	180,341	179,754
Deferred policy acquisition costs	322,746	282,291
Intangibles and goodwill	146,524	150,864
Other assets	2,786	3,583
Securities lending collateral	1,137,755	1,054,495
Separate account assets	1,169,403	1,137,439
Total assets	$ 22,275,075	$ 22,511,852

	JUNE 30, 2004 (UNAUDITED)	DECEMBER 31, 2003
LIABILITIES AND SHAREHOLDER'S EQUITY		
Funds held under deposit contracts	$ 16,562,890	$ 16,582,390
Future policy benefits	334,725	331,855
Policy and contract claims	154,849	139,114
Unearned premiums	10,135	9,838
Other policyholders' funds		

41,154 46,554 Dividends payable to Safeco 64,300 -- Other liabilities 223,994 236,447 Current income taxes payable - 26,926 Deferred income tax liability 269,301 380,137 Securities lending payable 1,137,755 1,054,495 Separate account liabilities 1,169,403 1,137,439 ------------------------------- Total liabilities 19,968,506 19,945,195 Commitments and contingencies (Note 7) Capital stock (Note 1) 7,459 7,459 Additional paid-in capital 398,721 397,354 Retained earnings 1,345,824 1,332,072 Accumulated other comprehensive income, net of taxes: Unrealized gains on available-for-sale securities and derivative financial instruments 579,372 886,980 Deferred policy acquisition costs valuation allowance (24,807) (57,208) ------------------------------- Total accumulated other comprehensive income 554,565 829,772 Total shareholder's equity 2,306,569 2,566,657 ------------------------------- Total liabilities and shareholder's equity $ 22,275,075 $ 22,511,852 ===============================

SEE CONDENSED NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statements of Income

(In thousands)

SIX MONTHS ENDED JUNE 30 2004 2003 ------------------------------ (UNAUDITED) Revenues: Premiums $ 319,773 $ 350,159 Net investment income 595,023 607,230 Other revenues 44,414 42,610 Net realized investment gains (losses) 33,089 (51,454) ------------------------------- Total 992,299 948,545 ------------------------------- Benefits and expenses: Policy benefits 682,979 684,365 Other underwriting and operating expenses 169,640 163,545 Amortization of deferred policy acquisition costs 29,367 24,317 Intangibles and goodwill amortization 4,225 3,729 ------------------------------- Total 886,211 875,956 ------------------------------- Income before income taxes 106,088 72,589 Provision (benefit) for income taxes: Current (9,316) 23,044 Deferred 37,352 1,302 ------------------------------- Total 28,036 24,346 ------------------------------- Net income $ 78,052 $ 48,243 ===============================

SEE CONDENSED NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statements of Changes in Shareholder's Equity

(In thousands)

SIX MONTHS ENDED JUNE 30 2004 2003 -------------------------

------ (UNAUDITED) Capital stock $ 7,459 $ 7,459 -------- ----------------------- Additional paid-in capital: Balance at beginning of year 397,354 390,874 Capital contribution from Safeco - 4,537 Stock option expense allocation from Safeco 1,367 - ------------------------------ - Balance at end of period 398,721 395,411 -------------- ----------------- Retained earnings: Balance at beginning of year 1,332,072 1,193,382 Net income 78,052 48,243 Dividend to Safeco (64,300) - ------------------------------ - Balance at end of period 1,345,824 1,241,625 ---------- --------------------- Accumulated other comprehensive income, net of taxes: Balance at beginning of year 829,772 702,074 Other comprehensive income (loss) (275,207) 419,218 ------------ ------------------- Balance at end of period 554,565 1,121,292 -------------------- ----------- Shareholder's equity $ 2,306,569 $ 2,765,787 ===============================

SEE CONDENSED NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statements of Comprehensive Income (Loss)

(In thousands)

SIX MONTHS ENDED JUNE 30 2004 2003 ------------------------- ------ (UNAUDITED) Net income $ 78,052 $ 48,243 ------------ ------------------- Other comprehensive income (loss), net of taxes: Change in unrealized gains and losses on available-for-sale securities (net of tax: $(151,827); $221,449) (281,964) 411,261 Reclassification adjustment for net realized investment losses included in net income (net of tax: $(11,581); $18,009) (21,508) 33,444 Derivatives qualifying as cash flow hedges--net change in fair value (net of tax: $(2,227); $(2,239)) (4,136) (4,158) Adjustment for deferred policy acquisition costs valuation allowance (net of tax: $17,447; $(11,486)) 32,401 (21,330) -------------- ----------------- Other comprehensive income (loss) (275,207) 419,217 ------------ ------------------- Comprehensive income (loss) $ (197,155) $ 467,460 ===============================

SEE CONDENSED NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statements of Cash Flows

(In thousands)

SIX MONTHS ENDED JUNE 30 2004 2003 ------------------------- ------ (UNAUDITED) OPERATING ACTIVITIES Insurance premiums received $ 280,769 $ 304,033 Dividends and interest

received 568,136 556,473 Other
operating receipts 46,065
44,694 Insurance claims and
policy benefits paid (223,369)
(260,784) Underwriting,
acquisition and operating
costs paid (228,621) (201,824)
Income taxes paid (39,837)
(22,759) ---------------------
---------- Net cash provided
by operating activities
403,143 419,833 INVESTING
ACTIVITIES Purchases of: Fixed
maturities available-for-sale
(1,502,397) (2,298,811) Equity
securities available-for-sale
(3,373) (3,807) Other invested
assets (46,631) (4,574)
Issuance of nonaffiliated
mortgage loans - (61,155)
Issuance of policy loans -
(12,045) Maturities and calls
of fixed maturities available-
for-sale 865,141 1,060,910
Sales of: Fixed maturities
available-for-sale 575,061
649,229 Equity securities
available-for-sale 4,471 4,508
Other invested assets 1,621
(227) Repayment of
nonaffiliated mortgage loans
45,203 49,396 Repayment of
policy loans 11,172 12,301
Repayment of affiliated
mortgage loans 33,518 818 Net
decrease in short-term
investments 72,676 21,387
Other, net 281 208 -----------
-------------------- Net cash
provided by (used in)
investing activities 56,743
(581,862) FINANCING ACTIVITIES
Funds received under deposit
contracts 175,375 674,900
Return of funds held under
deposit contracts (570,630)
(540,412) --------------------
----------- Net cash provided
by (used in) financing
activities (395,255) 134,488 -

Net increase (decrease) in
cash 64,631 (27,541) Cash and
cash equivalents at beginning
of period 15,028 45,922 ------
------------------------- Cash
and cash equivalents at end of
period $ 79,659 $ 18,381
===============================

SEE CONDENSED NOTES TO COMBINED FINANCIAL STATEMENTS.

