

MORGAN STANLEY
Form 424B2
March 04, 2019

CALCULATION OF REGISTRATION FEE

<i>Title of Each Class of Securities Offered</i>	<i>Maximum Aggregate Offering Price</i>	<i>Amount of Registration Fee</i>
Enhanced Trigger Jump Securities due 2024	\$250,000	\$30.30

February 2019

Pricing Supplement No. 1,564

Registration Statement Nos. 333-221595; 333-221595-01

Dated February 28, 2019

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the Dow Jones Industrial AverageSM and the Russell 2000[®] Index due March 4, 2024

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The Enhanced Trigger Jump Securities, which we refer to as the securities, are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The securities will pay no interest, do not guarantee any return of principal at maturity and have the terms described in the accompanying product supplement for Jump Securities, index supplement and prospectus, as supplemented and modified by this document. If the final index value of **each** underlying index **is greater than or equal to** 70% of its respective initial index value, which we refer to as the respective downside threshold value, you will receive for each security that you hold at maturity a minimum of \$360 per security in addition to the stated principal amount. If the worst performing underlying index appreciates by more than 36% over the term of the securities, you will receive for each security that you hold at maturity the stated principal amount plus an amount based on the percentage increase of such worst performing underlying index. However, if the final index value of **either** underlying index **is less than** its respective downside threshold value, the payment at maturity will be significantly less than the stated principal amount of the securities by an amount that is proportionate to the percentage decrease in the final index value of the worst performing underlying from its initial index value. Under these circumstances, the payment at maturity will be less than \$700 per security and could be zero. **Accordingly, you could lose your entire initial investment in the**

securities. Because the payment at maturity on the securities is based on the worst performing of the underlying indices, a decline in **either** final index value below 70% of its respective initial index value will result in a significant loss on your investment, even if the other underlying index has appreciated or has not declined as much. These long-dated securities are for investors who seek an equity index-based return and who are willing to risk their principal, risk exposure to the worst performing of two underlying indices and forgo current income in exchange for the upside payment feature that applies only if the final index value of **each** underlying index is greater than or equal to its respective downside threshold value. The securities are notes issued as part of MSFL’s Series A Global Medium-Term Notes Program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These securities are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

FINAL TERMS

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Issue price:	\$1,000 per security
Stated principal amount:	\$1,000 per security
Pricing date:	February 28, 2019
Original issue date:	March 5, 2019 (3 business days after the pricing date)
Maturity date:	March 4, 2024
Aggregate principal amount:	\$250,000
Interest:	None
Underlying indices:	The Dow Jones Industrial Average SM (the “INDU Index”) and the Russell 2000 [®] Index (the “RTY Index”) <ul style="list-style-type: none"> · If the final index value of each underlying index is <i>greater than or equal to</i> its respective downside threshold value: <p style="margin-left: 40px;">\$1,000 + the <i>greater of</i> (i) \$1,000 x the index percent change of the worst performing underlying index and (ii) the upside payment</p> · If the final index value of either underlying index is <i>less than</i> its respective downside threshold value, meaning the value of either underlying index has declined by more than 30% from its respective initial index value to its respective final index value: <p style="margin-left: 40px;">\$1,000 × index performance factor of the worst performing underlying index</p> <p style="margin-left: 40px;"><i>Under these circumstances, the payment at maturity will be significantly less than the stated principal amount of \$1,000, and will represent a loss of more than 30%, and possibly all, of your investment.</i></p>
Payment at maturity:	
Upside payment:	\$360 per security (36% of the stated principal amount)
Index percent change:	With respect to each underlying index, (final index value – initial index value) / initial index value
Index performance factor:	With respect to each underlying index, final index value / initial index value
Worst performing underlying index:	The underlying index with the lesser index performance factor
Initial index value:	With respect to the INDU Index, 25,916.00, which is the index closing value of such index on the pricing date

With respect to the RTY Index, 1,575.549, which is the index closing value of such index on the pricing date

With respect to the INDU Index, 18,141.20, which is 70% of the initial index value for such index

Downside threshold value:

With respect to the RTY Index, 1,102.884, which is approximately 70% of the initial index value for such index

Final index value:

With respect to each underlying index, the index closing value of such index on the valuation date

Valuation date:

February 28, 2024, subject to postponement for non-index business days and certain market disruption events

CUSIP / ISIN:

61768DM77 / US61768DM775

Listing:

The securities will not be listed on any securities exchange.

Agent:

Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."

Estimated value on the pricing date:

\$969.00 per security. See "Investment Summary" on page 2.

Commissions and issue price:

Price to public⁽¹⁾ Agent's commissions and fees⁽²⁾ Proceeds to us⁽³⁾

Per security

\$1,000 \$11.25 \$988.75

Total

\$250,000 \$2,812.50 \$247,187.50

(1) The securities will be sold only to investors purchasing the securities in fee-based advisory accounts.

MS & Co. expects to sell all of the securities that it purchases from us to an unaffiliated dealer at a price of \$988.75 per security, for further sale to certain fee-based advisory accounts at the price to public of \$1,000 per (2) security. MS & Co. will not receive a sales commission with respect to the securities. See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement for Jump Securities.

(3) See "Use of proceeds and hedging" on page 18.

The securities involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 7.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this document or the accompanying product supplement, index supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement, index supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Terms of the Securities" and "Additional Information About the Securities" at the end of this document.

References to "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Product Supplement for Jump Securities dated November 16, 2017 Index Supplement dated November 16, 2017
Prospectus dated November 16, 2017

Morgan Stanley Finance LLC

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the Dow Jones Industrial AverageSM and the Russell 2000[®] Index due March 4, 2024

Principal at Risk Securities

Investment Summary

Principal at Risk Securities

The Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the Dow Jones Industrial AverageSM and the Russell 2000[®] Index due March 4, 2024 (the “securities”) can be used:

As an alternative to direct exposure to the underlying indices that provides a minimum positive return of 36% if the final index value of **each** underlying index is greater than or equal to its respective downside threshold value and § offers uncapped 1-to-1 participation in the worst performing underlying index if the appreciation of such underlying index is greater than 36%;

§ To enhance returns and potentially outperform the worst performing of the Dow Jones Industrial AverageSM and the Russell 2000[®] Index in a moderately bullish or moderately bearish scenario;

To obtain limited protection against the loss of principal in the event of a decline of the underlying indices as of the § valuation date, but only if the final index value **of each underlying index is greater than or equal to its respective downside threshold value.**

If the final index value of **either** underlying index is less than its downside threshold value, the securities are exposed on a 1-to-1 basis to the percentage decline of the final index value of the worst performing underlying index from its respective initial index value. **Accordingly, investors may lose their entire initial investment in the securities.**

Maturity: Approximately 5 years
Upside payment: \$360 per security (36% of the stated principal amount)
Downside threshold value: For each underlying index, 70% of the respective initial index value
Minimum payment at maturity: None. Investors may lose their entire initial investment in the securities.

Interest: None

The original issue price of each security is \$1,000. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the pricing date is less than \$1,000. We estimate that the value of each security on the pricing date is \$969.00.

What goes into the estimated value on the pricing date?

In valuing the securities on the pricing date, we take into account that the securities comprise both a debt component and a performance-based component linked to the underlying indices. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying indices, instruments based on the underlying indices, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the securities?

In determining the economic terms of the securities, including the upside payment and the downside threshold values, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the securities would be more favorable to you.

What is the relationship between the estimated value on the pricing date and the secondary market price of the securities?

The price at which MS & Co. purchases the securities in the secondary market, absent changes in market conditions, including those related to the underlying indices, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon

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issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying indices, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the securities, and, if it once chooses to make a market, may cease doing so at any time.

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Principal at Risk Securities

Key Investment Rationale

The securities do not pay interest but provide a minimum positive return of 36% if the final index value of **each** of the Dow Jones Industrial AverageSM and the Russell 2000[®] Index is greater than or equal to its respective downside threshold value and offer an uncapped 1-to-1 participation in the worst performing underlying index if the appreciation of such underlying index is greater than 36%. However, if, as of the valuation date, the value of **either** underlying index is *less* than its respective downside threshold value, the payment due at maturity will be less than \$700 per security and could be zero.

Upside Scenario *If the final index value of **each** underlying index is **greater than or equal to its respective downside threshold value**, the payment at maturity for each security will be equal to \$1,000 *plus* the *greater of* (i) \$1,000 *times* the index percent change of the worst performing underlying index and (ii) the upside payment of \$360.*
*If the final index value of **either** underlying index is **less than its respective downside threshold value**, you will lose 1% for every 1% decline in the value of the worst performing underlying index from its initial index value, without any buffer (e.g., a 60% depreciation in the worst performing underlying index from the respective initial index value to the respective final index value will result in a payment at maturity of \$400 per security).*

Downside Scenario

Because the payment at maturity of the securities is based on the worst performing of the underlying indices, a decline in either underlying index below its respective downside threshold value will result in a loss of a significant portion or all of your investment, even if the other underlying index has appreciated or has not declined as much.

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Principal at Risk Securities

Hypothetical Examples

The following hypothetical examples illustrate how to calculate the payment at maturity on the securities. The following examples are for illustrative purposes only. The payment at maturity on the securities is subject to our credit risk. The below examples are based on the following terms. The actual initial index values and downside threshold values are set forth on the cover of this document.

Stated Principal Amount: \$1,000 per security
 With respect to the INDU Index: 24,000

Hypothetical Initial Index Value:
 With respect to the RTY Index: 1,400
 With respect to the INDU Index: 16,800, which is 70% of its hypothetical initial index value

Hypothetical Downside Threshold Value:
 With respect to the RTY Index: 980, which is 70% of its hypothetical initial index value

Upside Payment: \$360 (36% of the stated principal amount)
 Interest: None

EXAMPLE 1: Both underlying indices appreciate substantially, and investors therefore receive the stated principal amount *plus* \$1,000 times the index percent change of the worst performing underlying index.

Final index value	INDU Index: 34,800 RTY Index: 2,100
Index performance factor	INDU Index: 34,800 / 24,000= 145%

$$\begin{aligned} &\text{RTY Index: } 2,100 / \\ &1,400 = 150\% \\ &\text{INDU Index: } (34,800 - \\ &24,000) / 24,000 = \\ &45\% \end{aligned}$$

Index percent change

$$\begin{aligned} &\text{RTY Index: } (2,100 - \\ &1,400) / 1,400 = 50\% \\ &\$1,000 + (\$1,000 \times \\ &\text{the index percent} \\ \text{Payment at maturity} &= \text{change of the worst} \\ &\text{performing} \\ &\text{underlying index)} \\ &= \$1,000 + \$450 \\ &= \$1,450 \end{aligned}$$

In example 1, the final index value for the INDU Index has increased from its initial index value by 45%, and the final index value for the RTY Index has increased from its initial index value by 50%. Because the final index value of each underlying index is above its respective downside threshold value, and the index percent change of the worst performing underlying index is greater than the minimum positive return of 36%, investors receive at maturity the stated principal amount *plus* 1-to-1 participation in the performance of the worst performing underlying index. Investors receive \$1,450 per security at maturity.

EXAMPLE 2: The final index values of both underlying indices are at or above their respective downside threshold values but the worst performing underling index has not appreciated by more than 36%, and investors therefore receive the stated principal amount *plus* the upside payment.

$$\begin{aligned} \text{Final index value} & \quad \text{INDU Index: } 20,400 \\ & \quad \text{RTY Index: } 1,260 \\ & \quad \text{INDU Index: } 20,400 / \\ & \quad 24,000 = 85\% \end{aligned}$$

Index performance factor

$$\begin{aligned} &\text{RTY Index: } 1,260 / \\ &1,400 = 90\% \\ \text{Payment at maturity} &= \$1,000 + \text{upside} \\ &\text{payment} \\ &= \$1,000 + \$360 \\ &= \$1,360 \end{aligned}$$

In example 2, the final index value for the INDU Index has decreased from its initial index value by 15%, and the final index value for the RTY Index has decreased from its initial index value by 10%. Because the final index value

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each underlying index is above its respective downside threshold value, investors receive at maturity the stated principal amount *plus* the upside payment of \$360. Although both underlying indices have depreciated, investors receive \$1,360 per security at maturity.

EXAMPLE 3: The final index value of one of the underlying indices is less than its respective downside threshold value. Investors are therefore exposed to the full decline in the worst performing underlying index from its initial index value.

Final index value	INDU Index: 28,800 RTY Index: 630 INDU Index: 28,800 / 24,000= 120%
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Index performance factor

Payment at maturity	$ \begin{aligned} & \text{RTY Index: } 630 / \\ & 1,400 = 45\% \\ & \$1,000 \times \text{index} \\ & = \text{performance factor of} \\ & \text{the worst performing} \\ & \text{underlying index} \\ & = \$1,000 \times 45\% \\ & = \$450 \end{aligned} $
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In example 3, the final index value for the INDU Index has increased from its initial index value by 20%, and the final index value for the RTY Index has decreased from its initial index value by 55%. Because one of the underlying indices has declined below its respective downside threshold value, investors do not receive the upside payment and instead are exposed to the full negative performance of the RTY Index, which is the worst performing underlying index in this example. Under these circumstances, investors lose 1% of the stated principal amount for every 1% decline in the value of the worst performing underlying index from its initial index value. In this example, investors receive a payment at maturity equal to \$450 per security, resulting in a loss of 55%.

EXAMPLE 4: The final index values of both underlying indices are less than their respective downside threshold values. Investors are therefore exposed to the full decline in the worst performing underlying index from its initial index value.

Final index value	INDU Index: 4,800 RTY Index: 560 INDU Index: 4,800 / 24,000 = 20%
Index performance factor	RTY Index: 560 / 1,400 = 40%
Payment at maturity	$\$1,000 \times$ index performance factor = of the worst performing underlying index $= \$1,000 \times 20\%$ $= \$200$

In example 4, the final index value for the INDU Index has decreased from its initial index value by 80%, and the final index value for the RTY Index has decreased from its initial index value by 60%. Because one or more underlying indices have declined below their respective downside threshold values, investors do not receive the upside payment and instead are exposed to the full negative performance of the INDU Index, which is the worst performing underlying index in this example. Under these circumstances, investors lose 1% of the stated principal amount for every 1% decline in the value of the worst performing underlying index from its initial index value. In this example, investors receive a payment at maturity equal to \$200 per security, resulting in a loss of 80%.

If the final index value of either of the underlying indices is less than its respective downside threshold value, you will receive an amount in cash that is significantly less than the \$1,000 stated principal amount of each security by an amount proportionate to the full decline in the level of the worst performing underlying index from its initial index value over the term of the securities, and you will lose a significant portion or all of your investment.

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Risk Factors

The following is a non-exhaustive list of certain key risk factors for investors in the securities. For further discussion of these and other risks, you should read the section entitled "Risk Factors" in the accompanying product supplement, index supplement and prospectus. You should also consult with your investment, legal, tax, accounting and other advisers in connection with your investment in the securities.

The securities do not pay interest or guarantee the return of any principal. The terms of the securities differ from those of ordinary debt securities in that the securities do not pay interest or guarantee the payment of any principal at maturity. At maturity, you will receive for each \$1,000 stated principal amount of securities that you hold an amount in cash based upon the final index value of each underlying index. If the final index value of **either** underlying index is less than 70% of its respective initial index value, you will not receive the fixed upside payment § and you will instead receive at maturity an amount in cash that is significantly less than the \$1,000 stated principal amount of each security by an amount proportionate to the full decline in the final index value of the worst performing underlying index from its initial index value over the term of the securities, and you will lose a significant portion or all of your investment. **There is no minimum payment at maturity on the securities, and, accordingly, you could lose your entire investment.**

You are exposed to the price risk of both underlying indices. Your return on the securities is not linked to a basket consisting of both underlying indices. Rather, it will be based upon the independent performance of each underlying index. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is mitigated and diversified among all the components of the basket, you will be exposed to the risks related to both § underlying indices. Poor performance by either underlying index over the term of the securities will negatively affect your return and will not be offset or mitigated by any positive performance by the other underlying index. If the final index value of either underlying index declines to below 70% of its respective initial index value, you will be fully exposed to the negative performance of the worst performing underlying index at maturity, even if the other underlying index has appreciated or has not declined as much. **Accordingly, your investment is subject to the price risk of both underlying indices.**

§ **Because the securities are linked to the performance of the worst performing underlying index, you are exposed to greater risk of sustaining a significant loss on your investment than if the securities were linked to just one underlying index.** The risk that you will suffer a significant loss on your investment is greater if you invest in the securities as opposed to substantially similar securities that are linked to the performance of just one underlying index. With two underlying indices, it is more likely that the final index value of either underlying index

will decline to below its respective downside threshold value than if the securities were linked to only one underlying index. Therefore, it is more likely that you will suffer a significant loss on your investment.

