

WHITE MOUNTAINS INSURANCE GROUP LTD
Form 10-Q
August 03, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the period ended June 30, 2015

OR

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

For the transition period from _____ to _____

Commission file number 1-8993

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

Bermuda (State or other jurisdiction of incorporation or organization)	94-2708455 (I.R.S. Employer Identification No.)
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80 South Main Street, Hanover, New Hampshire (Address of principal executive offices)	03755-2053 (Zip Code)
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Registrant's telephone number, including area code: (603) 640-2200

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

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of August 3, 2015, 5,960,542 common shares with a par value of \$1.00 per share were outstanding (which includes 71,874 restricted common shares that were not vested at such date).

WHITE MOUNTAINS INSURANCE GROUP, LTD.

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Part I. FINANCIAL INFORMATION.

Item 1. Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Millions, except share amounts)	June 30, 2015	December 31, 2014
Assets	Unaudited	
Fixed maturity investments, at fair value	\$4,874.5	\$4,784.3
Short-term investments, at amortized cost (which approximates fair value)	840.5	871.7
Common equity securities, at fair value	713.8	801.6
Convertible fixed maturity and preferred investments, at fair value	4.5	20.5
Other long-term investments	390.1	407.0
Total investments	6,823.4	6,885.1
Cash (restricted: \$20.9 and \$23.7)	354.2	373.2
Reinsurance recoverable on unpaid losses	427.5	483.9
Reinsurance recoverable on paid losses	31.7	23.6
Insurance and reinsurance premiums receivable	711.9	547.7
Funds held by ceding entities	137.4	129.0
Investments in unconsolidated affiliates	397.2	414.4
Deferred acquisition costs	198.1	177.1
Deferred tax asset	440.2	456.1
Ceded unearned insurance and reinsurance premiums	172.4	94.0
Accrued investment income	33.7	34.5
Accounts receivable on unsettled investment sales	23.3	56.5
Goodwill and intangible assets	355.6	366.4
Other assets	322.7	356.1
Assets held for sale	—	58.1
Total assets	\$10,429.3	\$10,455.7
Liabilities		
Loss and loss adjustment expense reserves	\$3,031.8	\$3,159.8
Unearned insurance and reinsurance premiums	1,110.8	955.3
Debt	748.5	746.6
Deferred tax liability	264.8	282.8
Accrued incentive compensation	124.9	184.6
Ceded reinsurance payable	189.6	105.7
Funds held under insurance and reinsurance contracts	145.4	138.9
Accounts payable on unsettled investment purchases	57.7	2.6
Other liabilities	297.3	341.0
Total liabilities	5,970.8	5,917.3
Equity		
White Mountains's common shareholders' equity		
White Mountains's common shares at \$1 par value per share - authorized 50,000,000 shares;		
issued and outstanding 5,960,542 and 5,986,214 shares	6.0	6.0
Paid-in surplus	1,025.2	1,028.7
Retained earnings	3,069.2	3,010.5
Accumulated other comprehensive income (loss), after tax:		
Equity in net unrealized gains from investment in Symetra common shares	2.0	34.9
Net unrealized foreign currency translation losses	(123.7) (79.8
Pension liability and other	(4.1) (4.6

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Total White Mountains's common shareholders' equity	3,974.6	3,995.7
Non-controlling interests		
Non-controlling interest - OneBeacon Ltd.	255.0	258.4
Non-controlling interest - SIG Preference Shares	250.0	250.0
Non-controlling interest - mutuals and reciprocals	(146.2)	(134.3)
Non-controlling interest - other	125.1	168.6
Total non-controlling interests	483.9	542.7
Total equity	4,458.5	4,538.4
Total liabilities and equity	\$10,429.3	\$10,455.7
See Notes to Consolidated Financial Statements		