Symetra Financial

Combined Statements of Cash Flows
Reconciliation of Net Income to Net Cash Provided by Operating Activities

(In thousands)

SIX MONTHS ENDED JUNE 30 2004
2003 -------------------------
------ (UNAUDITED) Net income
$ 78,052 $ 48,243 ------------

Adjustments to reconcile net
income to net cash provided by
operating activities: Net
realized investment (gains)
losses (33,089) 51,454
Accretion of fixed maturity
investments 4,003 (17,779)
Accrued interest on accrual
bonds (23,608) (22,483)
Amortization and depreciation
4,862 4,393 Deferred income
tax provision 37,352 1,302
Interest expense on deposit
contracts 418,843 452,560
Mortality and expense charges
and administrative fees
(43,553) (42,443) Other, net
1,415 1,301 Changes in:
Accrued investment income

3,599 5,378 Deferred policy acquisition costs 9,393 (17,901) Other receivables 25,660 (10,385) Policy and contract claims 15,735 (14,352) Future policy benefits 2,870 (16,354) Unearned premiums 297 557 Accrued income taxes (49,153) 235 Other assets and liabilities (49,535) (3,893) ------------------------------- Total adjustments 325,091 371,590 ------------------------------- Net cash provided by operating activities $ 403,143 $ 419,833 ===============================

There were no significant noncash financing or investing activities in the six months ended June 30, 2004 and 2003, with the exception of the $4,537 capital contribution in 2003 from Safeco disclosed in Note 9.

SEE CONDENSED NOTES TO COMBINED FINANCIAL STATEMENTS.

Notes to Combined Financial Statements--Unaudited
(All dollar amounts in thousands, unless otherwise stated)

June 30, 2004

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Symetra Financial is a group of affiliated stock life insurance and financial services companies. We began as wholly owned subsidiaries of Safeco Corporation (Safeco), which is a Washington State corporation whose subsidiaries were engaged in two principal businesses: (1) property and casualty insurance, including surety; and (2) life insurance and asset management. As a part of Safeco, we were included in the segment known as Safeco Life and Investments. We are comprised primarily of Safeco Life Insurance Company, a stock life insurance company organized under the laws of the state of Washington, and its three wholly-owned subsidiaries: Safeco National Life Insurance Company, American States Life Insurance Company, and First Safeco National Life Insurance Company of New York.

These companies offer individual and group insurance products, pension products, and annuity products marketed through professional agents in all states and the District of Columbia. Our principal products measured by 2003 premiums and deposit volume include: fixed deferred annuities, stop-loss medical insurance, variable annuities, single premium immediate annuities, and individual life insurance.

Also included in this group are Safeco Administrative Services, Inc., a third-party administrator of employee benefit programs; Safeco Asset Management Company, the investment advisor for the Safeco Mutual Funds; Safeco Securities, Inc., the principal underwriter of the Safeco Mutual Funds; Safeco Investment Services, Inc., a broker-dealer; and Safeco Assigned Benefits Service Company. These affiliates were wholly-owned subsidiaries of Safeco.

On September 29, 2003, Safeco announced its intent to sell Safeco Life and Investments. For the six months ended June 30, 2004, $15,228 was accrued for employee retention bonuses associated with this planned sale, which is included in other underwriting and operating expenses in the Combined Statement of Income. See Subsequent Event Note 11.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On August 2, 2004, the following companies were purchased by an investor group led by White Mountains Insurance Group, Ltd., and Berkshire Hathaway, Inc., and became the privately held group of companies known today as Symetra Financial:

- Symetra Life Insurance Company (formerly Safeco Life Insurance Company)
- Symetra National Life Insurance Company (formerly Safeco National Life Insurance Company)
- American States Life Insurance Company
- First Symetra National Life Insurance Company of New York (formerly First Safeco National Life Insurance Company of New York)
- Symetra Administrative Services, Inc. (SAS) (formerly Safeco Administrative Services, Inc.)
- Symetra Asset Management Company (formerly Safeco Asset Management Company)

- Symetra Securities, Inc. (formerly Safeco Securities, Inc.)
- Symetra Services Corporation (formerly Safeco Services Corporation)
- Symetra Investment Services, Inc. (formerly Safeco Investment Services, Inc.)
- Symetra Assigned Benefits Service Company (formerly Safeco Assigned Benefits Service Company)

Throughout our Combined Financial Statements the member companies of Symetra Financial are referred to as "the Company," "we," and "our" and the new names of the entities have been used as if those names were in effect in 2003. In addition, references to affiliated companies refer to former Safeco affiliates.

BASIS OF COMBINATION AND REPORTING AND USE OF ESTIMATES

The unaudited Combined Financial Statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP) for interim financial information. Certain financial information, which is required in the annual financial statements prepared in conformity with GAAP, may not be required for interim financial reporting purposes and has been condensed or omitted. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation of results for the interim periods have been included. Results for the six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that may affect the amounts reported in the unaudited Combined Financial Statements and accompanying notes. Actual results could differ from those estimates.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All significant intercompany transactions and balances have been eliminated in the Combined Financial Statements.