The amount payable on the securities is not linked to the values of the underlying indices at any time other than the valuation date. The final index values will be the index closing values on the valuation date, subject to postponement for non-index business days and certain market disruption events. Even if the value of the worst performing underlying index appreciates prior to the valuation date but then drops by the valuation date, the payment at maturity may be significantly less than it would have been had the payment at maturity been linked to the value of the worst performing underlying index prior to such drop. Although the actual value of the worst performing underlying index on the stated maturity date or at other times during the term of the securities may be higher than its respective final index value, the payment at maturity will be based solely on the index closing value of the worst performing underlying index on the valuation date.

The securities will not be listed on any securities exchange and secondary trading may be limited. The securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the securities. Morgan Stanley & Co. LLC, which we refer to as MS & Co., may, but is not obligated to, make a market in the securities and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the securities, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Since other broker-dealers may not participate significantly in the secondary market for the securities, the price at which you may be able to trade your securities is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at

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any time, MS & Co. were to cease making a market in the securities, it is likely that there would be no secondary market for the securities. Accordingly, you should be willing to hold your securities to maturity.

The market price of the securities may be influenced by many unpredictable factors. Several factors, many of which are beyond our control, will influence the value of the securities in the secondary market and the price at which MS & Co. may be willing to purchase or sell the securities in the secondary market, including:

§ the values of the underlying indices at any time (including in relation to their initial index values),

§ the volatility (frequency and magnitude of changes in value) of the underlying indices,

§ dividend rates on the securities underlying the underlying indices,

§ interest and yield rates in the market,

§ geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the component stocks of the underlying indices or securities markets generally and which may affect the value of the underlying indices,

§ the time remaining until the maturity of the securities,

§ the composition of the underlying indices and changes in the constituent stocks of the underlying indices, and

§ any actual or anticipated changes in our credit ratings or credit spreads.

Generally, the longer the time remaining to maturity, the more the market price of the securities will be affected by the other factors described above. Some or all of these factors will influence the price you will receive if you sell your securities prior to maturity. In particular, you may have to sell your securities at a substantial discount from the stated principal amount if at the time of sale the value of either underlying index is near, at or below its respective downside threshold value.

You cannot predict the future performance of the underlying indices based on their historical performance. If the final index value of either underlying index is less than 70% of its respective initial index value, you will be exposed on a

1-to-1 basis to the full decline in the final index value of the worst performing underlying index from its respective initial index value. There can be no assurance that the final index value of each underlying index will be greater than 70% of its respective initial index value so that you will receive at maturity an amount that is greater than the \$1,000 stated principal amount for each security you hold, or that you will not lose a significant portion or all of your investment.

The securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the securities. You are dependent on our ability to pay all amounts due on the securities at maturity and therefore you are subject to our credit risk. If we default on our § obligations under the securities, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the securities prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the securities.

As a finance subsidiary, MSFL has no independent operations and will have no independent assets. As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank § *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than § the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the securities in

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Principal at Risk Securities

the original issue price reduce the economic terms of the securities, cause the estimated value of the securities to be less than the original issue price and will adversely affect secondary market prices. Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., are willing to purchase the securities in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the securities in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the securities less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying indices, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

The estimated value of the securities is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price. These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the securities than those § generated by others, including other dealers in the market, if they attempted to value the securities. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your notes in the secondary market (if any exists) at any time. The value of your securities at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “The market price of the securities may be influenced by many unpredictable factors” above.

§ **The securities are linked to the Russell 2000[®] Index and are subject to risks associated with small-capitalization companies.** As the Russell 2000[®] Index is one of the underlying indices, and the Russell

2000® Index consists of stocks issued by companies with relatively small market capitalization, the securities are linked to the value of small-capitalization companies. These companies often have greater stock price volatility, lower trading volume and less liquidity than large-capitalization companies and therefore the Russell 2000® Index may be more volatile than indices that consist of stocks issued by large-capitalization companies. Stock prices of small-capitalization companies are also more vulnerable than those of large-capitalization companies to adverse business and economic developments, and the stocks of small-capitalization companies may be thinly traded. In addition, small capitalization companies are typically less well-established and less stable financially than large-capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of personnel. Such companies tend to have smaller revenues, less diverse product lines, smaller shares of their product or service markets, fewer financial resources and less competitive strengths than large-capitalization companies and are more susceptible to adverse developments related to their products.

Investing in the securities is not equivalent to investing in the underlying indices. Investing in the securities is not equivalent to investing in either underlying index or the component stocks of either underlying index. Investors § in the securities will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute the underlying indices.

Adjustments to the underlying indices could adversely affect the value of the securities. The publisher of either underlying index may add, delete or substitute the stocks underlying such index or make other methodological changes that could change the value of such underlying index. Any of these actions could adversely affect the value § of the securities. The publisher of such underlying index may also discontinue or suspend calculation or publication of such underlying index at any time. In these circumstances, MS & Co., as the calculation agent, will have the sole discretion to substitute a successor index that is comparable to the discontinued underlying index. MS & Co. could have an economic interest that is different than that of investors in the securities insofar as, for example, MS & Co. is permitted to consider indices that are calculated and published

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by MS & Co. or any of its affiliates. If MS & Co. determines that there is no appropriate successor index, the payout on the securities at maturity will be an amount based on the closing prices on the valuation date of the stocks underlying the relevant index at the time of such discontinuance, without rebalancing or substitution, computed by the calculation agent in accordance with the formula for calculating such underlying index last in effect prior to such discontinuance (depending also on the performance of the other underlying index).

The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the securities. As calculation agent, MS & Co. has determined the initial index values and the downside threshold values and will determine the final index values, the index percent changes or the index performance factors, as applicable, and the payment that you will receive at maturity, if any. Moreover, certain determinations made by MS & Co., in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the index closing values in the event of a market disruption event or discontinuance of an underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity, if any. For further information regarding these types of determinations, see “Description of Securities—Postponement of Valuation Date(s),” “—Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation,” “—Alternate Exchange Calculation in case of an Event of Default” and “—Calculation Agent and Calculations” in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the securities on the pricing date.

Hedging and trading activity by our affiliates could potentially adversely affect the value of the securities. One or more of our affiliates and/or third-party dealers have carried out, and will continue to carry out, hedging activities related to the securities (and to other instruments linked to the underlying indices or their component stocks), including trading in the stocks that constitute the underlying indices as well as in other instruments related to the underlying indices. As a result, these entities may be unwinding or adjusting hedge positions during the term of the securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the valuation date approaches. Some of our affiliates also trade the stocks that constitute the underlying indices and other financial instruments related to the underlying indices on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could have increased the initial index value of an underlying index, and, therefore, could have increased the value at or above which such underlying index must close on the valuation date so that you do not suffer a significant loss on your initial investment in the securities (depending also on the performance of the other underlying index). Additionally, such hedging or trading activities during the term of the securities, including on the valuation date, could adversely affect the value of either underlying index on the valuation date, and, accordingly, the amount of cash an investor will receive at maturity, if any (depending also on the performance of the other underlying index).

The U.S. federal income tax consequences of an investment in the securities are uncertain. Please read the discussion under “Additional Information—Tax considerations” in this document and the discussion under “United States Federal Taxation” in the accompanying product supplement for Jump Securities (together, the “Tax Disclosure Sections”) concerning the U.S. federal income tax consequences of an investment in the securities. If the Internal Revenue Service (the “IRS”) were successful in asserting an alternative treatment, the timing and character of income on the securities might differ significantly from the tax treatment described in the Tax Disclosure Sections. For example, under one possible treatment, the IRS could seek to recharacterize the securities as debt instruments. In that event, U.S. Holders would be required to accrue into income original issue discount on the securities every year at a “comparable yield” determined at the time of issuance and recognize all income and gain in respect of the securities as § ordinary income. Additionally, as discussed under “United States Federal Taxation—FATCA” in the accompanying product supplement for Jump Securities, the withholding rules commonly referred to as “FATCA” would apply to the securities if they were recharacterized as debt instruments. However, recently proposed regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalization) eliminate the withholding requirement on payments of gross proceeds of a taxable disposition. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features. We do not plan to request a ruling from the IRS regarding the tax treatment of the securities, and the IRS or a court may not agree with the tax treatment described in the Tax Disclosure Sections.

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In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the securities, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

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Dow Jones Industrial AverageSM Overview

The Dow Jones Industrial AverageSM is a price-weighted index composed of 30 common stocks that is published by S&P Dow Jones Indices LLC, the marketing name and a licensed trademark of CME Group Inc., as representative of the broad market of U.S. industry. For additional information about the Dow Jones Industrial AverageSM, see the information set forth under “Dow Jones Industrial AverageSM” in the accompanying index supplement.

Information as of market close on February 28, 2019:

Bloomberg Ticker Symbol:	INDU
Current Index Value:	25,916.00
52 Weeks Ago:	25,029.20
52 Week High (on 10/3/2018):	26,828.39
52 Week Low (on 12/24/2018):	21,792.20

The following graph sets forth the daily closing values of the INDU Index for the period from January 1, 2014 through February 28, 2019. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the INDU Index for each quarter in the same period. The closing value of the INDU Index on February 28, 2019 was 25,916.00. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The INDU Index has at times experienced periods of high volatility, and you should not take the historical values of the INDU Index as an indication of its future performance.

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Principal at Risk Securities

Dow Jones Industrial AverageSM	High	Low	Period End	
2014				
First Quarter	16,530.94	15,372.80	16,457.66	
Second Quarter	16,947.08	16,026.75	16,826.60	
Third Quarter (198.4	17,279.74	16,368.27	17,042.90)
Net unrealized foreign currency translation gains (losses)			29.7	(61.5)
Other			(14.7)	(21.4)
Total White Mountains common shareholders equity			3,577.3	2,898.8
Noncontrolling interests				
Noncontrolling interest - OneBeacon Ltd.			337.4	283.5
Noncontrolling interest - WMRe Preference Shares			250.0	250.0
Noncontrolling interest - consolidated limited partnerships and A.W.G Dewar			83.0	80.2
Total noncontrolling interests			670.4	613.7
Total equity			4,247.7	3,512.5
Total liabilities and equity		\$	15,675.8	\$ 15,895.8

See Notes to Consolidated Financial Statements

Table of Contents**WHITE MOUNTAINS INSURANCE GROUP, LTD.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)****Unaudited**

(Millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
Earned insurance and reinsurance premiums	\$ 902.0	\$ 935.7	\$ 2,711.7	\$ 2,786.5
Net investment income	66.2	105.7	204.5	334.2
Net realized and unrealized investment gains (losses)	170.7	(429.7)	362.3	(627.0)
Other revenue	63.8	6.3	109.6	101.4
Total revenues	1,202.7	618.0	3,388.1	2,595.1
Expenses:				
Loss and loss adjustment expenses	544.1	697.6	1,616.2	1,969.0
Insurance and reinsurance acquisition expenses	181.9	190.5	543.9	556.0
Other underwriting expenses	122.7	120.4	366.8	364.6
General and administrative expenses	75.1	66.7	187.8	179.8
Accretion of fair value adjustment to loss and loss adjustment expense reserves	3.5	4.3	8.6	12.6
Interest expense on debt	17.1	20.4	54.3	61.5
Interest expense - dividends on preferred stock subject to mandatory redemption				11.8
Interest expense - accretion on preferred stock subject to mandatory redemption				21.6
Total expenses	944.4	1,099.9	2,777.6	3,176.9
Pre-tax income (loss)	258.3	(481.9)	610.5	(581.8)
Income tax (expense) benefit	(73.9)	151.6	(174.8)	187.1
Income (loss) before equity in earnings of unconsolidated affiliates and extraordinary item	184.4	(330.3)	435.7	(394.7)
Equity in earnings of unconsolidated affiliates	8.3	.8	17.8	7.2
Excess of fair value of acquired assets over cost				4.2
Net income (loss) before noncontrolling interests	192.7	(329.5)	453.5	(383.3)
Net income attributable to noncontrolling interest	(33.1)	52.8	(83.3)	40.6
Net income (loss) attributable to White Mountains common shareholders	159.6	(276.7)	370.2	(342.7)
Comprehensive income (loss), net of tax:				
Change in equity in net unrealized gains (losses) from investments in unconsolidated affiliates	127.6	(80.8)	207.0	(141.8)
Change in foreign currency translation and other	80.8	(133.2)	98.8	(83.0)
Comprehensive income (loss) before noncontrolling interests	368.0	(490.7)	676.0	(567.5)
Comprehensive net income attributable to noncontrolling interests	.9		(.9)	
Comprehensive income (loss) attributable to White Mountains common shareholders	\$ 368.9	\$ (490.7)	\$ 675.1	\$ (567.5)
Earnings (loss) per share attributable to White Mountains common shareholders				
Basic earnings (loss) per share	\$ 18.02	\$ (26.19)	\$ 41.85	\$ (32.53)
Diluted earnings (loss) per share	18.02	(26.19)	41.84	(32.53)
Dividends declared and paid per White Mountains common share	\$	\$	\$ 1.00	\$ 4.00

See Notes to Consolidated Financial Statements

Table of Contents**WHITE MOUNTAINS INSURANCE GROUP, LTD.****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****Unaudited**

(Millions)	White Mountains Common Shareholders Equity				
	Common shareholders equity	Common shares and paid-in surplus	Retained earnings	Accum. other comprehensive income (loss), after-tax	Non-controlling interest
Balances at January 1, 2009	\$ 2,898.8	\$ 1,428.2	\$ 1,751.9	\$ (281.3)	\$ 613.7
Cumulative effect adjustment - Symetra FAS 115-2			3.0	(3.0)	
Net income	370.2		370.2		83.3
Other comprehensive income, after-tax	304.9			304.9	.9
Dividends declared on common shares	(8.9)		(8.9)		
Dividends/distributions to noncontrolling interests					(29.1)
Issuances of common shares	.2	.2			
Contributions from noncontrolling interests					1.4
Amortization of restricted share and option awards	12.1	12.1			.2
Balances at September 30, 2009	\$ 3,577.3	\$ 1,440.5	\$ 2,116.2	\$ 20.6	\$ 670.4

(Millions)	White Mountains Common Shareholders Equity				
	Common shareholders equity	Common shares and paid-in surplus	Retained earnings	Accum. other comprehensive income (loss), after-tax	Non-controlling interest
Balances at January 1, 2008	\$ 4,713.4	\$ 1,691.2	\$ 2,718.5	\$ 303.7	\$ 888.7
Cumulative effect adjustment - FAS 157	(.3)		(.3)		
Cumulative effect adjustment - FAS 159			199.6	(199.6)	
Net (loss) income	(342.7)		(342.7)		(44.8)
Other comprehensive loss, after-tax	(224.7)			(224.7)	.2
Dividends declared on common shares	(42.3)		(42.3)		
Dividends/distributions to noncontrolling interests					(83.5)
Issuances of common shares	8.6	8.6			
Contributions from noncontrolling interests					3.0
Repurchases and retirements of common shares	(59.3)	(21.9)	(37.4)		(64.2)
Amortization of restricted share and option awards	9.2	9.2			.3
Balances at September 30, 2008	\$ 4,061.9	\$ 1,687.1	\$ 2,495.4	\$ (120.6)	\$ 699.7

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See Notes to Consolidated Financial Statements

Table of Contents**WHITE MOUNTAINS INSURANCE GROUP, LTD.****CONSOLIDATED STATEMENTS OF CASH FLOWS****Unaudited**