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(Millions, except per share amounts)	2015	2014	2015	2014
Revenues:				
Earned insurance and reinsurance premiums	\$537.3	\$503.4	\$1,031.6	\$997.0
Net investment income	23.8	29.6	47.1	54.3
Net realized and unrealized investment (losses) gains	(61.1)	113.9	42.3	177.7
Other revenue	87.5	6.4	123.3	3.0
Total revenues	587.5	653.3	1,244.3	1,232.0
Expenses:				
Loss and loss adjustment expenses	288.3	282.7	553.7	512.0
Insurance and reinsurance acquisition expenses	105.3	98.9	200.9	194.0
Other underwriting expenses	80.7	81.9	162.2	163.3
General and administrative expenses	108.1	70.3	224.5	120.6
Interest expense	10.9	10.0	22.0	20.1
Total expenses	593.3	543.8	1,163.3	1,010.0
Pre-tax income from continuing operations	(5.8)	109.5	81.0	222.0
Income tax benefit (expense)	2.7	(24.5)	(22.3)	(55.4)
Net income from continuing operations	(3.1)	85.0	58.7	166.6
(Loss) gain from sale of discontinued operations, net of tax	(.1)	2.7	7.9	2.7
Net loss from discontinued operations, net of tax	(.2)	(.1)	(.3)	(.6)
Income before equity in earnings of unconsolidated affiliates	(3.4)	87.6	66.3	168.7
Equity in earnings of unconsolidated affiliates, net of tax	6.8	12.5	14.1	26.3
Net income	3.4	100.1	80.4	195.0
Net loss (income) attributable to non-controlling interests	.9	(4.6)	8.2	(4.0)
Net income attributable to White Mountains's common shareholders	4.3	95.5	88.6	191.0
Other comprehensive (loss) income, net of tax:				
Change in equity in net unrealized (losses) gains from investments in Symetra common shares, net of tax	(61.8)	32.9	(32.9)	69.4
Change in foreign currency translation, pension liability and other	44.2	(27.9)	(43.4)	(35.7)
Comprehensive income	(13.3)	100.5	12.3	224.7
Comprehensive income attributable to non-controlling interests	—	—	—	—
Comprehensive income attributable to White Mountains's common shareholders	\$(13.3)	\$100.5	\$12.3	\$224.7

Income per share attributable to White Mountains's common shareholders

Basic income per share

Continuing operations	.76	\$15.08	\$13.53	\$30.61
Discontinued operations	(.04)	.43	1.27	.34
Total consolidated operations	\$.72	\$15.51	\$14.80	\$30.95

Diluted income per share

Continuing operations	\$.76	\$15.08	\$13.53	\$30.61
Discontinued operations	(.04)	.43	1.27	.34
Total consolidated operations	\$.72	\$15.51	\$14.80	\$30.95

Dividends declared per White Mountains's common share	\$1.00	\$1.00	\$1.00	\$1.00
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See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(Millions)	White Mountains's Common Shareholders' Equity					
	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2015	\$1,034.7	\$3,010.5	\$(49.5)	\$3,995.7	\$ 542.7	\$4,538.4
Net income (loss)	—	88.6	—	88.6	(8.2)	80.4
Net change in unrealized gains from investments in unconsolidated affiliates	—	—	(32.9)	(32.9)	—	(32.9)
Net change in foreign currency translation	—	—	(43.8)	(43.8)	(.1)	(43.9)
Net change in pension liability and other accumulated comprehensive items	—	—	.4	.4	.1	.5
Total comprehensive income (loss)	—	88.6	(76.3)	12.3	(8.2)	4.1
Dividends declared on common shares	—	(6.0)	—	(6.0)	—	(6.0)
Dividends to non-controlling interests	—	—	—	—	(21.9)	(21.9)
Repurchases and retirements of common shares	(8.8)	(23.9)	—	(32.7)	—	(32.7)
Issuances of common shares	.9	—	—	.9	—	.9
Redemption of Prospector Offshore Fund	—	—	—	—	(31.5)	(31.5)
Acquisition from non-controlling interests	(2.2)	—	—	(2.2)	(2.7)	(4.9)
Net contributions from non-controlling interests	—	—	—	—	5.8	5.8
Amortization of restricted share awards	6.6	—	—	6.6	(.3)	6.3
Balance at June 30, 2015	\$1,031.2	\$3,069.2	\$(125.8)	\$3,974.6	\$ 483.9	\$4,458.5

(Millions)	White Mountains's Common Shareholders' Equity					
	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2014	\$1,051.1	\$2,801.8	\$52.1	\$3,905.0	\$ 491.8	\$4,396.8
Net income (loss)	—	191.0	—	191.0	4.0	195.0
Net change in unrealized gains from investments in unconsolidated affiliates	—	—	69.4	69.4	—	69.4
Net change in foreign currency translation	—	—	(35.9)	(35.9)	—	(35.9)

Net change in pension liability and
other
accumulated comprehensive items