CAPITAL STOCK

Capital stock for Symetra Financial is comprised of the following (in thousands, except par value and share amounts):

SHARES CAPITAL PAR SHARES ISSUED AND COMPANY STOCK VALUE AUTHORIZED OUTSTANDING VALUE - ----- ------------- ------------- ------------- ------------- ------------- ------------- ------------- ------------- ------------- Symetra Life Insurance Company Common Stock $ 250 20,000 20,000 $ 5,000 Symetra Administrative Services, Inc. Common Stock 100 10,000 10,000 1,000 Symetra Asset Management Company Common Stock 1 3,000 600 .6 Common Stock (non-voting) 1 3,000 2,400 2.4 Preferred Stock (6% non-cumulative, non-participating) 100 4,000 4,000 400 Symetra

Securities,
Inc. Common
Stock 100
10,000 10,000
1,000 Symetra
Services
Corporation
Common Stock
100 500 500
50 Symetra
Investment
Services,
Inc. Common
Stock .10
50,000,000
50,000 5
Symetra
Assigned
Benefits
Service
Company
Common Stock
1 1,000 1,000
1 -------
Total $ 7,459
=======

Notes to Combined Financial Statements--Unaudited (continued)
(All dollar amounts in thousands, unless otherwise stated)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS

New accounting pronouncements that we have recently adopted, or will adopt in the near future, are as follows:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA) STATEMENT OF POSITION (SOP) 03-1, "ACCOUNTING AND REPORTING BY INSURANCE ENTERPRISES FOR CERTAIN NONTRADITIONAL LONG-DURATION CONTRACTS AND FOR SEPARATE ACCOUNTS"
The provisions of SOP 03-1 are effective for fiscal years beginning after December 15, 2003. SOP 03-1 provides guidance in three areas: separate account presentation and valuation; the accounting recognition given sales inducements; and the classification and valuation of long-duration contract liabilities. We adopted SOP 03-1 effective January 1, 2004. Upon adoption, there was no material impact to our Combined Financial Statements.

EMERGING ISSUES TASK FORCE (EITF) 03-1, "THE MEANING OF OTHER-THAN-TEMPORARY IMPAIRMENT AND ITS APPLICATION TO CERTAIN INVESTMENTS"
The provisions of EITF 03-1 are effective for fiscal years ending after December 15, 2003. EITF 03-1 provides disclosure requirements for investments in debt and marketable equity securities that are accounted for under SFAS 115. We have included the required disclosures within this report.

Notes to Combined Financial Statements--Unaudited (continued)
(All dollar amounts in thousands, unless otherwise stated)

2. INVESTMENTS

The following tables summarize our fixed maturities and marketable equity securities:

JUNE 30, 2004	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	NET UNREALIZED GAINS	FAIR VALUE
Fixed maturities:					
U.S. Government and agencies	$ 827,077	$ 151,879	$ (4,509)	$ 147,370	$ 974,447
State and political subdivisions	688,892	53,126	(8,876)	44,250	733,142
Foreign governments	238,646	66,181	(14)	66,167	304,813
Corporate securities	10,852,355	650,730	(116,024)	534,706	11,387,061
Mortgage-backed securities	4,185,757	135,571	(60,908)	74,663	4,260,420
Total fixed maturities	16,792,727	1,057,487	(190,331)	867,156	17,659,883
Marketable equity securities	97,372	13,415	(1,760)	11,655	109,027
Total	$ 16,890,099	$ 1,070,902	$ (192,091)	$ 878,811	$ 17,768,910

DECEMBER 31, 2003	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	NET UNREALIZED GAINS	FAIR VALUE
Fixed maturities:					
U.S. Government and agencies	$ 395,684	$ 76,380	$ (638)	$ 75,742	$ 471,426
State and political subdivisions	585,405	63,595	(3,569)	60,026	645,431
Foreign governments	236,843	75,344	-	75,344	312,187
Corporate securities	11,291,051	1,034,829	(64,644)	970,185	12,261,236
Mortgage-backed securities	4,201,739				

(All dollar amounts in thousands, unless otherwise stated)

189,290 (37,155) 152,135 4,353,874 -- ------------------------------------ Total fixed maturities 16,710,722 1,439,438 (106,006) 1,333,432 18,044,154 Marketable equity securities 97,511 14,034 (1,664) 12,370 109,881 -- ------------------------------ Total $ 16,808,233 $ 1,453,472 $ (107,670) $ 1,345,802 $ 18,154,035

2. INVESTMENTS (CONTINUED)

The following table shows our investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2004:

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES
Fixed maturities:						
U.S. Government and agencies	$ 148,769	$ (4,509)	$ --	$ --	$ 148,769	$ (4,509)
State and political subdivisions	188,107	(4,679)	40,619	(4,197)	228,726	(8,876)
Foreign governments	1,438	(14)	--	--	1,438	(14)
Corporate securities	2,383,423	(78,233)	442,184	(37,791)	2,825,607	(116,024)
Mortgage-backed securities	1,537,349	(40,700)	261,345	(20,208)	1,798,694	(60,908)
Total fixed maturities	4,259,086	(128,135)	744,148	(62,196)	5,003,234	(190,331)
Marketable equity securities	8,171	(827)	5,100	(933)	13,271	(1,760)
Total	$ 4,267,257	$(128,962)	$749,248	$(63,129)	$5,016,505	$(192,091)

The unrealized losses of these investments represented approximately 1.1% of the cost of our investment portfolio at June 30, 2004.

We reviewed all our investments with unrealized losses at June 30, 2004 in accordance with our impairment policy. Our evaluation concluded that these declines in fair value were temporary after considering:

- That the majority of such losses for securities in an unrealized loss position for less than 12 months were interest rate related

- For securities in an unrealized loss position for 12 months or more, the financial condition and near term prospects of the issuer of the security, including any specific events that may affect its operation or earnings potential

- Our intent and ability to hold the security long enough to recover its value

(All dollar amounts in thousands, unless otherwise stated)

2. INVESTMENTS (CONTINUED)

The following table summarizes the cost or amortized cost and fair value of fixed maturities at June 30, 2004, by contractual years-to-maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	COST OR AMORTIZED COST	FAIR VALUE
One year or less	$ 677,245	$ 694,258
Over one year through five years	2,769,652	2,894,067
Over five years through ten years	2,921,428	2,994,504
Over ten years	6,238,645	6,816,634
Mortgage-backed securities	4,185,757	4,260,420
Total fixed maturities	$ 16,792,727	$ 17,659,883

The carrying value of securities on deposit with state regulatory authorities was $10,981 at June 30, 2004, and $10,966 at December 31, 2003.