(Millions)	Nine Months Ended September 30,	
	2009	2008
Cash flows from operations:		
Net income (loss) - White Mountains and noncontrolling interests	\$ 453.5	\$ (383.3)
Charges (credits) to reconcile net income (loss) to net cash (used for) provided from operations:		
Net realized and unrealized investment (gains) losses	(362.3)	627.0
Excess of fair value of acquired assets over cost		(4.2)
Other operating items:		
Net change in loss and loss adjustment expense reserves	(553.6)	(76.2)
Net change in reinsurance recoverable on paid and unpaid losses	241.3	202.4
Net change in unearned insurance and reinsurance premiums	.7	163.0
Net change in funds held by ceding companies	63.9	10.4
Net change in deferred acquisition costs	1.7	(27.3)
Net change in ceded unearned premiums	(2.9)	(16.5)
Net change in funds held under reinsurance treaties	5.6	(28.1)
Net change in insurance and reinsurance premiums receivable	(46.2)	(59.2)
Net change in other assets and liabilities, net	154.9	(272.8)
Net cash (used for) provided from operations	(43.4)	135.2
Cash flows from investing activities:		
Net change in short-term investments	(23.6)	(938.8)
Sales of fixed maturity and convertible fixed maturity investments	1,909.6	3,333.4
Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments	898.8	1,205.5
Maturities of trust account investments		305.6
Sales of common equity securities	302.0	367.5
Distributions and redemptions of other long-term investments	66.5	44.4
Sales of consolidated and unconsolidated affiliates, net of cash sold		4.2
Contributions to other long-term investments	(17.9)	(50.4)
Purchases of common equity securities	(42.6)	(518.6)
Purchases of fixed maturity and convertible fixed maturity investments	(2,810.2)	(3,410.1)
Purchases of consolidated and unconsolidated affiliates, net of cash acquired		(224.4)
Net change in unsettled investment purchases and sales	83.9	145.1
Net acquisitions of property and equipment	(12.2)	(9.3)
Net cash provided from investing activities	354.3	254.1
Cash flows from financing activities:		
Issuance of debt		475.0
Repayment of debt	(242.8)	(277.0)
Repurchase of debt	(63.2)	(22.3)
Settlement of interest rate swap	(7.4)	
Redemption of mandatorily redeemable preferred stock		(300.0)
Cash dividends paid to the Company's common shareholders	(8.9)	(42.3)
Cash dividends paid to OneBeacon Ltd.'s noncontrolling common shareholders	(14.7)	(64.6)
Cash dividends paid to preferred shareholders		(11.8)
Cash dividends paid on White Mountains Re Group, Ltd. Preference Shares	(9.4)	(9.4)
OneBeacon Ltd. common shares repurchased and retired		(68.8)
Common shares repurchased		(59.3)

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Proceeds from issuances of common shares		.2		
Proceeds from option exercises				.4
Net cash used for financing activities		(346.2)		(380.1)
Effect of exchange rate changes on cash		6.8		(2.0)
Net (decrease) increase in cash during the period		(28.5)		7.2
Cash balances at beginning of period (excludes restricted cash balances of \$225.7 and \$8.5)		183.9		162.8
Cash balances at end of period (excludes restricted cash balances of \$102.7 and \$50.8)	\$	155.4	\$	170.0
Supplemental cash flows information:				
Interest paid	\$	(58.2)	\$	(54.0)
Net receipts from (payments to) national governments	\$	27.3	\$	(86.2)

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of presentation

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

The OneBeacon segment consists of OneBeacon Insurance Group, Ltd. (OneBeacon Ltd.), an exempted Bermuda limited liability company that owns a family of U.S.-based property and casualty insurance companies (collectively OneBeacon), most of which operate in a multi-company pool. OneBeacon offers a wide range of specialty, commercial and personal products and services sold primarily through select independent agents and brokers. OneBeacon was acquired by White Mountains in 2001 (the OneBeacon Acquisition). During the fourth quarter of 2006, White Mountains sold 27.6 million, or 27.6%, of OneBeacon Ltd.'s common shares in an initial public offering (the OneBeacon Offering). At September 30, 2009, White Mountains owned 75.4% of OneBeacon Ltd.'s outstanding common shares.

The White Mountains Re segment consists of White Mountains Re Ltd., an exempted Bermuda limited liability company, and its subsidiaries (collectively, White Mountains Re). White Mountains Re offers reinsurance capacity for property, casualty, accident & health, agriculture, aviation and space and certain other exposures on a worldwide basis through its subsidiaries, White Mountains Reinsurance Company of America (WMRe America, formerly known as Folksamerica Reinsurance Company) and Sirius International Insurance Corporation (WMRe Sirius). In September 2009, White Mountains Re substantially completed a reorganization of its reinsurance operations whereby the in-force business and infrastructure of White Mountains Re Bermuda Ltd. (WMRe Bermuda) was transferred to WMRe Sirius, which established a branch office in Bermuda to maintain the group's presence in the Bermuda market. With the anticipated completion of the reorganization in the first quarter of 2010, WMRe Bermuda will be run off as a subsidiary of WMRe Sirius. Through White Mountains Re Solutions, White Mountains Re also specializes in the acquisition and management of runoff insurance and reinsurance companies both in the United States and internationally. Through 2008, White Mountains Re provided reinsurance advisory services, specializing primarily in property and other short-tailed lines of reinsurance, through White Mountains Re Underwriting Services Ltd. (WMRUS). White Mountains Re also includes Scandinavian Reinsurance Company, Ltd. (Scandinavian Re) which is in run off, and the consolidated results of the Tuckerman Capital II, LP fund (Tuckerman Fund II), which was transferred to White Mountains Re from Other Operations, effective June 30, 2008.

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

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White Mountains Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC (WM Advisors), its variable annuity reinsurance business, White Mountains Life Reinsurance (Bermuda) Ltd. (WM Life Re), and its weather risk management business. Both WM Life Re and the weather risk management business are in run-off. The Other Operations segment also includes White Mountains investments in Lightyear Delos Acquisition Corporation (Delos), common shares and warrants to purchase common shares of Symetra Financial Corporation (Symetra) and the consolidated results of the Tuckerman Capital, LP fund (Tuckerman Fund I) and Tuckerman Fund II until its transfer to White Mountains Re, effective June 30, 2008 and various other entities not included in other segments. Prior to October 31, 2008, the Other Operations segment also included the International American Group, Inc. (the International American Group), which included American Centennial Insurance Company and British Insurance Company of Cayman, both of which were in run-off. On October 31, 2008, in a transaction with Berkshire Hathaway, Inc. (Berkshire), White Mountains exchanged its ownership interests in Commercial Casualty Insurance Company (previously a subsidiary of White Mountains Re) and the International American Group, and \$707.9 million in cash, for 1,634,921 common shares of the Company held by Berkshire (the Berkshire Exchange).

All significant intercompany transactions have been eliminated in consolidation. These interim financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of White Mountains that are of a normal recurring nature. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company s 2008 Annual Report on Form 10-K. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Refer to the Company s 2008 Annual Report on Form 10-K for a complete discussion regarding White Mountains significant accounting policies.

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Noncontrolling Interests

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

The percentage of the noncontrolling ownership interests in OneBeacon Ltd. at September 30, 2009 was 24.6%.

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

Recently Adopted Changes in Accounting Principles

Accounting Standards Codification

On June 29, 2009, the FASB issued Statement of Financial Accounting Standards (FAS) 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (FAS 168), which establishes the FASB Accounting Standards Codification (Codification Accounting Standards Codification (ASC)) as the source of authoritative accounting principles to be applied in the preparation of financial statements in conformity with GAAP. FAS 168 (ASC 105-10) is effective for interim and annual periods ending after September 15, 2009. All existing non-SEC accounting and reporting standards were superseded by the Codification. White Mountains adopted the Codification for the interim period ending September 30, 2009. Adoption did not have any effect on the Company s accounting policies or financial statement presentation. However, because the Codification changes the basis for reference to authoritative GAAP guidance, the Company s footnote disclosures that reference such guidance reflect references to the codification. New accounting guidance is now issued by the FASB in the form of Accounting Standard Updates (ASUs). New guidance that became effective in 2009 prior to the adoption of Codification has been described below using the original FASB Statement reference with a parenthetical reference to the principal Codification section into which the Statement has been incorporated.

Subsequent Events

On May 28, 2009, the FASB issued FAS No. 165, *Subsequent Events* (FAS 165). FAS 165 (included in ASC 855-10) defines the period after the balance sheet date during which a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which a reporting entity should recognize events or transaction occurring after the balance sheet date and the disclosures required for events or transactions that occurred after the balance sheet date. Subsequent events that provide additional evidence about conditions that existed at the balance sheet date are to be recognized in the financial statements. Subsequent events that are conditions that arose after the balance sheet date but prior to the issuance of the financial statements are not recognized in the financial

statements, but should be disclosed if failure to do so would render the financial statements misleading. FAS 165 requires disclosure of the date through which subsequent events have been evaluated. For subsequent events not recognized, disclosures should include a description of the nature of the event and either an estimate of its financial effect or a statement that such an estimate cannot be made. White Mountains adopted FAS 165 effective June 30, 2009. Adoption did not affect the recognition or disclosure of subsequent events. White Mountains evaluates subsequent events up to the date it files its Form 10-Q with the Securities and Exchange Commission for its financial statements. For the period ended September 30, 2009, this date was October 30, 2009.

Other-Than-Temporary Impairments

On June 30, 2009, White Mountains adopted FASB Staff Position (FSP) FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (included in ASC 320-10), which amends the guidance for other-than temporary impairments for debt securities classified as held-to-maturity (HTM) or available-for-sale (AFS). FSP FAS 115-2 and FAS 124-2 requires that, when evaluating whether an impairment of a debt security is other than temporary, the reporting entity is to assess whether it has the intent the sell the security or if it is more likely than not that it will be required to sell the security before the recovery of its amortized cost basis. In addition, if the present value of cash flows expected to be collected is less than the amortized cost of the security, a credit loss is deemed to exist and the security is considered to be impaired. The portion of the impairment loss related to a credit loss is to be recognized in earnings. The portion of the impairment loss related to factors other than credit loss is recognized as an unrealized loss.

White Mountains has made the fair value election for its investments in debt securities and, accordingly, all changes in the fair value of its debt securities are recognized in earnings regardless of whether such changes in fair value represent a temporary or other than temporary decline in value. As a result, adoption of FSP FAS 115-2 and FAS 124-2 did not impact White Mountains' method of accounting for its portfolio of investment securities. However, White Mountains' investment in Symetra is accounted for under the equity method. Symetra adopted FSP FAS 115-2 and FAS 124-2 as of March 31, 2009. Upon adoption, Symetra recognized a cumulative effect adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. As a result, for the quarter ended March 31, 2009, White Mountains recorded a \$3.0 million cumulative effect adjustment to retained earnings and other comprehensive income, which represents its portion of the cumulative effect adjustment recorded by Symetra.

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Determining Fair Values in an Inactive Market and Distressed Transactions

On June 30, 2009, White Mountains adopted FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 (included in ASC 820-10-65) outlines factors to be considered by a reporting entity in determining whether a market for an asset or liability is active. In circumstances where the reporting entity concludes that there has been a significant decrease in the volume of market activity for an asset or liability as compared to normal market activity, transactions or quoted prices may not reflect fair value. In such circumstances, FSP 157-4 requires analysis of the transactions or quoted prices and, where appropriate, adjustment to market inputs to estimate fair value. In addition, FSP 157-4 requires interim disclosures to include a description of the inputs and valuation techniques used to estimate fair value and a discussion of changes during the period. Adoption of FSP 157-4 did not have a material effect on the White Mountains' financial position or results of operations.

Interim Fair Value Disclosures

On June 30, 2009, White Mountains adopted FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (included in ASC 825-10-65), which requires disclosures about fair value of financial instruments within the scope of FAS No. 107 *Disclosures about Fair Value of Financial Instruments* (FAS 107) (included in ASC 825-10-50) for interim reporting periods. White Mountains carries its financial instruments on its balance sheet at fair value with the exception of its fixed-rate, long-term indebtedness and its perpetual preference shares. See **Note 13**.

Business Combinations and Noncontrolling Interests

On January 1, 2009, White Mountains adopted FAS No. 141 (Revised 2007), *Business Combinations - A Replacement of FASB Statement No. 141* (FAS 141R) (included in ASC 805-10) and FAS No. 160, *Noncontrolling Interests-an amendment to ARB 51* (FAS 160) (included in ASC 810-10-65).

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

FAS 160 requires all companies to account for noncontrolling interests (formerly referred to as minority interests) in subsidiaries as equity, clearly identified and presented separately from White Mountains' equity. Once a controlling interest has been acquired, any subsequent acquisitions or dispositions of noncontrolling interests that do not result in a change of control are accounted for as equity transactions. Assets

and liabilities acquired are measured at fair value only once, at the original acquisition date, (i.e., the date at which the acquirer gained control). The recognition and measurement requirements of FAS 160 are applicable prospectively upon adoption; the presentation and disclosure requirements must be retrospectively applied. Accordingly, upon adoption of FAS 160, White Mountains changed the presentation of its financial statements for prior periods to conform to the required presentation, as follows: noncontrolling interests are now presented on the balance sheets within equity, separate from White Mountains' common shareholders' equity; the portion of net income, extraordinary items and comprehensive income attributable to White Mountains' common shareholders and the noncontrolling interests are presented separately on the consolidated statements of operations and comprehensive income; and the consolidated statements of shareholders' equity includes a reconciliation of the noncontrolling interests at the beginning and end of each reporting period.

Derivatives Disclosures

On January 1, 2009, White Mountains adopted FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FAS 133* (FAS 161) (included in ASC 815-10-65-1). FAS 161 requires companies that use derivatives to provide expanded qualitative and quantitative information about their use of derivative instruments, including the objectives and strategies for using derivatives, details of credit-risk related contingent features, the amounts of derivatives used, where they have been reported in the financial statements and the effect of such instruments on a company's financial position, results of operations and cash flows. The adoption of FAS 161 had no effect on the White Mountains' financial position or results of operations.

Participating Securities Granted in Share-Based Payment Transactions

On January 1, 2009, White Mountains adopted FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Transactions are Participating Securities*. FSP EITF 03-6-1 (included in ASC 260-10-45 to 55) addresses whether instruments granted in share-based payment transactions should be considered participating securities prior to vesting. FSP EITF 03-6-1 requires that such instruments that hold unforfeitable rights to dividends or dividend equivalents, regardless of whether paid or unpaid, should be considered participating securities and accordingly should be included in the calculation of earnings per share under the two-class method instead of the treasury stock method. White Mountains issues restricted stock under employee incentive compensation plans that contain dividend participation features and that are considered participating securities.

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Since adoption, White Mountains has used the two-class method to calculate earnings per share. In accordance with the adoption provisions of FSP EITF 03-6-1 all prior period earnings per share data has been adjusted retroactively to conform to the provisions of FSP EITF 03-6-1.

Recent Accounting Pronouncements

Alternative Investments

On September 30, 2009, the FASB issued ASU 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. Alternative investments include ownership interests in hedge funds and private equity funds, which White Mountains includes in other long-term investments. Under the ASU, the fair value of an alternative investment may be estimated based on net asset value per share (NAV) as reported by the investee, subject to certain requirements. The investee must calculate its NAV in accordance with the measurement principles of ASC Topic 946 (*US GAAP for Investment Companies*), meaning that the investee's underlying investments have been measured at fair value. In addition, in circumstances where the investor intends to sell the investment for an amount that differs from the NAV, NAV may not be used to estimate fair value. The ASU also expands required disclosures, including the amount of unfunded commitments, a description of the terms and conditions upon which the investor may redeem investments, the circumstances in which an otherwise redeemable investment might not be redeemable (for instance, investment subject to a lockup period) as well as an estimate of when the restriction will lapse and, in circumstances where the investment cannot be redeemed but the investor receives distributions through the liquidation of the underlying assets, an estimate of the period of time over which the underlying assets are expected to be liquidated. The ASU is effective for interim and annual periods ending after December 15, 2009 and may be adopted early. White Mountains expects to adopt the ASU as of December 31, 2009. Adoption is not expected to have a material effect on White Mountains financial position, results of operations or cash flows.

Measuring Liabilities at Fair Value

On August 29, 2009, the FASB issued ASU 2009-05, *Measuring Liabilities at Fair Value* (included in ASC 820-10). The ASU provides additional guidance for circumstances where a quoted price in an active market for an identical liability is not available. The ASU permits use of the quoted price for an identical liability when traded as an asset or quoted prices for similar liabilities when traded as an asset. The ASU also notes that valuation techniques consistent with the fair value principles of ASC 820-10 may be used, including a present value technique or market approach based on the amount that the reporting entity would pay to transfer the identical liability or would receive to enter into an identical liability at the measurement date. The guidance in the ASU is effective for the first interim reporting period beginning after issuance, which would be the reporting period ending December 31, 2009 for White Mountains.

White Mountains measures its reinsured variable annuity guarantee liabilities at fair value. There is no active market for these liabilities and, accordingly, White Mountains uses a valuation technique that incorporates actuarial and capital market assumptions related to the projected cash flows over the term of the contracts. Some of the assumptions are based on observable market data, such as those related to capital markets inputs, and some are based on inputs not readily observable, such as mortality, surrender and lapse rates. Where observable inputs are available, White Mountains uses the most current inputs available. White Mountains is in the process of evaluating the ASU and the potential effect of adoption.

Transfers of Financial Assets and Amendments to FIN 46R

On June 12, 2009, the FASB issued FAS 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140* (FAS 166) and FAS 167, *Amendments to FIN46(R)* (FAS 167). FAS 166 eliminates the concept of a qualifying special-purpose entity (QSPE) and, accordingly, any existing QSPE must be evaluated for consolidation upon adoption of FAS 166. Under FAS 166, the appropriateness of de-recognition is evaluated based on whether or not the transferor has surrendered control of the transferred assets. The evaluation must consider any continuing involvement by the transferor. FAS 167 amends FIN 46R (included in ASC 810-10) to clarify the application of consolidation accounting for entities for which the controlling financial interest might not be solely identified through voting rights. The guidance under FAS 167 still requires a reporting entity to perform an analysis to determine if its variable interests give it a controlling financial interest (also referred to as the primary beneficiary) in a variable interest entity (VIE), defined as the entity having both of the following: (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. In addition, a reporting entity must assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining if it has the power to direct the activities of the VIE that most significantly affect the entity's economic performance. FAS 167 also amends FIN 46R to require ongoing reassessments of whether a reporting entity is the primary beneficiary of a VIE. The concept of a reconsideration event has been retained, but the list of reconsideration events has been changed. The list includes a change in facts and circumstances where the holders of an equity investment at risk as a group lose the power to direct the activities of the entity that most significantly affect the entity's economic performance and a troubled debt-restructuring, which was excluded as a reconsideration event under FIN 46R, is now defined as a reconsideration event. Both statements expand required disclosures and are effective as of the beginning of the first annual reporting period that begins after November 15, 2009. White Mountains is in the process of evaluating FAS 166 and FAS 167 and the potential effect of adoption.

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The following table summarizes the loss and loss adjustment expense (LAE) reserve activities of White Mountains insurance subsidiaries for the three and nine months ended September 30, 2009 and 2008:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Gross beginning balance	\$ 6,999.8	\$ 7,946.4	\$ 7,400.1	\$ 8,062.1
Less beginning reinsurance recoverable on unpaid losses	(2,825.0)	(3,327.6)	(3,050.4)	(3,467.9)
Net loss and LAE reserves	4,174.8	4,618.8	4,349.7	4,594.2
Loss and LAE reserves acquired - Helicon				13.7
Loss and LAE incurred relating to:				
Current year losses	587.5	714.2	1,698.0	1,915.9
Prior year losses	(43.4)	(16.6)	(81.8)	53.1
Total incurred losses and LAE	544.1	697.6	1,616.2	1,969.0
Accretion of fair value adjustment to loss and LAE reserves	3.5	4.3	8.6	12.6
Foreign currency translation adjustment to loss and LAE reserves	13.4	(33.1)	24.0	(8.7)
Loss and LAE paid relating to:				
Current year losses	(277.1)	(249.5)	(662.9)	(668.4)
Prior year losses	(339.2)	(366.7)	(1,216.1)	(1,241.0)
Total loss and LAE payments	(616.3)	(616.2)	(1,879.0)	(1,909.4)
Net ending balance	4,119.5	4,671.4	4,119.5	4,671.4
Plus ending reinsurance recoverable on unpaid losses	2,834.1	3,265.4	2,834.1	3,265.4
Gross ending balance	\$ 6,953.6	\$ 7,936.8	\$ 6,953.6	\$ 7,936.8

Loss and LAE incurred relating to prior year losses for the three and nine months ended September 30, 2009

During the three and nine months ended September 30, 2009, White Mountains experienced \$43.4 million and \$81.8 million of net favorable loss reserve development.

For the three months ended September 30, 2009, OneBeacon had net favorable loss reserve development of \$20.7 million that was primarily due to lower than expected severity on losses related to professional liability in specialty lines and commercial multi-peril in commercial lines. For the nine months ended September 30, 2009, OneBeacon had net favorable loss reserve development of \$53.3 million that was primarily due to lower than expected severity on losses related to professional liability in specialty lines and commercial multi-peril in commercial lines, partially

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offset by adverse loss reserve development primarily related to New York personal injury protection litigation at AutoOne Insurance (AutoOne).

For the three months ended September 30, 2009, White Mountains Re had net favorable loss reserve development of \$18.0 million. For the nine months ended September 30, 2009, White Mountains Re had net favorable loss reserve development of \$22.8 million. The net favorable loss reserve development for both the three and nine months ended September 30, 2009 was primarily related to \$20.0 million of losses that White Mountains Re ceded in the third quarter of 2009 under a retrocessional reinsurance contract related to the 2001 accident year. This favorable loss reserve development was substantially offset by \$10.0 million of retroceded premiums and \$7.0 million of interest charges on funds held under the contract recorded through pre-tax income. White Mountains Re has now recorded the full limit of loss cessions available under this contract.

For the three months ended September 30, 2009, Esurance had \$4.7 million of net favorable loss reserve development. For the nine months ended September 30, 2009, Esurance had \$5.7 million of net favorable loss reserve development.

Loss and LAE incurred relating to prior year losses for the three and nine months ended September 30, 2008

White Mountains experienced \$16.6 million of net favorable loss reserve development and \$53.1 million of net adverse loss reserve development during the three and nine months ended September 30, 2008, respectively.

For the three and nine months ended September 30, 2008, White Mountains Re had net adverse loss reserve development of \$4.0 million and \$87.7 million. The net adverse loss reserve development in the nine months ended September 30, 2008 primarily resulted from a comprehensive loss reserve review performed in the second quarter of 2008, as described below, and \$40.5 million of construction defect losses from accident years 2001 and prior recorded in the first quarter of 2008, offset by net favorable loss reserve development from recent accident years.

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White Mountains Re management commenced a comprehensive loss reserve review (the Reserve Review) in the second quarter of 2008, primarily as a result of the \$40.5 million adverse loss reserve development recorded in the first quarter of 2008 referred to above. The Reserve Review was conducted by management, including internal underwriting, claims and actuarial personnel, with assistance from external consultants. The Reserve Review included all of WMRe America's non-asbestos and environmental (A&E) casualty loss reserves as well as certain lines of business at WMRe Sirius. The Reserve Review resulted in \$140.0 million of additional adverse loss reserve development at WMRe America, partially offset by \$85.0 million of favorable loss reserve development at WMRe Sirius during the second quarter of 2008. The adverse loss reserve development at WMRe America was predominantly attributable to its casualty reinsurance book written in the 1996-2002 underwriting years, whereas the favorable loss reserve development at WMRe Sirius was predominantly attributable to its property reinsurance book.

For the three months ended September 30, 2008, OneBeacon had net favorable loss reserve development of \$20.8 million that primarily related to professional liability in specialty lines and package business in commercial lines. For the nine months ended September 30, 2008, OneBeacon had net favorable loss reserve development of \$33.0 million that primarily related to professional liability in specialty lines and package business in commercial lines, partially offset by adverse loss reserve development at AutoOne in personal lines and in run-off.

For the three and nine months ended September 30, 2008, Esurance did not record any net loss reserve development.

For the nine months ended September 30, 2008, the Other Operations segment had \$1.6 million of net favorable loss reserve development.

Fair value adjustment to loss and LAE reserves

In connection with purchase accounting for the acquisitions of OneBeacon, WMRe Sirius and Stockbridge Insurance Company, White Mountains was required to adjust loss and LAE reserves and the related reinsurance recoverables to fair value on their respective acquired balance sheets. The net reduction to loss and LAE reserves is being recognized through an income statement charge ratably with and over the period the claims are settled.

White Mountains recognized \$3.5 million and \$8.6 million of charges for the three and nine months ended September 30, 2009, and \$4.3 million and \$12.6 million for the three and nine months ended September 30, 2008. As of September 30, 2009, the pre-tax un-accreted adjustment was \$33.1 million.

Note 3. Third Party Reinsurance

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

OneBeacon

At September 30, 2009, OneBeacon had \$17.3 million of reinsurance recoverables on paid losses and \$2,438.5 million (gross of \$194.2 million in purchase accounting adjustments) that will become recoverable if claims are paid in accordance with current reserve estimates. The collectability of balances due from OneBeacon's reinsurers is critical to OneBeacon's financial strength because reinsurance contracts do not relieve OneBeacon of its primary obligation to its policyholders. OneBeacon is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. OneBeacon monitors the financial strength of its reinsurers on an ongoing basis. Uncollectible amounts have historically not been significant.

The following table provides a listing of OneBeacon's top reinsurers, excluding industry pools and associations, based upon recoverable amounts, the percentage of total paid and unpaid reinsurance recoverables and the reinsurer's A.M. Best Company, Inc. (A.M. Best) rating.

Top Reinsurers (Millions)	Balance at September 30, 2009	% of Total	A.M. Best Rating(1)
National Indemnity Company and General Reinsurance Corporation (2)	\$ 1,878.3	76%	A++
Tokio Marine and Nichido Fire (3)	76.6	3%	A++
Munich Reinsurance America	40.1	2%	A+
QBE Insurance Corporation	38.4	2%	A
Swiss Re Group	19.4	1%	A

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

(2) Includes \$320.2 of Third Party Recoverables (as defined below), which NICO (as defined below) would pay under the terms of the NICO Cover (as defined below) if they are unable to collect from third party reinsurers. OneBeacon also has an additional \$152.3 of Third Party Recoverables from various reinsurers, the majority of which are rated A or better by A.M. Best.

(3) Includes \$41.6 of reinsurance recoverables from various third party reinsurers that are guaranteed by Tokio Marine and Nichido Fire under the terms of a 100% quota share reinsurance agreement between Houston General Insurance Company and Tokio Marine and Nichido Fire.

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In connection with the OneBeacon Acquisition, the seller caused OneBeacon to purchase two reinsurance contracts: a full risk-transfer cover from National Indemnity Company (NICO) for up to \$2.5 billion in old A&E claims and certain other exposures (the NICO Cover) and an adverse loss reserve development cover (the GRC Cover) from General Reinsurance Corporation (GRC) for up to \$570.0 million, comprised of \$400.0 million of adverse loss reserve development on losses occurring in years 2000 and prior and \$170.0 million of reserves ceded as of the date of the OneBeacon Acquisition. The NICO Cover and GRC Cover, which were contingent on and occurred contemporaneously with the OneBeacon Acquisition, were put in place in lieu of a seller guarantee of loss and LAE reserves and are therefore accounted for under GAAP as a seller guarantee. NICO and GRC are wholly-owned subsidiaries of Berkshire.

Under the terms of the NICO Cover, NICO receives the economic benefit of reinsurance recoverables (Third Party Recoverables) from certain of OneBeacon's third party reinsurers in existence at the time the NICO Cover was executed. As a result, the Third Party Recoverables serve to protect the \$2.5 billion limit of NICO coverage for the benefit of OneBeacon. White Mountains estimates that on an incurred basis, net of Third Party Recoverables, as of September 30, 2009 it has used approximately \$2.2 billion of the coverage provided by NICO. Through September 30, 2009 \$1.2 billion of these incurred losses have been paid by NICO. Since entering into the NICO Cover, \$54.7 million of the \$2.2 billion of utilized coverage from NICO related to uncollectible Third Party Recoverables. To the extent that actual experience differs from White Mountains' estimate of ultimate A&E losses and Third Party Recoverables, future losses could utilize some or all of the protection remaining under the NICO Cover.

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

Effective July 1, 2009, OneBeacon renewed its property catastrophe reinsurance program through June 30, 2010. The program provides coverage for OneBeacon's personal and commercial property business as well as certain acts of terrorism. Under the program, the first \$100 million of losses resulting from any single catastrophe are retained and the next \$750 million of losses resulting from the catastrophe are reinsured. Any loss above \$850 million would be retained. In the event of a catastrophe, OneBeacon's property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.

OneBeacon entered into a 30% homeowners quota share agreement with a group of reinsurers effective from January 1, 2009 through December 31, 2009. During the three and nine months ended September 30, 2009, OneBeacon ceded \$16.5 million and \$46.5 million, respectively, of written premiums from its Northeast homeowners business written through OneBeacon Insurance Company (OBIC) and its subsidiary companies, along with Adirondack Insurance Exchange and New Jersey Skylands Insurance Association in New York and New Jersey, respectively.

White Mountains Re

At September 30, 2009, White Mountains Re had \$22.7 million of reinsurance recoverables on paid losses and \$585.1 million of reinsurance that will become recoverable if claims are paid in accordance with current reserve estimates. Because reinsurance contracts do not relieve White Mountains Re of its obligation to its ceding companies, the collectability of balances due from its reinsurers is critical to White Mountains Re's financial strength. White Mountains Re monitors the financial strength of its reinsurers on an ongoing basis. The following table provides a

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listing of White Mountains Re's top reinsurers based upon recoverable amounts, the percentage of total paid and unpaid reinsurance recoverables and the reinsurers' A.M. Best ratings.

Top Reinsurers (Millions)	Balance at September 30, 2009	% of Total	A.M. Best Rating (2)	% Collateralized
Imagine Re (1)	\$ 125.5	21%	NR-5	100%
Olympus (1)(3)	86.8	14%	NR-5	100%
London Life (1)	77.8	13%	A	100%
General Re	46.3	8%	A++	4%
Swiss Re Group	43.5	7%	A	5%

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

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

(3) Gross of \$30.0 due to Olympus Reinsurance Company Ltd. (Olympus) under an indemnity agreement with WMRe America.

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Note 4. Investment Securities

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

White Mountains has invested in mortgage-backed and asset-backed securities which are carried at fair value within fixed maturity investments. White Mountains' investments in debt securities, including asset-backed securities are generally valued using industry standard pricing models. Key inputs, which are selected by management using its best judgment principally include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life. At September 30, 2009, the market for White Mountains' investments in asset-backed securities remained active and accordingly, White Mountains did not adjust the fair value estimates for the effect of illiquidity.

Realized gains and losses resulting from sales of investment securities are accounted for using the first-in first-out method. Premiums and discounts on all fixed maturity investments are accreted to income over the anticipated life of the investment. Short-term investments consist of money market funds, certificates of deposit and other securities which, at the time of purchase, mature or become available for use within one year. Short-term investments are carried at amortized cost, which approximated fair value as of September 30, 2009 and December 31, 2008.

Other long-term investments comprise White Mountains' investments in limited partnerships and limited liability corporations, which consists of hedge funds and private equity funds.

White Mountains recently exited its securities lending programs. White Mountains had participated in securities lending programs through both OneBeacon and White Mountains Re as a mechanism for generating additional investment income. Under the security lending arrangements, certain securities White Mountains owned were loaned to other institutions for short periods of time through a lending agent. The security lending counterparty was required to provide collateral for the loaned securities, which was then invested by the lending agent. The collateral was normally required at a rate of 102% of the fair value of the loaned securities. For OneBeacon's program prior to February 2009 and for the White Mountains Re's program, the collateral was fully controlled by the lending agent and could not be sold or re-pledged. The fair value of the securities lending collateral was recorded as both an asset and a liability, however, other than in the event of a default by the borrower, the collateral was not available to White Mountains and would have been remitted to the borrower by the lending agent upon return of the loaned securities. Because of these restrictions, White Mountains considered White Mountains Re's securities lending activities and OneBeacon's securities lending activities prior to February 2009 to be non-cash transactions.

In February 2009, OneBeacon amended the terms of its securities lending program to give it more control over the investment of borrowers collateral and to segregate the assets supporting that collateral from a collective investment vehicle managed by the lending agent into a separate account. Accordingly, purchases and sales of invested assets held in the separate account as well as changes in the payable to the borrower for the return of collateral are reflected in the investing and financing sections of the cash flow statement commencing with the quarter ended March 31, 2009.