The following table summarizes our combined net investment income:

	SIX MONTHS ENDED JUNE 30 2004	2003
Interest: Fixed maturities	$ 541,994	$ 555,993
Mortgage loans	35,964	37,413
Short-term investments	1,954	2,433
Dividends: Marketable equity securities	2,232	2,766
Redeemable preferred stock	3,349	5,081
Other	13,708	7,069
Total investment income	599,201	610,755
Investment expenses	(4,178)	(3,525)
Net investment income	$ 595,023	$ 607,230

2. INVESTMENTS (CONTINUED)

The following table summarizes our combined net realized investment gains (losses) before income taxes:

	SIX MONTHS ENDED JUNE 30 2004	2003
Fixed maturities	$ 30,189	$ (54,799)
Marketable equity securities	958	(1,657)
Other invested assets	1,890	3,130
Deferred policy acquisition costs adjustment	52	1,872
Net realized investment gains (losses) before income taxes	$ 33,089	$ (51,454)

3. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are instruments whose values are derived from an underlying instrument, indices or rates, have notional amounts and can be net settled. This may include derivatives that are "embedded" in other derivative instruments or in certain existing assets or liabilities. We use derivative financial instruments, including interest rate swaps and options, as a means of hedging exposure to equity price changes and/or interest rate risk on anticipated transactions or on existing assets and liabilities.

Interest rate risk is the risk of economic losses due to changes in the level of interest rates. We manage interest rate risk through active portfolio management and selective use of interest rate swaps as hedges to change the characteristics of certain assets and liabilities. With interest rate swap agreements, we exchange with a counterparty, at specified intervals, interest rate payments of differing character (for example, fixed-rate payments exchanged for variable-rate payments), based on an underlying principal balance (notional amount). No cash is exchanged at the outset of the contract and no principal payments are made by either party. The net interest accrued and the net interest payments made at each interest payment due date are recorded to interest income or expense, depending on the hedged item.

3. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HEDGES

We use interest rate swaps to offset the change in fair value of certain fixed-rate assets. At June 30, 2004, we had $317,075 of notional amounts outstanding relating to such hedges. There was no hedge ineffectiveness recognized in earnings related to these fair value hedges in the six months ended June 30, 2004 and 2003.

CASH FLOW HEDGES

We also use interest rate swaps to hedge the variability of future cash flows arising from changes in interest rates associated with certain variable rate assets and forecasted transactions. At June 30, 2004, we had $75,000 of notional amounts outstanding relating to such hedges. These derivatives have been designated as cash flow hedges and, because they have been determined to be highly effective, we recognize the changes in fair value of the derivative as a component of Other Comprehensive Income (OCI), net of deferred income taxes, until the hedged transaction affects current earnings. At the time current earnings are affected by the variability of cash flows due to interest rate changes, the related portion of deferred gains or losses on cash flow hedge derivatives are reclassified from OCI and recorded in the Combined Statements of Income. Amounts recorded in OCI related to derivatives qualifying as cash flow hedges resulted in a decrease of $4,065 after tax for the six months ended June 30, 2004 and a decrease of $3,084 after tax for the same period in 2003.

The interest rate swaps related to forecasted transactions that are considered probable of occurring are considered to be highly effective and qualify for hedge treatment under Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 requires that amounts deferred in OCI be reclassified into earnings either when the forecasted transaction occurs, or when it is considered not probable of occurring--whichever happens sooner. For the six months ended June 30, 2004, $11,450 pretax ($7,443 after tax) was reclassified from OCI to earnings relating to forecasted transactions that were considered no longer probable of occurring. For the six months ended June 30, 2003, $15,215 pretax ($9,890 after tax) was reclassified from OCI into earnings relating to forecasted transactions that were considered no longer probable of occurring.

3. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

OTHER DERIVATIVES

In 1997, we introduced an equity indexed annuity (EIA) product that credits the policyholder based on a percentage of the gain in the S&P 500 Index. Sales of the EIA product were suspended in the fourth quarter of 1998. In connection with this product, we have a hedging program with the objective to hedge the exposure to changes in the S&P 500 Index. This program consists of buying S&P 500 Index options. As permitted under a grandfathering clause in SFAS 133, we elected not to apply the fair value adjustment requirement of this statement to the embedded derivatives contained in the liability related to EIA products sold prior to January 1, 1999. The change in fair value of the options, as well as any gains or losses when they expire or terminate, are recognized as an adjustment to Policy Benefits in the Combined Statements of Income.

4. REINSURANCE

We use reinsurance to manage exposure to potential losses. Although the reinsurer is liable to us to the extent of the reinsurance ceded, we remain primarily liable to the policyholders as the direct insurer on all risks reinsured. We evaluate the financial condition of our reinsurers to minimize our exposure to losses from reinsurer insolvencies. To our knowledge, none of our major reinsurers is currently experiencing material financial difficulties. We analyze reinsurance recoverables according to the credit ratings and types of our reinsurers. Of the total amounts due from reinsurers balance at June 30, 2004, 95.1% was with reinsurers rated A or higher by A.M. Best. We had no reserve for uncollectible reinsurance in 2003. None of our reinsurance contracts exclude certified terrorist acts.

Individual Life Reinsurance - For our individual life business, we have coinsurance agreements where the reinsurer reimburses us based on the percentage in the contract that range from 50% to 80%, based upon the year that the policy was written. For policies written prior to 2000, we recover 50% of the death benefit that we pay on covered claims from the reinsurer. This percentage was increased in 2000 to 80% for a majority of the policies written, and was increased in 2002 to cover 80% of all policies written.

(All dollar amounts in thousands, unless otherwise stated)

4. REINSURANCE (CONTINUED)

Group Long-Term Disability and Group Short-Term Disability - We reinsure 100% of our Group Long-Term Disability and Group Short-Term Disability business. The reinsurer is responsible for paying all claims.

Reinsurance recoverables are comprised of the following amounts:

	JUNE 30, 2004	DECEMBER 31, 2003
LIFE INSURANCE		
Reinsurance recoverables on:		
Policy and contract claim reserves	$ 3,002	$ 3,689
Paid claims	1,139	1,841
Life policy liabilities	91,333	90,607
Total life insurance	95,474	96,137
ACCIDENT AND HEALTH INSURANCE		
Reinsurance recoverables on:		
Policy and contract claim reserves	84,493	83,425
Paid claims	374	192
Total accident and health insurance	84,867	83,617
Total reinsurance recoverables	$ 180,341	$ 179,754

4. REINSURANCE (CONTINUED)

The effects of reinsurance on earned premiums are as follows:

	SIX MONTHS ENDED JUNE 30 2004	2003
EARNED PREMIUMS		
Direct:		
Accident and health premiums	$ 242,075	$ 221,018
Life insurance premiums	86,120	81,848
Total	328,195	302,866
Ceded:		
Accident and health premiums	(10,598)	(8,160)
Life insurance premiums	(17,546)	(14,453)
Total	(28,144)	(22,613)
Assumed:		
Accident and health premiums	19,586	69,343
Life insurance premiums	136	563
Total	19,722	69,906
Total earned premiums	$ 319,773	$ 350,159

The decrease in assumed accident and health premiums reflects the completion of renewals of acquired stop-loss medical business on to Symetra Life Insurance Company paper.