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During 2009, OneBeacon and White Mountains Re exited their securities lending programs. As of September 30, 2009, all loaned securities under the OneBeacon program had been returned except for two illiquid instruments for which OneBeacon holds \$1.7 million in collateral. As of September 30, 2009, all loaned securities under the White Mountains Re program had been returned and all collateral returned to borrowers.

White Mountains recorded net realized and unrealized investment gains (losses) of \$(0.5) million and \$8.0 million for the three and nine months ended September 30, 2009 associated with its securities lending programs.

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Pre-tax net investment income for the three and nine months ended September 30, 2009 and 2008 consisted of the following:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Investment income:				
Fixed maturity investments	\$ 70.4	\$ 90.6	\$ 201.5	\$ 275.2
Short-term investments	1.3	9.9	5.0	34.7
Common equity securities	.3	6.9	3.1	25.2
Other long-term investments	3.7	2.4	3.7	6.2
Convertible fixed maturity investments	2.4	2.0	6.1	5.8
Interest on funds held under reinsurance treaties	(9.3)	(.9)	(7.0)	(.1)
Total investment income	68.8	110.9	212.4	347.0
Less investment expenses	(2.6)	(5.2)	(7.9)	(12.8)
Net investment income, pre-tax	\$ 66.2	\$ 105.7	\$ 204.5	\$ 334.2

Net realized and unrealized investment gains and losses

White Mountains recognized \$170.7 million and \$362.3 million of net realized and unrealized investment gains for the three and nine months ended September 30, 2009 and \$429.7 million and \$627.0 million of net realized and unrealized investment losses for the three and nine months ended September 30, 2008.

Net realized investment gains (losses)

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Fixed maturity investments	\$ 12.3	\$ (75.1)	\$ (17.1)	\$ (105.6)
Short-term investments			.2	
Common equity securities		(38.4)	(46.5)	(19.6)
Other long-term investments	20.9	(10.3)	(.6)	(14.1)
Convertible fixed maturity investments	1.4	(5.2)	3.6	(7.6)
Net realized investment gains (losses), pre-tax	\$ 34.6	\$ (129.0)	\$ (60.4)	\$ (146.9)

For the three and nine months ended September 30, 2009, White Mountains recognized \$27.7 million and \$(38.3) million of after-tax realized gains (losses). During the three and nine months ended September 30, 2008, White Mountains recognized after-tax realized losses of \$92.1 million and \$101.1 million.

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Net unrealized investment gains (losses)

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

Millions	Three Months Ended September 30, 2009			Nine Months Ended September 30, 2009		
	Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total changes in fair value reflected in earnings	Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total changes in fair value reflected in earnings
Fixed maturities	\$ 152.7	\$ (58.3)	\$ 94.4	\$ 383.7	\$ (75.7)	\$ 308.0
Common equity securities	22.3	(8.5)	13.8	46.5	(9.7)	36.8
Short-term investments	.1	.3	.4	(.2)	1.3	1.1
Convertible fixed maturity investments	33.0		33.0	43.4		43.4
Other long-term investments	(.2)	(5.3)	(5.5)	39.4	(6.0)	33.4
Net unrealized investment (losses) gains, pre-tax	\$ 207.9	\$ (71.8)	\$ 136.1	\$ 512.8	\$ (90.1)	\$ 422.7

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Millions	Three Months Ended September 30, 2008			Nine Months Ended September 30, 2008		
	Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total changes in fair value reflected in earnings	Net unrealized gains (losses)	Net foreign exchange gains (losses)	Total changes in fair value reflected in earnings
Fixed maturities	\$ (50.1)	\$ 79.1	\$ 29.0	\$ (128.7)	\$ 63.9	\$ (64.8)
Common equity securities	(231.4)	(4.2)	(235.6)	(301.6)	(5.1)	(306.7)
Short-term investments	(.1)	(.8)	(.9)	(.1)	.7	.6
Convertible fixed maturity investments	(8.8)		(8.8)	(27.9)		(27.9)
Other long-term investments	(85.0)	.6	(84.4)	(81.5)	.2	(81.3)
Net unrealized investment (losses) gains, pre-tax	\$ (375.4)	\$ 74.7	\$ (300.7)	\$ (539.8)	\$ 59.7	\$ (480.1)

White Mountains recognized after-tax unrealized gains (losses) of \$90.4 million and \$280.8 million for the three and nine months ended September 30, 2009 and \$(200.3) million and \$(334.0) million for the three and nine months ended September 30, 2008.

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains fixed maturity investments as of September 30, 2009 and December 31, 2008, were as follows:

Millions	September 30, 2009					
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains(losses)	Carrying value	
U.S. Government obligations	\$ 693.0	\$ 21.0	\$ (.1)	\$ (.7)	\$ 713.2	
Debt securities issued by industrial corporations	2,251.7	156.9	(11.8)	(35.2)	2,361.6	
Municipal obligations	4.7	.2			4.9	
Mortgage-backed and asset-backed securities	1,805.9	36.2	(43.9)	(.2)	1,798.0	
Foreign government, agency and provincial obligations	939.3	28.0	(.7)	13.3	979.9	
Preferred stocks	73.7	5.3	(.4)		78.6	
Total fixed maturity investments	\$ 5,768.3	\$ 247.6	\$ (56.9)	\$ (22.8)	\$ 5,936.2	

Millions	December 31, 2008					
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains(losses)	Carrying value	
U.S. Government obligations	\$ 785.3	\$ 24.4	\$ (14.3)	\$ 3.5	\$ 798.9	
Debt securities issued by industrial corporations	1,746.9	25.0	(112.2)	(12.4)	1,647.3	
Municipal obligations	7.4	.3	(.1)		7.6	
Mortgage-backed and asset-backed securities	2,321.1	21.2	(138.4)	37.3	2,241.2	
Foreign government, agency and provincial obligations	696.6	28.3	(8.0)	14.2	731.1	
Preferred stocks	74.2	.1	(19.9)		54.4	
Total fixed maturity investments	\$ 5,631.5	\$ 99.3	\$ (292.9)	\$ 42.6	\$ 5,480.5	

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The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains common equity securities, convertible fixed maturities, and other long-term investments as of September 30, 2009 and December 31, 2008, were as follows:

Millions	September 30, 2009				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains(losses)	Carrying value
Common equity securities	\$ 276.5	\$ 28.3	\$ (8.6)	\$ 11.4	\$ 307.6
Convertible fixed maturities	\$ 301.7	\$ 26.3	\$ (1.3)	\$	\$ 326.7
Other long-term investments	\$ 373.9	\$ 46.1	\$ (42.5)	\$	\$ 377.5

Millions	December 31, 2008				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains(losses)	Carrying value
Common equity securities	\$ 558.4	\$ 18.0	\$ (44.9)	\$ 21.2	\$ 552.7
Convertible fixed maturities	\$ 327.3	\$ 3.2	\$ (21.7)	\$	\$ 308.8
Other long-term investments	\$ 431.2	\$ 44.2	\$ (65.2)	\$ 6.0	\$ 416.2

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Fair value measurements at September 30, 2009

White Mountains adopted FAS 157 (included in ASC 820-10) on January 1, 2008. FAS 157 established a hierarchy of fair value measurements based upon the nature of the inputs as follows:

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

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

Level 3 Valuations based on unobservable inputs.

White Mountains uses observable inputs for the vast majority of its investment portfolio. Fair value measurements for securities for which quoted prices are unavailable are estimated based upon reference to observable inputs such as benchmark interest rates, matrix pricing, market comparables, broker quotes and other relevant inputs. In circumstances where quoted prices or observable inputs are adjusted to reflect management's best estimate of fair value, such fair value measurements are considered a lower level measurement in the fair value hierarchy. Other long-term investments, which comprises limited partnerships and limited liability corporations, such as hedge funds and private equity funds for which the FAS 159 (included in ASC 825-10) fair value option has been elected are carried at fair value based upon White Mountains proportionate interest in the underlying partnership's or fund's net asset value, which is deemed to approximate fair value. The fair value of White Mountains' investments in hedge funds and private equity funds has been estimated using net asset value because it reflects the fair value of the funds' underlying investments. White Mountains employs a number of procedures to assess the reasonableness of the fair value measurements for its other long-term investments, including obtaining and reviewing each fund's audited financial statements and discussing each fund's pricing with the fund's manager. However, since the fund managers do not provide sufficient information to evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable. Accordingly, the fair values of White Mountains' investments in hedge funds and private equity funds have been classified as Level 3. In circumstances where the underlying investments are publicly traded, such as the investments made by hedge funds, the fair value of the underlying investments is determined using currently market prices. In circumstances where the underlying investments are not publicly traded, such as the investments made by private equity funds, the private equity fund managers have considered the need for a liquidity discount on each of the underlying investments when determining the fund's net asset value. In circumstances where White Mountains' portion of a fund's net asset value is deemed to differ from fair value due to illiquidity or other factors associated with White Mountains' investment in the fund, the net asset value is adjusted accordingly. At September 30, 2009 and December 31, 2008, White Mountains did not record an adjustment to the net asset value related to its investments in hedge funds or private equity funds.

The following tables summarize White Mountains' fair value measurements for investments at September 30, 2009 and December 31, 2008, by level. The fair value measurements for derivative assets associated with White Mountains' variable annuity business are presented in **Note 8**.

Millions	September 30, 2009			
	Fair value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
US Government obligations	\$ 713.2	\$ 639.2	\$ 73.1	\$.9

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Debt securities issued by industrial corporations	2,361.6		2,340.9	20.7
Municipal obligations	4.9		4.9	
Mortgage-backed and asset-backed securities	1,798.0		1,713.9	84.1
Foreign government, agency and provincial obligations	979.9	110.3	869.6	
Preferred stocks	78.6		4.2	74.4
Fixed maturities	5,936.2	749.5	5,006.6	180.1
Common equity securities	307.6	134.0	50.3	123.3
Convertible fixed maturity investments	326.7		326.7	
Short-term investments	2,336.6	2,318.1	18.5	
Other long-term investments (1)	363.7			363.7
Total investments	\$ 9,270.8	\$ 3,201.6	\$ 5,402.1	\$ 667.1

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

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Millions	December 31, 2008			
	Fair value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
US Government obligations	\$ 798.9	\$ 597.4	\$ 201.5	\$
Debt securities issued by industrial corporations	1,647.3		1,646.6	.7
Municipal obligations	7.6		7.6	
Mortgage-backed and asset-backed securities	2,241.2		2,136.7	104.5
Foreign government, agency and provincial obligations	731.1	92.0	639.1	
Preferred stocks	54.4		3.2	51.2
Fixed maturities	5,480.5	689.4	4,634.7	156.4
Common equity securities	552.7	399.2	40.2	113.3
Convertible fixed maturity investments	308.8		308.8	
Short-term investments	2,244.5	2,244.5		
Other long-term investments (1)	401.2			401.2
Total investments	\$ 8,987.7	\$ 3,333.1	\$ 4,983.7	\$ 670.9

(1) The fair value of other long-term investments excludes carrying value of \$15.0 associated with other long-term investment limited partnerships accounted for using the equity method.

In addition to the investment portfolio described above, White Mountains has \$48.5 million and \$41.8 million of liabilities recorded at fair value and included in other liabilities as of September 30, 2009 and December 31, 2008. These liabilities relate to securities that have been sold short by limited partnerships that White Mountains invests in and is required to consolidate under GAAP. All of the liabilities included have been deemed to have a Level 1 designation.

The following table summarizes the changes in White Mountains Level 3 fair value measurements for the three and nine months ended September 30, 2009:

Millions	Fixed Maturities	Common equity securities	Convertible fixed maturities	Other long-term investments	Total
Balance at January 1, 2009	\$ 156.4	\$ 113.3	\$	\$ 401.2	\$ 670.9
Total realized and unrealized losses	(3.6)	(3.6)		(44.3)	(51.5)
Purchases	22.2		.7	45.5	68.4
Sales	(17.1)	(.4)		(22.2)	(39.7)
Transfers in	52.1				52.1
Transfers out	(39.4)				(39.4)
Balance at March 31, 2009	170.6	109.3	.7	380.2	660.8
Total realized and unrealized gains	17.9	7.9	.1	26.9	52.8
Purchases	6.7		3.4	2.1	12.2
Sales	(26.1)	(.2)	(.2)	(18.3)	(44.8)
Transfers in	36.9				36.9
Transfers out	(50.1)				(50.1)
Balance at June 30, 2009	155.9	117.0	4.0	390.9	667.8

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Total realized and unrealized gains	18.5	6.4	.1	11.3	36.3
Purchases	19.7	.2	.7	5.2	25.8
Sales	(15.3)	(.3)	(1.3)	(43.7)	(60.6)
Transfers in	26.1				26.1
Transfers out	(24.8)		(3.5)		(28.3)
Balance at September 30, 2009	\$ 180.1	\$ 123.3	\$	\$ 363.7	\$ 667.1

White Mountains uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturities at March 31, June 30, and September 30, 2009 comprise securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

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Observable inputs in the form of quoted market prices for similar securities became unavailable for one security with a fair value of \$1.5 million that has been reflected as Transfers in to Level 3 measurements during the quarter ended March 31, 2009. Quoted market prices for this security had been used at December 31, 2008 to estimate fair value, and as such, this security was categorized as a Level 2 measurement at December 31, 2008. In addition, the estimated fair value for three securities of \$50.6 million for which the quoted price provided by a third party source was deemed unreliable and could not be validated against an alternative source is reflected in Transfers in during the quarter ended March 31, 2009. The fair value of these securities was estimated using industry standard pricing models, in which management selected inputs using its best judgment. These inputs principally included benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. The pricing models used by White Mountains use the same valuation methodology for all Level 3 measurements for fixed maturities. These securities are considered to be Level 3 because the measurements are not directly observable. The estimated fair value for these securities determined using the industry standard pricing models was \$3.2 million less than the estimated fair value based upon quoted prices provided by a third party. In addition, during the first quarter of 2009, three securities which had been classified as Level 3 measurements at December 31, 2008 were recategorized as Level 2 measurements when quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available at March 31, 2009. These measurements comprise Transfers out of \$(39.4) million for the period ended March 31, 2009.

Level 3 measurements transfers in and out - Three-month period ended June 30, 2009

The estimated fair value of \$36.9 million for three securities for which the quoted market prices provided by a third party source were deemed to be unreliable and could not be validated against an alternative third party source were valued using industry standard pricing models described above and are reflected in Transfers in during the quarter ended June 30, 2009. These securities are considered to be Level 3 because the measurements are not directly observable. Quoted market prices for these securities had been used at March 31, 2009 to estimate fair value, and as such these securities were categorized as Level 2 measurements at March 31, 2009. The fair value for these securities determined using the industry standard pricing model was \$3.2 million less than the estimated fair value based upon quoted prices provided by a third party. In addition, during the second quarter of 2009 twenty-eight securities which had been classified as Level 3 measurements at March 31, 2009 were recategorized as Level 2 measurements when quoted market prices that were considered reliable and could be validated against an alternative source were available at June 30, 2009. These measurements comprise Transfers out of \$(50.1) million for the period ended June 30, 2009.

Level 3 measurements transfers in and out Three-month period ended September 30, 2009

The estimated fair value of \$26.1 million for three securities for which the quoted market prices provided by a third party source were deemed to be unreliable and could not be validated against an alternative third party source were valued using industry standard pricing models described above and are reflected in Transfers in during the quarter ended September 30, 2009. These securities are considered to be Level 3 because the measurements are not directly observable. Quoted market prices for these securities had been used at June 30, 2009 to estimate fair value, and as such these securities were categorized as Level 2 measurements at June 30, 2009. The fair value for these securities determined using the industry standard pricing model was \$2.7 million less than the estimated fair value based upon quoted prices provided by a third party. During the third quarter of 2009, nine securities which had been classified as Level 3 measurements at June 30, 2009 were recategorized as Level 2 measurements when quoted market prices that were considered reliable and could be validated against an alternative source were available at September 30, 2009. These measurements comprise Transfers out of \$(24.8) million for fixed maturities and \$(3.5) million for convertible fixed maturities for the period ended September 30, 2009.

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The following table summarizes the amount of total gains (losses) included in earnings attributable to unrealized investment gains (losses) for Level 3 assets for the three and nine months ended September 30, 2009 and 2008:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Fixed maturities	\$ 24.2	\$ (2.1)	\$ 49.3	\$ (23.3)
Common equity securities	6.3	(12.3)	11.2	(16.4)
Convertible fixed maturities			.1	
Other long-term investments	(3.5)	(83.7)	34.7	(85.7)
Total unrealized investment gains (losses) - Level 3 assets	\$ 27.0	\$ (98.1)	\$ 95.3	\$ (125.4)

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Refer to the Company's 2008 Annual Report on Form 10-K for a fuller discussion regarding White Mountains' debt obligations as of December 31, 2008. White Mountains' debt outstanding as of September 30, 2009 and December 31, 2008 consisted of the following:

Millions	September 30, 2009	December 31, 2008
OBH Senior Notes, at face value	\$ 607.1	\$ 676.0
Unamortized original issue discount	(.7)	(.9)
OBH Senior Notes, carrying value	606.4	675.1
WMRe Senior Notes, at face value	400.0	400.0
Unamortized original issue discount	(.9)	(1.0)
WMRe Senior Notes, carrying value	399.1	399.0
WTM Bank Facility		200.0
WTM Barclays Facility		
Mortgage Note		40.8
Sierra Note	31.0	31.1
Atlantic Specialty Note	14.0	16.0
Total debt	\$ 1,050.5	\$ 1,362.0

WTM Bank Facility

On September 21, 2009 White Mountains repaid the entire \$200.0 million that had been drawn on the WTM Bank Facility.

WTM Barclays Facility

On June 10, 2009, White Mountains entered into a \$33.3 million revolving credit facility with Barclays Bank PLC (the WTM Barclays Facility). The terms and conditions of the WTM Barclays Facility are similar to the existing WTM Bank Facility with the exception of the commitment term. The commitment under the WTM Barclays Facility terminates on June 9, 2010 whereas the commitments under the WTM Bank Facility terminate on June 19, 2012.

OBH Senior Notes

During the third quarter of 2009, OBIC purchased \$21.0 million of outstanding OBH Senior Notes for \$19.8 million, which resulted in a \$1.0 million gain. During the second quarter of 2009, OBIC purchased \$37.3 million of outstanding OBH Senior Notes for \$35.2 million, which resulted in a \$1.9 million gain. During the first quarter of 2009, OBH repurchased \$10.6 million of outstanding OBH Senior Notes for \$8.1

million, which resulted in a \$2.5 million gain.

Mortgage Note on Real Estate Owned

On May 7, 2009, OneBeacon repaid \$40.6 million, representing the entire outstanding principal balance on the Mortgage Note. At the time of repayment of the outstanding balance on the Mortgage Note, OneBeacon paid \$7.4 million to settle the related interest rate swap that had been used to fix the rate of interest on the Mortgage Note. During the second quarter of 2009, OneBeacon recorded a \$7.4 million pre-tax increase in other comprehensive income and a \$7.4 million realized investment loss through net other revenues related to the settlement. During the three months ended March 31, 2009, OneBeacon repaid \$0.2 million of principal in accordance with the terms of the Mortgage Note.

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Note 6. Income Taxes

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

White Mountains' income tax expense (benefit) for the three and nine months ended September 30, 2009 and 2008 represented an effective tax rate of 28.6% and 28.6% and (31.5)% and (32.2)%. For the three and nine months ended September 30, 2009, White Mountains' effective tax rates are different from the U.S. statutory rate of 35.0% primarily due to income generated in jurisdictions other than the United States. For the three and nine months ended September 30, 2008, White Mountains' effective tax rates are different from the U.S. statutory rate of 35.0% primarily due to income generated in jurisdictions other than the United States, withholding taxes, non-deductible dividends and accretion on the Berkshire Preferred Stock.

In arriving at the effective tax rate for the three and nine months ended September 30, 2009, White Mountains is treating the change in unrealized investment gains (losses) and realized investment gains (losses) as discrete items separate from the other components of pre-tax income (loss). Therefore, the expense (benefit) of these net gains (losses) is calculated at the statutory rate applicable to the jurisdiction in which the gains (losses) are recorded. The majority of investment assets incurring current period net gains (losses) for the three and nine months ended September 30, 2009 are in the U.S. and Sweden, and are taxed at the statutory rates of 35.0% and 26.3%. The changes in unrealized investment gains (losses) and realized investment gains (losses) are treated as discrete items due to the inability to reliably estimate these amounts for the full year.

White Mountains records a valuation allowance against deferred tax assets if it becomes more likely than not that all or a portion of a deferred tax asset will not be realized. In determining whether or not a valuation allowance, or change therein, is warranted, White Mountains considers factors such as prior earnings history, expected future earnings, carry-back and carry-forward periods and strategies that if executed would result in the realization of a deferred tax asset. As of September 30, 2009, the net U.S. deferred tax assets were approximately \$357.5 million. During the next twelve months, it is possible that certain planning strategies will no longer be sufficient to utilize the entire deferred tax asset, which could result in material changes to White Mountains' valuation allowance on deferred tax assets and tax provision. Utilization of the deferred tax asset is dependent on future profitability and generation of net capital gains.

White Mountains classifies all interest and penalties on unrecognized tax benefits as part of income tax expense. With few exceptions, White Mountains is no longer subject to U.S. federal, state or non-U.S. income tax examinations for years before 2003.

In the second quarter of 2006, the Internal Revenue Service (IRS) commenced an examination of income tax returns for 2003 through 2004 for certain U.S. subsidiaries of OneBeacon, White Mountains Re and Esurance. On January 22, 2009, the Company received Form 4549-A (Income Tax Examination Changes) from the IRS relating to the examination of tax years 2003 and 2004. The IRS asserted that subsidiaries of the Company owed an additional \$65.7 million of tax and a total of \$132.3 million including interest, withholding tax and utilization of tax credits. The Company disagreed with the adjustments proposed by the IRS and filed a protest with the IRS Appeals Office. On October 14, 2009, a settlement was reached, which reduced the assessment to \$24.9 million of tax and approximately \$53 million including interest, withholding tax and utilization of credits. White Mountains expects to record a tax benefit of between \$15 million and \$17 million in the fourth quarter of 2009 from the settlement of the 2003 and 2004 tax examination.

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In October 2008, the IRS commenced an examination of certain of White Mountains' U.S. subsidiaries' income tax returns for 2005 through 2006. As of September 30, 2009, the IRS has not proposed any significant adjustments to taxable income as a result of the 2005 through 2006 audit. White Mountains does not expect to receive any adjustments that would result in a material change to its financial position.

Note 7. Weather Contracts

During the second quarter of 2009, White Mountains sold Galileo Weather Risk Management Advisors LLC for nominal consideration. The outstanding weather derivative contracts have been retained by White Mountains. White Mountains is not writing any new weather derivative contracts and the existing contracts are being run off. As of September 30, 2009, there were eleven in-force positions. Four of the remaining positions will expire during 2009, six positions will expire during 2010 and the final position will expire on September 30, 2011.

For the three and nine months ended September 30, 2009, \$3.5 million and \$1.0 million of net losses were recognized on the weather and weather contingent derivatives portfolio. For the three and nine months ended September 30, 2008, \$0.1 million of net losses and \$6.6 million of net gains were recognized on the weather derivatives portfolio. As of September 30, 2009 and 2008, there were unamortized deferred gains of \$2.4 million and \$4.5 million, respectively.

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

The weather risk management contracts are summarized in the following table:

Millions	Nine Months Ended September 30,	
	2009	2008
Net liability for weather derivative contracts as of January 1 (1)	\$ 13.1	\$ 17.9
Net consideration (paid) received during the period for new contracts	(8.3)	16.5
Net payments received (made) on contracts settled during the period	.4	(10.9)
Net increase (decrease) in fair value on settled and unsettled contracts	1.0	(6.6)
Net liability for weather derivative contracts as of September 30 (2)	\$ 6.2	\$ 16.9

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

(2) Includes unamortized deferred gains of \$2.4 and \$4.5 as of September 30, 2009 and 2008.

The following table summarizes the maturity of contracts outstanding as of September 30, 2009:

Millions	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Net asset for contracts actively quoted	\$	\$	\$	\$	\$
Net liability for contracts using internal pricing models	5.4	.8			6.2
Total net liability for weather contracts outstanding	\$ 5.4	\$.8	\$	\$	\$ 6.2(1)

(1) Includes \$2.4 in unamortized deferred gains.

Note 8. Variable Annuity Reinsurance

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. At September 30, 2009, the total guarantee value was approximately ¥ 242.7 billion (approximately \$2.7 billion at exchange rates on that date). The collective account values of the underlying variable annuities were approximately 86% of the guarantee value at September 30, 2009. The following table summarizes the pre-tax operating results of WM Life Re for the three and nine months ended September 30, 2009 and 2008:

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Millions	Three Months Ended				Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
Fees, included in other revenues	\$ 7.3	\$ 6.3	\$ 21.1	\$ 19.3				
Change in fair value of variable annuity liability, included in other revenues	(20.2)	(59.0)	61.0	(91.8)				
Change in fair value of derivatives, included in other revenues	7.4	42.3	(137.4)	57.4				
Foreign exchange, included in other revenues	8.8	(.2)	(2.3)	(.4)				
Other investment income and gains (losses)	3.0	(.2)	2.2	(.5)				
Total revenues	6.3	(10.8)	(55.4)	(16.0)				
Change in fair value of variable annuity death benefit liabilities, included in other expenses	(.2)	(4.2)	7.4	(6.1)				
Death benefit claims paid, included in other expenses	(.6)		(1.8)					
General and administrative expenses	(1.3)	.6	(4.0)	(1.6)				
Pre-tax income (loss)	\$ 4.2	\$ (14.4)	\$ (53.8)	\$ (23.7)				

For the nine months ended September 30, 2009 the change in the fair value of the variable annuity liability included \$22.4 million recognized during the first quarter associated with change in projected surrender assumptions.

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All of White Mountains variable annuity reinsurance liabilities (\$398.5 million) were classified as Level 3 measurements at September 30, 2009. The following table summarizes the changes in White Mountains variable annuity reinsurance guarantee liabilities and derivative instruments for the three and nine month periods ended September 30, 2009:

Millions	Variable Annuity (Liabilities)		Derivative Instruments			Total
	Level 3	Level 3 (1)	Level 2 (2)	Level 1 (3)		
Balance at January 1, 2009	\$ (467.1)	\$ 198.3	\$ 5.0	\$ (24.9)	\$	178.4
Purchases		8.8				8.8
Realized and unrealized gains (losses)	34.8	(15.7)	(6.4)	(31.0)		(53.1)
Transfers in (out)						
Sales/settlements				11.6		11.6
Balance at March 31, 2009	(432.3)	191.4	(1.4)	(44.3)		145.7
Purchases		35.5				35.5
Realized and unrealized gains (losses)	54.2	(35.5)	4.4	(60.6)		(91.7)
Transfers in (out)						
Sales/settlements			(2.2)	105.7		103.5
Balance at June 30, 2009	(378.1)	191.4	.8	.8		193.0
Purchases		6.3				6.3
Realized and unrealized gains (losses)	(20.4)	12.4	3.9	(8.9)		7.4
Transfers in (out)						
Sales/settlements			(1.3)	18.9		17.6
Balance at September 30, 2009	\$ (398.5)	\$ 210.1	\$ 3.4	\$ 10.8	\$	224.3

(1) Comprises OTC (as defined below) instruments.

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

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

The following summarizes realized and unrealized derivative gains (losses) recognized in other revenues for the three and nine months ended September 30, 2009 and 2008 and the carrying values at September 30, 2009 and December 31, 2008, by type of instrument:

Type of Instrument (Millions)	Three Months Ended September 30,		Nine Months Ended September 30.		Carrying Value September 30, December 31,	
	2009	2008	2009	2008	2009	2008
Fixed income/Interest rate	\$ (10.8)	\$.2	\$ (10.4)	\$ 2.2	\$ (2.5)	\$ (4.3)
Foreign exchange	48.3	15.9	(44.4)	11.0	126.2	60.2
Equity	(30.1)	26.2	(82.6)	44.2	100.6	122.5
Total	\$ 7.4	\$ 42.3	\$ (137.4)	\$ 57.4	\$ 224.3	\$ 178.4

WM Life Re enters into both over-the-counter (OTC) and exchange traded derivative instruments to economically hedge the liability from the variable annuity benefit guarantee. In the case of OTC derivatives, WM Life Re has exposure to credit risk for amounts that are uncollateralized

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by counterparties. WM Life Re's internal risk management guidelines establish net counterparty exposure thresholds that take into account over-the-counter counterparties' credit ratings. WM Life Re has entered into master netting agreements with certain of its counterparties whereby the collateral provided (held) is calculated on a net basis. The following summarizes collateral provided to WM Life Re from counterparties:

Millions	September 30, 2009		December 31, 2008	
Short term investments	\$	13.5	\$	10.6
Fixed maturity securities				53.7
Total	\$	13.5	\$	64.3

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Collateral held by or provided by WM Life Re in the form of fixed maturity securities comprise U.S. Treasury securities, which are recorded at fair value. Collateral in the form of short-term investments consists of money-market instruments, carried at amortized cost, which approximates fair value. The following summarizes the value, collateral held and net exposure on OTC derivative instruments recorded within other assets:

Millions	September 30, 2009		December 31, 2008	
OTC derivative instruments(1)	\$	222.0	\$	209.1
Collateral posted		5.9		
Collateral held		(13.5)		(64.3)
Net exposure on fair value of OTC instruments	\$	214.4	\$	144.8

(1) Value of OTC derivative instruments excludes adjustments for counterparty credit risk of \$8.5 included in fair value under GAAP.

The following table summarizes uncollateralized amounts due under WM Life Re's OTC derivative contracts:

Counterparty (Millions)	Uncollateralized balance as of September 30, 2009		S&P Rating(1)
Bank of America (3)	\$	50.3	A
Royal Bank of Scotland		59.7	A
Barclays		41.0	A+
Citigroup (3)		48.2	A
Other		15.2	(2)
Total	\$	214.4	

(1) S&P ratings as detailed above are: AA (which is the third highest of twenty-one creditworthiness ratings), A+ (which is the fifth highest of twenty-one creditworthiness ratings), and A (which is the sixth highest of twenty-one creditworthiness ratings).

(2) The S&P ratings of the counterparties included in Other were A+ (65%) and AA (35%).

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

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

Millions	September 30, 2009		December 31, 2008	
Cash	\$	102.7	\$	225.7
Short-term investments		45.0		30.3
Total	\$	147.7	\$	256.0

Table of Contents**Note 9. Earnings (Loss) Per Share**

Basic earnings (loss) per share amounts are based on the weighted average number of common shares outstanding including unvested restricted shares which are considered participating securities. Diluted earnings (loss) per share amounts are based on the weighted average number of common shares including unvested restricted shares and the net effect of potentially dilutive common shares outstanding. The following table outlines the Company's computation of earnings (loss) per share for the three and nine months ended September 30, 2009 and 2008:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Basic earnings (loss) per share numerators (in millions):				
Net income (loss) attributable to White Mountains common shareholders before extraordinary item	\$ 159.6	\$ (276.7)	\$ 370.2	\$ (346.9)
Extraordinary item - excess of fair value of acquired net assets over cost				4.2
Net income (loss) attributable to White Mountains common shareholders	159.6	(276.7)	370.2	(342.7)
Dividends declared and paid			(8.9)	(42.3)
Undistributed earnings (loss)	\$ 159.6	\$ (276.7)	\$ 361.3	\$ (385.0)
Diluted earnings (loss) per share numerators (in millions):				
Net income (loss) attributable to White Mountains common shareholders before extraordinary item	\$ 159.6	\$ (276.7)	\$ 370.2	\$ (346.9)
Extraordinary item - excess of fair value of acquired net assets over cost				4.2
Net income (loss) attributable to White Mountains common shareholders	159.6	(276.7)	370.2	(342.7)
Dividends declared and paid			(8.9)	(42.3)
Undistributed earnings (loss)	\$ 159.6	\$ (276.7)	\$ 361.3	\$ (385.0)
Basic earnings (loss) per share denominators (in thousands):				
Average common shares outstanding during the period	8,769	10,517	8,768	10,484
Average unvested restricted shares (1)	89	53	79	52
Basic earnings (loss) per share denominator	8,858	10,570	8,847	10,536
Diluted earnings (loss) per share denominator (in thousands):				
Average common shares outstanding during the period	8,769	10,517	8,768	10,484
Average unvested restricted shares (1)	89	53	79	52
Average outstanding dilutive options to acquire common shares (2)	1		1	
Diluted earnings (loss) per share denominator	8,859	10,570	8,848	10,536
Basic earnings (loss) per share (in dollars):				
Net income (loss) attributable to White Mountains common shareholders before extraordinary item	\$ 18.02	\$ (26.19)	\$ 41.85	\$ (32.94)
Extraordinary item - excess of fair value of acquired assets over cost				.41
Net income (loss) attributable to White Mountains common shareholders	18.02	(26.19)	41.85	(32.53)
Dividends declared and paid			(1.00)	(4.00)

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Undistributed earnings (loss)	\$	18.02	\$	(26.19)	\$	40.85	\$	(36.53)
Diluted earnings (loss) per share (in dollars)								
Net income (loss) attributable to White Mountains common shareholders before extraordinary item	\$	18.02	\$	(26.19)	\$	41.84	\$	(32.94)
Extraordinary item - excess of fair value of acquired assets over cost								.41
Net income (loss) attributable to White Mountains common shareholders		18.02		(26.19)		41.84		(32.53)
Dividends declared and paid						(1.00)		(4.00)
Undistributed earnings (loss)	\$	18.02	\$	(26.19)	\$	40.84	\$	(36.53)

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

(2) The diluted earnings per share denominator for the three and nine months ended September 30, 2009 includes 6,000 common shares issuable upon exercise of incentive options at an average stock price of \$184.36 and \$181.69 per common share. The diluted (loss) per share denominator for the three and nine months ended September 30, 2008 does not include 7,800 common shares issuable upon exercise of incentive options as they are anti-dilutive to the calculation (see **Note 12**).