Ceded reinsurance reduced our policy benefits by $10,947 and $13,091 for the six months ended June 30, 2004 and 2003.

(All dollar amounts in thousands, unless otherwise stated)

5. INCOME TAXES

We use the liability method of accounting for income taxes in accordance with SFAS 109, "Accounting for Income Taxes," under which deferred income tax assets and liabilities are determined based on the differences between their financial reporting and their tax bases and are measured using the enacted tax rates.

For the six months ended June 30, 2004, the difference of $9,095 between income tax computed by applying the U.S. federal income tax rate of 35% to income before income taxes and the combined provision for income taxes was primarily due to the tax effect of the separate accounts dividend received deduction, and the favorable resolution of outstanding tax contingency items, which amounted to $1,432 and $8,037, respectively. For the six months ended June 30, 2003, the difference of $1,060 was due to the separate accounts dividend received deduction and other true-up adjustments, which amounted to $1,554 and $(494), respectively.

The tax effects of temporary differences which give rise to the deferred income tax assets and deferred income tax liabilities at June 30, 2004 and December 31, 2003 were as follows:

	JUNE 30, 2004	DECEMBER 31, 2003
Deferred income tax assets:		
Goodwill	$ 4,266	$ 4,515
Adjustment to life policy liabilities	69,979	93,094
Adjustment to claims reserves	(64)	3,627
Capitalization of policy acquisition costs	71,357	76,060
Investment impairments	32,873	44,719
Capital loss carryforwards	11,536	8,400
Postretirement benefits	319	4,210
Uncollected premium adjustment	8,277	8,109
Guaranty fund assessments	726	728
Other	1,953	7,338
Total deferred income tax assets	201,222	250,800
Deferred income tax liabilities:		
Unrealized appreciation of investment securities (net of deferred policy acquisition costs adjustment of $13,357and $30,804)	298,570	446,797
Deferred policy acquisition costs	126,319	129,606
Bond discount accrual	18,589	29,145
Present value of future profits	15,015	15,819
Intangible assets	11,227	8,086
Other	803	1,484
Total deferred income tax liabilities	470,523	630,937
Net deferred income tax liability	$ 269,301	$ 380,137

6. COMPREHENSIVE INCOME

Comprehensive income is defined as all changes in Shareholder's Equity, except those arising from transactions with shareholders. Comprehensive income includes net income and OCI, which for us consists of changes in unrealized gains or losses of investments carried at market value and deferred policy acquisition costs valuation allowance.

The components of OCI are as follows:

	JUNE 30, 2004	DECEMBER 31, 2003

----------- Net
unrealized gains on
available-for-sale
securities $ 878,761 $
1,345,641 Net unrealized
gains on derivative
financial instruments
12,410 18,773 Adjustment
for deferred policy
acquisition costs
(38,164) (88,012)
Deferred income taxes
(298,442) (446,630) -----

Accumulated OCI $ 554,565
$ 829,772
==========================

The following summarizes the net changes in OCI:

SIX MONTHS ENDED JUNE 30
2004 2003 ---------------
----------- Increase
(decrease) in unrealized
appreciation/depreciation
of: Available-for-sale
securities $ (466,880) $
684,163 Derivative
financial instruments
(6,363) (6,397)
Adjustment for deferred
policy acquisition costs
49,848 (32,816) Deferred
income taxes 148,188
(225,733) ---------------
----------- Net change in
accumulated OCI $
(275,207) $ 419,217
==========================

7. COMMITMENTS AND CONTINGENCIES

At June 30, 2004 and December 31, 2003, unfunded mortgage loan commitments were $13,340 and $16,475. We had no other material commitments or contingencies at June 30, 2004 or December 31, 2003.

8. EMPLOYEE BENEFIT PLANS

CASH BALANCE PLAN

The Safeco Employee's Cash Balance Plan (CBP) is a noncontributory defined benefit plan that provides benefits for each year of service after 1988, based on the participant's eligible compensation plus a stipulated rate of return on the benefit balance. Safeco makes contributions to the CBP based on the funding requirements set by the Employee Retirement Income Security Act (ERISA). Costs allocated to the Company for this plan were 1% or less of income before income taxes for the six months ended June 30, 2004 and 2003.

OTHER POSTRETIREMENT BENEFITS

In addition, Safeco provides certain healthcare and life insurance benefits and other post-retirement benefits (collectively OPRB) for certain retired employees, their beneficiaries, and eligible dependents.

Safeco amended their OPRB program in the third quarter of 2003. The amendments created negative prior service cost, which will be amortized over the average remaining service period of all active participants. The related amortization resulted in a credit to OPRB expense. Amounts allocated to the Company related to OPRB for the six months ended June 30, 2004 and 2003 were $(661) and $1,572.

STOCK BASED COMPENSATION

The Company participates in Safeco's Long-Term Incentive Plan of 1997 (the Plan), as amended. Incentive stock options, non-qualified stock options, restricted stock rights (RSR), performance stock rights (PSR) and stock appreciation rights are authorized under the Plan. Safeco grants stock-based compensation awards at the fair market value of the stock on the day of the grant.

Prior to 2003, Safeco applied Accounting Principles Board (APB) Opinion 25 in accounting for their stock options, as allowed under SFAS 123 "Accounting for Stock-Based Compensation," as amended. Under APB 25, Safeco recognized no compensation expense related to options because the exercise price of their employee stock options equaled the fair market value of the underlying stock on the date of grant. Effective in the second quarter of 2004, they replaced their annual stock option program with a restricted stock program.

Symetra Financial

Notes to Combined Financial Statements--Unaudited (continued)
(All dollar amounts in thousands, unless otherwise stated)

8. EMPLOYEE BENEFIT PLANS (CONTINUED)

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," amending SFAS 123, to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation under SFAS 123. Safeco adopted the fair value method for accounting for stock-based compensation effective January 1, 2003, using the prospective basis transition method. Under this method, Safeco has recognized stock-based compensation expense for options granted modified or settled after January 1, 2003. Stock-based compensation expense allocated to the company was $1,883 for the six months ended June 30, 2004, and $532 for the six months ended June 30, 2003. These amounts include stock option expense of $1,367 and $0, respectively.