Table of Contents**Note 10. Segment Information**

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

Millions	OneBeacon	White Mountains Re	Esurance	Other Operations	Total
Three months ended September 30, 2009					
Earned insurance and reinsurance premiums	\$ 492.8	\$ 213.4	\$ 195.8	\$	\$ 902.0
Net investment income	34.4	22.0	6.2	3.6	66.2
Net realized and unrealized investment gains	117.6	27.0	12.9	13.2	170.7
Other revenue - foreign currency translation gains		23.2			23.2
Other revenue	5.7	10.0	13.4	11.5	40.6
Total revenues	650.5	295.6	228.3	28.3	1,202.7
Losses and LAE	298.2	104.3	141.6		544.1
Insurance and reinsurance acquisition expenses	101.4	40.9	39.6		181.9
Other underwriting expenses	79.4	23.9	19.4		122.7
General and administrative expenses	6.9	18.6	8.6	36.8	70.9
Amortization of AFI purchase accounting adjustments			4.2		4.2
Accretion of fair value adjustment to loss and LAE reserves	1.4	2.1			3.5
Interest expense on debt	9.1	6.6		1.4	17.1
Total expenses	496.4	196.4	213.4	38.2	944.4
Pre-tax income (loss)	\$ 154.1	\$ 99.2	\$ 14.9	\$ (9.9)	\$ 258.3

Millions	OneBeacon	White Mountains Re	Esurance	Other Operations	Total
Three months ended September 30, 2008					
Earned insurance and reinsurance premiums	\$ 471.2	\$ 255.3	\$ 209.2	\$	\$ 935.7
Net investment income	43.1	44.0	8.7	9.9	105.7
Net realized and unrealized investment losses	(355.9)	(42.2)	(15.7)	(15.9)	(429.7)
Other revenue - foreign currency translation loss		(43.9)			(43.9)
Other revenue	4.4	15.3	12.5	18.0	50.2
Total revenues	162.8	228.5	214.7	12.0	618.0
Losses and LAE	303.4	241.7	152.4	.1	697.6
Insurance and reinsurance acquisition expenses	92.6	56.9	41.0		190.5
Other underwriting expenses	74.3	24.6	20.9	.6	120.4
General and administrative expenses	7.1	16.8	11.7	25.2	60.8
Amortization of AFI purchase accounting adjustments			5.9		5.9
Accretion of fair value adjustment to loss and LAE reserves	3.0	1.3			4.3

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Interest expense on debt	11.0	6.9	.1	2.4	20.4
Total expenses	491.4	348.2	232.0	28.3	1,099.9
Pre-tax loss	\$ (328.6)	\$ (119.7)	\$ (17.3)	\$ (16.3)	\$ (481.9)

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Millions	OneBeacon	White Mountains Re	Esurance	Other Operations	Total
Nine months ended September 30, 2009					
Earned insurance and reinsurance premiums	\$ 1,470.8	\$ 651.5	\$ 589.4	\$	\$ 2,711.7
Net investment income	92.4	82.8	18.5	10.8	204.5
Net realized and unrealized investment gains	239.1	72.7	34.7	15.8	362.3
Other revenue - foreign currency translation gain		54.6			54.6
Other revenue	16.2	30.2	40.0	(31.4)	55.0
Total revenues	1,818.5	891.8	682.6	(4.8)	3,388.1
Losses and LAE	861.9	327.9	426.4		1,616.2
Insurance and reinsurance acquisition expenses	294.3	131.5	118.1		543.9
Other underwriting expenses	236.4	74.2	56.2		366.8
General and administrative expenses	18.9	52.0	26.2	76.9	174.0
Amortization of AFI purchase accounting adjustments			13.8		13.8
Accretion of fair value adjustment to loss and LAE reserves	4.1	4.5			8.6
Interest expense on debt	30.1	19.7		4.5	54.3
Total expenses	1,445.7	609.8	640.7	81.4	2,777.6
Pre-tax income (loss)	\$ 372.8	\$ 282.0	\$ 41.9	\$ (86.2)	\$ 610.5

Millions	OneBeacon	White Mountains Re	Esurance	Other Operations	Total
Nine months ended September 30, 2008					
Earned insurance and reinsurance premiums	\$ 1,390.3	\$ 769.0	\$ 627.2	\$	\$ 2,786.5
Net investment income	137.8	141.9	25.1	29.4	334.2
Net realized and unrealized investment losses	(413.9)	(153.4)	(28.0)	(31.7)	(627.0)
Other revenue - foreign currency translation loss		(29.8)			(29.8)
Other revenue	10.6	16.0	28.3	76.3	131.2
Total revenues	1,124.8	743.7	652.6	74.0	2,595.1
Losses and LAE	878.7	611.4	479.5	(.6)	1,969.0
Insurance and reinsurance acquisition expenses	261.6	163.7	130.7		556.0
Other underwriting expenses	223.6	80.6	58.5	1.9	364.6
General and administrative expenses	14.5	25.8	22.4	106.5	169.2
Amortization of AFI purchase accounting adjustments			10.6		10.6
Accretion of fair value adjustment to loss and LAE reserves	9.0	3.6			12.6
Interest expense on debt	33.9	20.8	.5	6.3	61.5
Interest expense - dividends on preferred stock	11.8				11.8
Interest expense - accretion on preferred stock	21.6				21.6
Total expenses	1,454.7	905.9	702.2	114.1	3,176.9
Pre-tax loss	\$ (329.9)	\$ (162.2)	\$ (49.6)	\$ (40.1)	\$ (581.8)

Table of Contents**Note 11. Investments in Unconsolidated Affiliates**

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

Symetra

At September 30, 2009, White Mountains owned 24% of the common shares of Symetra on a fully converted basis, consisting of 17.4 million common shares and warrants to acquire an additional 9.5 million common shares. White Mountains accounts for its investment in common shares of Symetra using the equity method of accounting and accounts for its Symetra warrants as derivatives recording the warrants at fair value with changes in fair value recognized through the income statement as a realized investment gain or loss. Symetra's warrants are not publicly traded. Accordingly, the fair value measurement of the warrants is based on unobservable inputs and is classified as a Level 3 measurement.

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

Millions	2009			2008		
	Common Shares	Warrants	Total	Common Shares	Warrants	Total
Carrying value of investment in Symetra as of January 1	\$ 54.0	\$ 27.3	\$ 81.3	\$ 241.3	\$ 77.3	\$ 318.6
Equity in earnings of Symetra (1)	1.3		1.3	.7		.7
Net unrealized losses from Symetra's fixed maturity portfolio	(18.0)		(18.0)	(20.7)		(20.7)
Increase (Decrease) in value of warrants		.4	.4		(4.3)	(4.3)
Carrying value of investment in Symetra as of March 31 (2)	37.3	27.7	65.0	221.3	73.0	294.3
Equity in earnings of Symetra (1)	8.3		8.3	5.3		5.3
Net unrealized gains (losses) from Symetra's fixed maturity portfolio	97.9		97.9	(39.0)		(39.0)
Increase (Decrease) in value of warrants		3.1	3.1		(7.0)	(7.0)
Carrying value of investment in Symetra as of June 30 (3)	143.5	30.8	174.3	187.6	66.0	253.6
Equity in earnings of Symetra (1)	8.2		8.2	.2		.2
Net unrealized gains (losses) from Symetra's fixed maturity portfolio	126.3		126.3	(81.4)		(81.4)
Increase (Decrease) in value of warrants		11.3	11.3		(13.3)	(13.3)
Carrying value of investment in Symetra as of Sept 30 (4)	\$ 278.0	\$ 42.1	\$ 320.1	\$ 106.4	\$ 52.7	\$ 159.1

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

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

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(3) Includes White Mountains' equity in net unrealized losses from Symetra's fixed maturity portfolio of \$120.4 and \$65.3 as of June 30, 2009 and 2008.

(4) Includes White Mountains' equity in net unrealized gains (losses) from Symetra's fixed maturity portfolio of \$5.9 and \$(146.7) as of September 30, 2009 and 2008.

In October 2009, Symetra filed a registration statement on Form S-1 with the Securities and Exchange Commission for a proposed initial public offering. The offering will consist of primary shares to be sold by Symetra and secondary shares to be sold by some of its existing stockholders.

Pentelia

White Mountains acquired a 33% equity interest in Pentelia Capital Management (PCM) for \$1.6 million in April 2007. This investment is accounted for under the equity method. White Mountains investment in PCM as of September 30, 2009 was \$1.6 million.

Delos

White Mountains owns approximately 18% of Delos and accounts for its investment in Delos under the equity method. For the three months ended September 30, 2009, White Mountains recorded \$0.2 million of pre-tax equity in earnings and had essentially flat pre-tax equity in earnings for the nine months ended September 30, 2009. For the three and nine months ended September 30, 2009 White Mountains had \$1.1 million and \$0.3 million of pre-tax equity in unrealized investment gains from its investment in Delos. White Mountains' investment in Delos at September 30, 2009 totaled \$34.3 million.

Table of Contents**Note 12. Employee Share-Based Incentive Compensation Plans**

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

Share-Based Compensation Based on White Mountains Common Shares*WTM Performance Shares*

Performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. Performance share awards vest, subject to the attainment of performance goals, at the end of a three-year period and are valued based on the market value of common shares at the time awards are paid. The following table summarizes performance share activity for the three and nine months ended September 30, 2009 and 2008 for WTM performance shares granted under the WTM Incentive Plan and phantom WTM performance shares granted under subsidiary plans ("WTM Phantom Share Plans"):

Millions, except share amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	178,984	\$ 2.9	163,643	\$ 36.5	164,179	\$ 4.4	146,742	\$ 47.3
Payments and deferrals (1)					(51,960)		(43,608)	(15.5)
New awards					71,170		61,998	
Forfeitures and cancellations					(4,405)		(1,489)	.1
Expense recognized		5.7		(5.4)		4.2		(.8)
Ending September 30,	178,984	\$ 8.6	163,643	\$ 31.1	178,984	\$ 8.6	163,643	\$ 31.1

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

If 100% of the outstanding WTM performance shares had been vested on September 30, 2009, the total additional compensation cost to be recognized would have been \$25.7 million, based on current accrual factors (common share price and payout assumptions).

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

Performance shares granted under the WTM Incentive Plan

The following table summarizes performance shares outstanding and accrued expense for performance shares awarded under the Incentive Plan at September 30, 2009 for each performance cycle:

Millions, except share amounts	Target WTM Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2007 2009	44,897	\$
2008 2010	52,102	
2009 2011	62,155	7.7
Sub-total	159,154	7.7
Assumed forfeitures	(3,979)	(.2)
Total at September 30, 2009	155,175	\$ 7.5

Table of Contents*Phantom Performance Shares granted under WTM Phantom Share Plans*

The following table summarizes phantom WTM performance shares outstanding and accrued expense for awards made under the WTM Phantom Share Plans at September 30, 2009 for each performance cycle:

Millions, except share amounts	Target WTM Phantom Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2007 - 2009	7,081	\$
2008 - 2010	8,323	
2009 - 2011	9,015	1.1
Sub-total	24,419	1.1
Assumed forfeitures	(610)	
Total at September 30, 2009	23,809	\$ 1.1

Restricted Shares

At September 30, 2009 and 2008, the Company had 92,620 and 53,200 unvested restricted shares outstanding under the WTM Incentive Plan. The following outlines the unrecognized compensation cost associated with the outstanding restricted share awards made under the WTM Incentive Plan for the three and nine months ended September 30, 2009 and 2008:

Millions, except share amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
	Restricted Shares	Unamortized Grant Date Fair Value	Restricted Shares	Unamortized Grant Date Fair Value	Restricted Shares	Unamortized Grant Date Fair Value	Restricted Shares	Unamortized Grant Date Fair Value
Non-vested,								
Beginning of period	92,620	\$ 29.3	53,200	\$ 27.1	53,200	\$ 24.2	54,000	\$ 26.7
Granted					47,820	9.7	6,200	3.1
Vested					(8,400)		(7,000)	
Forfeited								
Expense recognized		(2.8)		(1.4)		(7.4)		(4.1)
Non-vested at September 30	92,620	\$ 26.5	53,200	\$ 25.7	92,620	\$ 26.5	53,200	\$ 25.7

During the second quarter of 2009, White Mountains issued 2,500 restricted shares that cliff vest in November 2010.

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

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

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

Of the unrecognized compensation cost at September 30, 2009, \$17.9 million is expected to be recognized ratably over the remaining vesting periods and \$8.6 million would be recognized in the event of a change in control before January 20, 2012. Upon vesting, all restrictions initially placed upon the restricted shares lapse.

Table of Contents*Non-Qualified Options*

In January 2007, the Company issued 200,000 seven-year Non-Qualified Options to the Company's Chairman and CEO that vest in equal annual installments over five years and that have an initial exercise price of \$650 per common share that escalates at an annual rate of 5% less the annual regular dividend rate (the Escalator). The fair value of the Non-Qualified Options at the grant date was estimated using a closed-form option model using an expected volatility assumption of 29.7%, a risk-free interest rate assumption of 1.1% (or 4.7% less the Escalator), a forfeiture assumption of 0%, an expected dividend rate assumption of 1.4% and a term assumption of seven years. The fair value of the Non-Qualified Options was \$27.2 million at the grant date and is required to be recognized ratably over the five year vesting period. For the three months ended September 30, 2009 and 2008, White Mountains recognized \$1.4 million of expense for both periods. For the nine months ended September 30, 2009 and 2008, White Mountains recognized \$4.1 million of expense for both periods. At September 30, 2009, 80,000 Non-Qualified Options were exercisable at a strike price of \$727.62.

Incentive Options

At September 30, 2009 and 2008, the Company had 6,000 and 7,800 Incentive Options outstanding which were granted to certain key employees on February 28, 2000 (the grant date) under the WTM Incentive Plan. The 81,000 Incentive Options originally granted were issued at an exercise price equal to the market price of the Company's underlying common shares on February 27, 2000. The exercise price escalates by 6% per annum over the life of the Incentive Options. The Incentive Options vest ratably over a ten-year service period. Upon the adoption of FAS 123R (included in ASC 718 and ASC 505), the grant date fair value of the awards as originally disclosed, adjusted for estimated future forfeitures, became the basis for recognition of compensation expense for the Incentive Options. The fair value of each Incentive Option award at the grant date was estimated using a closed-form option model using an expected volatility assumption of 18.5%, a risk-free interest rate assumption of 6.4% and an expected term of ten years.

The following table summarizes the Company's Incentive Option activity for the three and nine months ended September 30, 2009 and 2008:

Millions, except share and per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Opening balance - outstanding Options	6,000	8,700	6,000	9,900
Forfeited				(600)
Exercised		(900)		(1,500)
Ending balance - outstanding Options	6,000	7,800	6,000	7,800
Outstanding Options - exercisable	3,000	1,800	3,000	1,800
Exercise price - outstanding Options at beginning of period	\$ 183.00	\$ 172.64	\$ 177.76	\$ 167.70
Value of Options exercised (1)	\$	\$.3	\$	\$.5
Exercise price - outstanding Options at September 30,	\$ 185.71	\$ 175.20	\$ 185.71	\$ 175.20

(1) Amount is equal to the number of options exercised multiplied by amount the ending market value exceeds the strike price on the date of exercise.