As a result of Safeco's sale of the Safeco Life and Investment companies, Safeco retained the liabilities related to the OPRB, CBP and Safeco's Long-Term Incentive Plan of 1997.

9. RELATED PARTIES

During the six months ended June 30, 2003, liabilities of $4,537 owed to Safeco were forgiven and reflected as a capital contribution.

In June 2000, the Company issued a guarantee to General America Corporation (GAC), an affiliate. Under the guarantee, the Company guarantees repayment of a loan made by GAC to Investar Holdings (Investar), a life and investments insurance agency. Safeco's analysis of Investar determined Investar's equity at risk was not sufficient to finance its activities and is therefore considered a Variable Interest Entity (VIE) as defined under Financial Interpretation Number (FIN) "Consolidation of Variable Interest Entities" 45R. The loan is guaranteed by the assets of Investar and personally guaranteed by its equity holders. Based on Safeco's analysis of Investar's expected losses and expected residual returns, neither GAC nor the Company is the primary beneficiary. The potential exposure to losses is limited to the senior debt holding, which was $17,334 at June 30, 2004, excluding the value of rights to the assets of the agency and personal guarantees provided by the equity holders. The loan was made in June 2000 and matures in June 2017. On August 2, 2004, Symetra Financial Corporation acquired this loan from GAC and the guarantee is no longer in effect. We do not have any guarantees subject to the recognition provisions of FIN 45.

During the six months ended June 30, 2004, the Company declared a shareholder dividend of $64,300 payable to Safeco in accordance with the terms of the Stock Purchase Agreement (SPA) (See Note 11).

9. RELATED PARTIES (CONTINUED)

On March 12, 2004, the Company purchased three mortgage loans from Safeco Insurance Company of America at current book value plus accrued interest totaling $7,237, which approximated fair value.

Various affiliated property and casualty insurance companies directly purchased structured settlement annuities from the Company totaling $1,472 for the six months ended June 30, 2004.

10. SEGMENT INFORMATION

We provide a broad range of products and services that include individual and group insurance products, pension products and annuity products. These operations are managed separately as five reportable segments: Group, Income Annuities, Retirement Services, Individual and Other based on product groupings:

Group's principal product is stop-loss medical insurance sold to employers with self-insured medical plans. Also included in this segment are group life, accidental death and dismemberment insurance and disability products.

Income Annuities' principal product is the structured settlement annuity that is sold to fund third-party personal injury settlements, providing a reliable income stream to the injured party.

Retirement Services' products are primarily fixed and variable deferred annuities (both qualified and non-qualified), tax-sheltered annuities (marketed to teachers and not-for-profit organizations), guaranteed investment contracts and corporate retirement funds.
Individual's products include term, universal and variable universal life and bank owned life insurance.

Asset Management is comprised of managing the assets of Safeco Mutual Funds and the investment portfolios supporting our variable annuity and variable universal life products.

Other is comprised mainly of investment income resulting from the investment of capital and accumulated earnings of the operating lines of business.

10. SEGMENT INFORMATION (CONTINUED)

We evaluate our results based upon pretax operating earnings, a non-GAAP financial measure that excludes net realized investment losses. Management believes the presentation of segment pretax operating earnings enhances the understanding of our results of operations by highlighting earnings attributable to the normal, recurring operations of the business.

The following tables present selected financial information by segment and reconcile pretax operating earnings to amounts reported in the Combined Statements of Income.

SIX MONTHS ENDED JUNE 30, 2004 ------------------------- ------------------------------- INCOME RETIREMENT GROUP ANNUITIES SERVICES INDIVIDUAL ------------------------- ------------------------------ Revenues: Premiums $ 251,063 $ - $ 71 $ 68,639 Net investment income 2,753 245,261 179,435 115,372 Other revenue 1 225 12,842 7,594 --- - Total (excluding net realized investment gains) 253,817 245,486 192,348 191,605 Benefits and expenses: Policy benefits 172,771 234,976 134,076 141,156 Other operating expenses 62,119 8,166 30,640 30,964 Amortization of deferred policy acquisition costs 9,003 - 14,207 6,157 Intangibles and goodwill amortization 681 - 687 1,497 --- ------------- Total 244,574 243,142 179,610 179,774 Pretax operating earnings 9,243 2,344 12,738 11,831 Net realized investment gains 141 11,451 3,890 4,241 ------- --- Income before income taxes $ 9,384 $ 13,795 $ 16,628 $ 16,072 === Assets: Total investments $ 139,043 $ 7,075,981 $ 6,192,746 $ 3,898,867 Separate account assets - - 1,061,697 107,706 Total assets 314,422 7,345,293 7,958,485 4,567,436

SIX MONTHS ENDED JUNE 30, 2004 ------------------------- ----------------- ASSET MANAGEMENT OTHER TOTAL --------- -------------------------------- Revenues: Premiums $ - $ - $ 319,773 Net investment income 695 51,507 595,023 Other revenue 12,756 10,996 44,414 --------------------- --------------------- Total (excluding net realized investment gains) 13,451 62,503 959,210 Benefits and expenses: Policy benefits - - 682,979 Other operating expenses 11,034 26,717 169,640 Amortization of deferred policy acquisition costs - - 29,367 Intangibles and goodwill amortization - 1,360 4,225 -------------------- --------------------- Total 11,034 28,077 886,211 Pretax operating earnings 2,417 34,426 72,999 Net realized investment gains 204 13,162 33,089 ------------ ----------------------------- Income before income taxes $ 2,621 $ 47,588 $ 106,088 === Assets: Total investments $ 59,631 $ 1,465,244 $ 18,831,512 Separate account assets - - 1,169,403 Total assets 80,361 2,009,078 22,275,075

10. SEGMENT INFORMATION (CONTINUED)

SIX MONTHS ENDED JUNE 30, 2003 --------------------------- ------------------------------- INCOME RETIREMENT GROUP ANNUITIES SERVICES INDIVIDUAL --------------------------- ------------------------------ Revenues: Premiums $ 282,201 $ - $ 150 $ 67,808 Net investment income 3,454 261,998 180,812 117,458 Other revenue 1,117 172 11,503 6,470 --- ------- Total (excluding net realized investment gains (losses) 286,772 262,170 192,465 191,736 Benefits and expenses: Policy benefits 158,650 234,123 141,521 150,071 Other operating expenses 69,195 9,617 27,627 32,387 Amortization of deferred policy acquisition costs 4,684 - 13,522 6,111 Intangibles and goodwill amortization 681 - (91) 1,778 -- ------------ Total 233,210 243,740 182,579 190,347 Pretax operating earnings 53,562 18,430 9,886 1,389 Net realized investment gains (losses) 296 (15,183) (13,993) (15,098) - --- Income (loss) before income taxes $ 53,858 $ 3,247 $ (4,107) $ (13,709) ===

SIX MONTHS ENDED JUNE 30, 2003 --------------------------- ---------------- ASSET MANAGEMENT OTHER TOTAL ------------ ------------------------------ Revenues: Premiums $ - $ - $ 350,159 Net investment income 505 43,003 607,230 Other revenue 12,399 10,949 42,610 ---------------------------- -------------- Total (excluding net realized investment gains (losses) 12,904 53,952 999,999 Benefits and expenses: Policy benefits - - 684,365 Other operating expenses 12,666 12,053 163,545 Amortization of deferred policy acquisition costs - - 24,317 Intangibles and goodwill amortization - 1,361 3,729 ---------------------- --------------------- Total 12,666 13,414 875,956 Pretax operating earnings 238 40,538 124,043 Net realized investment gains (losses) (738) (6,738) (51,454) --------- --------------------------------- Income (loss) before income taxes $ (500) $ 33,800 $ 72,589 ===

DECEMBER 31, 2003 - ---------- ---------- ---------- ---------- ---------- -------- INCOME RETIREMENT GROUP ANNUITIES SERVICES INDIVIDUAL ---------- ---------- ---------- ---------- ---------- --------- Assets: $ 158,885 $ 7,291,134 $ 6,393,137 $ 3,900,041 Total investments Separate account assets - - 1,032,272 105,167 Total assets 343,391 7,544,307 8,036,974 4,485,061 DECEMBER 31, 2003 - ---------- ---------- ---------- ---------- -- ASSET MANAGEMENT OTHER TOTAL ---- ---------- ---------- ---------- --------- Assets: $ 58,003 $ 1,540,937 $ 19,342,137 Total investments Separate account assets - - 1,137,439 Total assets 79,736 2,022,383 22,511,852

Notes to Combined Financial Statements--Unaudited (continued)
(All dollar amounts in thousands, unless otherwise stated)

11. SUBSEQUENT EVENTS

On July 31, 2004, Safeco contributed furniture, equipment, and software to the Company with a total book value of $7,708.

On August 2, 2004, Safeco Corporation completed the sale of the Company to an investor group led by White Mountains Insurance Group, Ltd. and Berkshire Hathaway, Inc. (the Purchasers). The sale was completed pursuant to a Stock Purchase Agreement or SPA, dated March 15, 2004. The total purchase price was $1.35 billion, subject to certain post- closing adjustments.

On July 12, 2004, Safeco contributed capital of $1,131 in cash to the Company. The contribution represented additional proceeds realized upon the sale of certain Company invested assets that were liquidated in accordance with the SPA.

Symetra Financial announced on August 2, 2004, it will exit the mutual fund business. Effective immediately, Symetra Asset Management, manager of the Symetra mutual funds, has been replaced with a new manager, Boston-based Pioneer Investment Management, Inc. Subject to trustee and fund shareholder approval, it is proposed that the $3.6 billion in assets currently held in Symetra's 22 mutual funds will become part of the Pioneer family of funds. This change is expected to be finalized before the end of the year.

EXHIBIT 99.5

THE UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET OF THE REGISTRANT AS OF JUNE 30, 2004 AND THE UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENTS OF THE REGISTRANT FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND THE YEAR ENDED DECEMBER 31, 2003.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

INTRODUCTION AND OVERVIEW

On August 2, 2004, White Mountains Insurance Group, Ltd. (the "Company", collectively with its subsidiaries "White Mountains") announced that the investor group led by White Mountains and Berkshire Hathaway Inc. had completed its acquisition (the "Acquisition") of the life and investments business of Safeco Corporation ("Symetra Financial"). White Mountains paid $200 million for approximately 19% of the outstanding shares of Symetra Financial and warrants to acquire 1,099,600 common shares of Symetra Financial. White Mountains' economic ownership of Symetra Financial is approximately 24% on a fully converted basis (i.e., when considering all outstanding warrants to acquire additional common shares of Symetra Financial).

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed combined income statement of White Mountains for the year ended December 31, 2003 and the six months ended June 30, 2004 presents results for White Mountains as if the acquisition of Symetra Financial had occurred as of January 1, 2003 and January 1, 2004, respectively. The accompanying unaudited pro forma condensed combined balance sheet of White Mountains as of June 30, 2004 presents White Mountains' financial position as if the acquisition of Symetra Financial had occurred on June 30, 2004.

White Mountains' investment in the common shares of Symetra Financial will be accounted for by the equity method of accounting. The unaudited pro forma financial information is provided for informational purposes only. The unaudited pro forma financial information does not purport to represent what White Mountains' financial position or results of operations actually would have been had the Acquisition in fact occurred as of the dates indicated, or to project White Mountains' financial position or 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 White Mountains' Annual Report on Form 10-K for the year ended December 31, 2003, White Mountains' Quarterly Report on Form 10-Q for the period ended June 30, 2004, Symetra Financial's audited consolidated financial statements as of and for the year ended December 31, 2003, which are enclosed herein as Exhibit 99.3, and Symetra Financial's unaudited combined financial statements as of June 30, 2004 and for the six months ended June 30, 2004 and 2003, which are enclosed herein as Exhibit 99.4.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
JUNE 30, 2004
(IN MILLIONS OF DOLLARS)

	White Mountains	Pro Forma Adjustments	Notes	Pro Forma Combined
ASSETS				
Total investments and cash	$10,401.7	$ (200.0)	[a]	$10,201.7
Reinsurance recoverable on paid and unpaid losses	3,896.2	--		3,896.2
Insurance and reinsurance premiums receivable	963.6	--		963.6
Deferred acquisition costs	338.0	--		338.0
Deferred tax asset	248.2	--		248.2
Investment in unconsolidated insurance affiliates	151.6	200.00	[a]	351.6
Other assets	1,924.6	36.5	[b]	1,961.1
TOTAL ASSETS	$17,923.9	$ 36.5		$17,960.4
LIABILITIES				
Loss and loss adjustment expense reserves	$ 9,329.1	$ --		$ 9,329.1
Unearned insurance and reinsurance premiums	1,824.5	--		1,824.5
Debt	824.3	--		824.3
Deferred tax liabilities	292.8	--		292.8
Preferred stock subject to mandatory redemption	202.7	--		202.7
Other liabilities	1,937.3	--		1,937.3
TOTAL LIABILITIES	14,410.7	--		14,410.7
SHAREHOLDERS' EQUITY	3,513.2	36.5	[b]	3,549.7
TOTAL SHAREHOLDERS' EQUITY	3,513.2	36.5		3,549.7
TOTAL LIABILITIES AND COMMON SHAREHOLDERS' EQUITY	$17,923.9	$ 36.5		$17,960.4
Fully converted tangible book value per share (10,819,416 shares outstanding)	$ 312.82			$ 316.20
Book value per share (10,819,416 shares outstanding)	$ 314.65			$ 318.02

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 SIX MONTHS ENDED JUNE 30, 2004
(IN MILLIONS OF DOLLARS, EXCEPT SHARE AND PER SHARE DATA)

	White Mountains	Pro Forma Adjustments	Notes	Pro Forma Combined
REVENUES				
Earned insurance and reinsurance premiums	$ 1,829.1	$ --		$ 1,829.1
Net investment income	164.2	(3.0)	[a]	161.2
Net realized investment gains	56.2	--		56.2
Net unrealized investment gains	--	--		--
Other revenues	93.8	--		93.8
TOTAL REVENUES	2,143.3	(3.0)		2,140.3
EXPENSES				
Losses and loss adjustment expenses	1,146.7	--		1,146.7
Insurance and reinsurance acquisition expenses	340.7	--		340.7
Other underwriting expenses	252.1	--		252.1
General and administrative expenses	124.0	--		124.0
Other expenses	69.6	--		69.6
TOTAL EXPENSES	1,933.1	--		1,933.1
PRETAX EARNINGS (LOSS)	210.2	(3.0)		207.2
Income tax benefit (provision)	(89.3)	0.8	[a]	(88.5)
Equity in earnings of unconsolidated affiliates	23.1	20.0	[c]	43.1
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 144.0	$ 17.8		$ 161.8
Earnings per Common Share (Note d):				
Average Common Shares used in computing basic earnings per share	9,040,207			9,040,207
Basic earnings per Common Share	$ 15.93			$ 17.90
Average Common Shares used in computing diluted earnings per share	10,151,086			10,151,086
Diluted earnings per Common Share	$ 14.11			$ 15.86

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, 2003
(IN MILLIONS OF DOLLARS, EXCEPT SHARE AND PER SHARE DATA)

	White Mountains	Pro Forma Adjustments	Notes	Pro Forma Combined
REVENUES				
Earned insurance and reinsurance premiums	$ 3,137.7	$ --		$ 3,137.7
Net investment income	290.9	(6.0)	[a]	284.9
Net realized investment gains	162.6	--		162.6
Net unrealized investment gains	--			--
Other revenues	215.4	--		215.4
TOTAL REVENUES	3,806.6	(6.0)		3,800.6
EXPENSES				
Losses and loss adjustment expenses	2,138.1			2,138.1
Insurance and reinsurance acquisition expenses	611.6	--		611.6
Other underwriting expenses	363.3	--		363.3
General and administrative expenses	201.8			201.8
Other expenses	119.5	--		119.5
TOTAL EXPENSES	3,434.3	--		3,434.3
PRETAX EARNINGS (LOSS)	372.3	(6.0)		366.3
Income tax benefit (provision)	(127.6)	1.7	[a]	(125.9)
Accretion and dividends on mandatorily redeemable preferred stock	(21.5)	--		(21.5)
Equity in earnings of unconsolidated affiliates	57.4	35.4	[c]	92.8
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 280.6	$31.1		$ 311.7
Earnings per Common Share (Note d):				
Average Common Shares used in computing basic earnings per share	8,725,217			8,725,217
Basic earnings per Common Share	$ 26.48			$ 30.05
Average Common Shares used in computing diluted earnings per share	9,668,732			9,668,732
Diluted earnings per Common Share	$ 23.63			$ 26.85

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

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following pro forma purchase accounting adjustments were undertaken to reflect the Company's investment in Symetra Financial.

[a] INVESTMENT INCOME

The Company paid $200.0 MILLION in cash for its investment in Symetra Financial. The Company estimates that it earned $3.0 MILLION and $6.0 MILLION for the periods ended June 30, 2004 and December 31, 2003, respectively, on such balances which were held in short-term investments. The yield of 3% approximates the Company's pre-tax yield on its short-term investment portfolio during the period. As a result, a Federal income tax benefit of $.8 MILLION and $1.7 MILLION, for the periods ended June 30, 2004 and December 31, 2003, respectively, were recorded for these transactions.

[b] EXTRAORDINARY GAINS

The Company paid $200.0 million for a 19% interest in the common stock of Symetra Financial, which has a fair value at the date of purchase of $200.0 million, and warrants to acquire 1,099,600 of the common shares of Symetra Financial, which has a fair value at the date of purchase of $36.5 million. As a result, the Company has recognized a pro forma gain of $36.5 million representing the excess of the fair value of assets acquired over the consideration paid for its interests in Symetra Financial. The Company has valued its warrants to acquire common shares of Symetra Financial using a five-year expected term with a risk-free interest rate commensurate with the term valued (3.8%) and using volatility of 30%.

[c] EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES

The Company recorded $20.0 MILLION and $35.4 MILLION representing the Company's ownership of approximately 19% in the net income of Symetra Financial for the periods ended June 30, 2004 and December 31, 2003, respectively.

[d] EARNINGS PER COMMON SHARE

In determining both basic and diluted earnings per Common Share before pro-forma adjustments, net income from continuing operations is reduced by $49.5 million to reflect an adjustment to the redemption value on the Company's convertible preference shares for the period ended December 31, 2003. In determining diluted earnings per Common Share before pro-forma adjustments, net income from continuing operations is further reduced by $.8 million and $2.5 million for the periods ended June 30, 2004 and December 31, 2003, respectively, resulting from outstanding options and warrants to acquire common shares of an unconsolidated affiliate of the Company. 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.