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The total in-the-money value of all outstanding Incentive Options and those Incentive Options currently exercisable at September 30, 2009 was \$0.7 million and \$0.4 million. The Incentive Options expire in February 2010. White Mountains expects 3,000 Incentive Options to become exercisable in 2009 and will issue common shares when the Incentive Options are exercised.

Share-Based Compensation Based on OneBeacon Ltd. Common Shares

The OneBeacon Long-Term Incentive Plan (the OneBeacon Incentive Plan) provides for grants of various types of share-based and non share-based incentive awards to key employees of OneBeacon Ltd. and certain of its subsidiaries. OneBeacon s share-based incentive awards consist of OneBeacon performance shares, stock options granted in connection with OneBeacon s initial public offering and restricted stock units (RSUs).

Table of Contents*OneBeacon Performance Shares*

OneBeacon performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. OneBeacon performance share awards vest, subject the attainment of performance goals, at the end of a three-year period and are valued based on the market value of OneBeacon Ltd. common shares at the time awards are paid. The following table summarizes performance share activity for the three and nine months ended September 30, 2009 and 2008 for OneBeacon performance shares granted under the OneBeacon Incentive Plan:

Millions, except share amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	2,277,128	\$ 8.0	2,186,208	\$ 9.7	2,212,313	\$ 4.6	1,063,690	\$ 9.2
Payments and deferrals (1)					(137,400)		(122,859)	(1.6)
New awards	1,880		29,518		379,085		1,426,618	
Forfeitures and cancellations	(2,990)		(4,090)	(.3)	(177,980)	(.3)	(155,813)	(.9)
Expense recognized		1.0		5.1		4.7		7.8
Ending September 30,	2,276,018	\$ 9.0	2,211,636	\$ 14.5	2,276,018	\$ 9.0	2,211,636	\$ 14.5

(1) OneBeacon performance share payments in March 2009 for the 2007-2008 performance cycle were at 1.4% of target. OneBeacon performance share payments in 2008 for the 2007 performance cycle were at 62.9% of target. Amounts include deposits into OneBeacon's deferred compensation plan.

If 100% of the outstanding OneBeacon performance shares had been vested on September 30, 2009, the total additional compensation cost to be recognized would have been \$9.0 million, based on current accrual factors (common share price and payout assumptions).

The following table summarizes OneBeacon performance shares outstanding awarded under the OneBeacon Incentive Plan at September 30, 2009 for each performance cycle:

Millions, except share amounts	Target OneBeacon Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2007-2009	683,142	\$.7
2008-2010	1,272,150	7.1
2009-2011	379,085	1.4
Sub-total	2,334,377	9.2
Assumed forfeitures	(58,359)	(.2)
Total at September 30, 2009	2,276,018	\$ 9.0

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Non-Qualified Options

In November 2006, in connection with its initial public offering, OneBeacon Ltd. issued to its key employees 1,420,000 fixed-price Non-Qualified Options to acquire OneBeacon Ltd. common shares. The following tables summarize option activity for the three and nine months ended September 30, 2009 and 2008:

Millions, except share amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
	Target Options Outstanding	Accrued Expense	Target Options Outstanding	Accrued Expense	Target Options Outstanding	Accrued Expense	Target Options Outstanding	Accrued Expense
Beginning of period	1,108,220	\$ 3.1	1,237,872	\$ 2.2	1,237,872	\$ 2.5	1,324,306	\$ 1.4
New awards								
Forfeitures and cancellations					(129,652)		(86,434)	
Exercised								
Expense recognized		.3		.4		.9		1.2
Ending September 30,	1,108,220	\$ 3.4	1,237,872	\$ 2.6	1,108,220	\$ 3.4	1,237,872	\$ 2.6

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The options vest in equal installments on each of the third, fourth and fifth anniversaries of their issuance and expire five and a half years from the date of issuance. The fair value of each option award at grant was estimated using a Black-Scholes option pricing model using an expected volatility assumption of 30%, a risk-free interest rate assumption of 4.6%, a forfeiture assumption of 5%, an expected dividend rate assumption of 3.4% and an expected term assumption of 5.5 years. The options originally had a per share exercise price of \$30.00. On May 27, 2008, the OneBeacon Compensation Committee of the Board of Directors (the OB Compensation Committee) amended the exercise price to \$27.97 as a result of the \$2.03 per share special dividend paid in the first quarter of 2008. The compensation expense associated with the options and the incremental fair value of the award modification is being recognized ratably over the remaining period.

Restricted Stock Units

The Non-Qualified Options granted by OneBeacon Ltd., in connection with its initial public offering, did not include a mechanism in the options to reflect the contribution to total return from the regular quarterly dividend. As a result, during the first quarter of 2008, OneBeacon granted 116,270 RSUs to actively employed option holders. The RSUs vest one-third on each of November 9, 2009, 2010 and 2011 subject to, for each vesting tranche of units, the attainment of 4% growth in OneBeacon's book value per share from January 1, 2008 through the end of the calendar year immediately following the applicable vesting date. Upon vesting, the RSUs will be mandatorily deferred into one of OneBeacon's non-qualified deferred compensation plans and will be paid out in 2012 in cash or shares at the discretion of the OB Compensation Committee. The expense associated with the RSUs is being recognized over the vesting period. For the three and nine months ended September 30, 2009, OneBeacon recognized \$0.3 million and \$0.7 million of expense. For the three and nine months ended September 30, 2008, OneBeacon recognized \$0.3 million and \$0.7 million of expense. As of September 30, 2009, there were 102,140 RSUs outstanding.

Note 13. Fair Value of Financial Instruments

FAS 107, requires disclosure of fair value information of financial instruments. For certain financial instruments where quoted market prices are not available, the fair values of these financial instruments were estimated by discounting future cash flows using current market rates for similar obligations or using quoted market prices. Because considerable judgment is used, these estimates are not necessarily indicative of amounts that could be realized in a current market exchange. FAS 107 excludes certain financial instruments from disclosure, including insurance contracts, but not financial guarantees and investment contracts. White Mountains carries its financial instruments on its balance sheet at fair value with the exception of its fixed-rate, long-term indebtedness and its perpetual preference shares.

The following table summarizes the fair value and carrying value of financial instruments as of September 30, 2009 and December 31, 2008:

Millions	September 30, 2009		December 31, 2008	
	Fair Value	Carrying Value	Fair Value	Carrying Value
OBH Senior Notes	\$ 579.4	\$ 606.4	\$ 483.3	\$ 675.1
WMRe Senior Notes	362.5	399.1	254.0	399.0
WMRe Preference Shares(1)	187.5	250.0	117.5	250.0

(1) WMRe Preference Shares are recorded as noncontrolling interests.

Note 14. Subsequent Event

On October 14, 2009, a settlement was reached with the IRS regarding the audit of tax years 2003 and 2004. See **Note 6**.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*The following discussion contains forward-looking statements. White Mountains intends statements that are not historical in nature, which are hereby identified as forward-looking statements, to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. White Mountains cannot promise that its expectations in such forward-looking statements will turn out to be correct. White Mountains actual results could be materially different from and worse than its expectations. See **FORWARD-LOOKING STATEMENTS** for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements.*

The following discussion also includes three non-GAAP financial measures - adjusted comprehensive income, White Mountains adjusted book value per share and total adjusted capital - that have been reconciled to their most comparable GAAP financial measures (see page 57). White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains financial performance and condition.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

Overview

White Mountains ended the third quarter of 2009 with an adjusted book value per share of \$406, an increase of 7% and 15% for the three and nine months ended September 30, 2009, including dividends. White Mountains reported adjusted comprehensive income of \$243 million and \$469 million for the third quarter and first nine months of 2009, compared to adjusted comprehensive losses of \$409 million and \$426 million for the third quarter and first nine months of 2008. The 2009 results were driven primarily by strong investment results, foreign currency gains and improved underwriting results, as compared to the 2008 periods, which experienced significant investment and foreign currency losses.

OneBeacon ended the third quarter of 2009 with a book value per share of \$14.44, an increase of 8% and 24% for the three and nine months ended September 30, 2009, including dividends. OneBeacon reported GAAP combined ratios of 97% and 95% for the third quarter and first nine months of 2009 compared to 100% and 98% for the third quarter and first nine months of 2008. The third quarter and first nine months of 2009 both included 4 points of net favorable loss reserve development compared to 4 points and 2 points in the third quarter and first nine months of 2008. White Mountains Re reported GAAP combined ratios of 79% and 82% for the third quarter and first nine months of 2009, compared to 127% and 111% for the third quarter and first nine months of 2008. Excluding the impact of a cession under a retrocessional reinsurance contract related to the 2001 accident year (see **White Mountains Re** discussion below), the combined ratios for the third quarter and first nine months of 2009 were 85% and 84%, respectively. Both 2009 periods benefited from lower catastrophe activity. Esurance reported GAAP combined ratios of 102% for both the third quarter and first nine months of 2009 compared to 102% and 107% for the third quarter and first nine months of 2008. Esurance's loss ratio was 72% for both the third quarter and first nine months of 2009 compared to 73% and 77% in the third quarter and first nine months of last year. The expense ratio was 30% for both the third quarter and first nine months of 2009, compared with 29% for the third quarter and 30% for the first nine months of last year. Operating income at AFI was \$1 million and \$4 million in the third quarter and first nine months of 2009. White Mountains' GAAP pre-tax total return on invested assets was 4.3% and 8.7% for the third quarter and first nine months of 2009, compared to -5.1% and -3.7% for the third quarter and first nine months of 2008. White Mountains' fixed income portfolio outperformed its benchmarks in both 2009 periods, while the equity, convertible and other long-term investment portfolio lagged the S&P 500 return over the same periods, largely because of the portfolio mix, which is more heavily weighted toward convertibles and other long-term investments than common stocks.

Total net written premiums decreased to \$880 million and \$2,742 million for the third quarter and first nine months of 2009 compared to \$955 million and \$2,913 million in the comparable 2008 periods, as all three business segments reported reduced written premiums in the 2009 periods. OneBeacon's net written premiums were \$504 million for the third quarter and \$1,471 million for the first nine months of 2009, decreases of 6% and 1% from the comparable periods of 2008, primarily due to competitive market conditions in personal auto and commercial lines, partially offset by increased written premiums across most specialty lines businesses. White Mountains Re's net written premiums were \$171 million for the third quarter and \$672 million for the first nine months of 2009, decreases of 18% and 14% from the comparable periods of 2008. The decreases were primarily in the U.S. casualty line of business where pricing, terms, and conditions generally continue to not meet White Mountains Re's underwriting standards, as well as reductions in the property catastrophe excess and credit lines of business. Esurance's net written premiums decreased by 4% and 7% for the third quarter and first nine months of 2009, to \$205 million and \$599 million, respectively, when compared to the same periods in 2008. Despite the decreased premium, new policy sales and customer retention improved in the third quarter of 2009 compared to the same period in 2008.

Table of Contents**Adjusted Book Value Per Share**

The following table presents White Mountains' adjusted book value per common share and reconciles this non-GAAP measure to the most comparable GAAP measure. (See **NON-GAAP FINANCIAL MEASURES** on page 57).

	Sept. 30, 2009	June 30, 2009	Dec. 31, 2008	Sept. 30, 2008
Book value per common share numerators (in millions):				
White Mountains' common shareholders' equity	\$ 3,577.3	\$ 3,204.1	\$ 2,898.8	\$ 4,061.9
Benefits to be received from share obligations under employee stock option plans	1.1	1.1	1.1	1.3
Book value per share numerator	3,578.4	3,205.2	2,899.9	4,063.2
Equity in net unrealized (gains) losses from Symetra's fixed maturity portfolio	(5.9)	120.4	197.3	146.7
Adjusted book value per common share numerator	\$ 3,572.5	\$ 3,325.6	\$ 3,097.2	\$ 4,209.9
Book value per common share denominators (in thousands of shares):				
Common shares outstanding	8,857.6	8,857.6	8,808.8	10,442.0
Share obligations under employee stock option plans	6.0	6.0	6.0	7.8
Book value per share denominator	8,863.6	8,863.6	8,814.8	10,449.8
Unearned restricted shares	(68.0)	(76.9)	(42.6)	(45.3)
Adjusted book value per common share denominator	8,795.6	8,786.7	8,772.2	10,404.5
Book value per common share	\$ 403.72	\$ 361.61	\$ 328.97	\$ 388.84
Adjusted book value per common share	\$ 406.17	\$ 378.48	\$ 353.07	\$ 404.62

Table of Contents**Review of Consolidated Results**

White Mountains consolidated financial results for the three and nine months ended September 30, 2009 and 2008 follow:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Gross written premiums	\$ 969.1	\$ 1,032.9	\$ 3,071.9	\$ 3,236.9
Net written premiums	\$ 880.0	\$ 955.1	\$ 2,742.0	\$ 2,913.4
Revenues				
Earned insurance and reinsurance premiums	\$ 902.0	\$ 935.7	\$ 2,711.7	\$ 2,786.5
Net investment income	66.2	105.7	204.5	334.2
Net realized and unrealized investment gains (losses)	170.7	(429.7)	362.3	(627.0)
Other revenue	63.8	6.3	109.6	101.4
Total revenues	1,202.7	618.0	3,388.1	2,595.1
Expenses				
Losses and LAE	544.1	697.6	1,616.2	1,969.0
Insurance and reinsurance acquisition expenses	181.9	190.5	543.9	556.0
Other underwriting expenses	122.7	120.4	366.8	364.6
General and administrative expenses	70.9	60.8	174.0	169.2
Amortization of AFI purchase accounting adjustments	4.2	5.9	13.8	10.6
Accretion of fair value adjustment to loss and LAE reserves	3.5	4.3	8.6	12.6
Interest expense on debt	17.1	20.4	54.3	61.5
Interest expense - dividends on preferred stock				11.8
Interest expense - accretion on preferred stock				21.6
Total expenses	944.4	1,099.9	2,777.6	3,176.9
Pre-tax income (loss)	258.3	(481.9)	610.5	(581.8)
Income tax (expense) benefit	(73.9)	151.6	(174.8)	187.1
Equity in earnings of unconsolidated affiliates	8.3	.8	17.8	7.2
Excess of fair value of acquired assets over cost				4.2
Net income (loss) before noncontrolling interests	192.7	(329.5)	453.5	(383.3)
Net (income) loss attributable to noncontrolling interests	(33.1)	52.8	(83.3)	40.6
Net income (loss) attributable to White Mountains common shareholders	159.6	(276.7)	370.2	(342.7)
Other comprehensive income (loss), net of tax	208.4	(214.0)	305.8	(224.8)
Comprehensive income (loss) before noncontrolling interests	368.0	(490.7)	676.0	(567.5)
Comprehensive income (loss) attributable to noncontrolling interests	.9		(.9)	
Comprehensive income (loss) attributable to White Mountains common shareholders	368.9	(490.7)	675.1	(567.5)
Change in net unrealized (gains) losses from Symetra's fixed maturity portfolio	(126.3)	81.4	(206.2)	141.1
Adjusted comprehensive income (loss)	\$ 242.6	\$ (409.3)	\$ 468.9	\$ (426.4)

Consolidated Results Three Months Ended September 30, 2009 versus Three Months Ended September 30, 2008

White Mountains' total revenues increased 95% to \$1,203 million in the third quarter of 2009 compared to \$618 million in the third quarter of 2008, primarily due to significant net unrealized and realized investment gains and foreign currency gains in other revenues during the third quarter of 2009 compared to significant losses from these sources in the third quarter of 2008. White Mountains reported net realized and unrealized investment gains of \$171 million in the third quarter of 2009 compared to \$430 million of net realized and unrealized investment losses in the third quarter of 2008. Earned premiums were down 4% in the third quarter of 2009 compared to the third quarter of 2008, as decreased earned premiums at White Mountains Re and Esurance were somewhat offset by an increase at OneBeacon. Net investment income decreased 37% to \$66 million in the third quarter of 2009 compared to \$106 million in the third quarter of 2008, due to lower overall portfolio yields, shifts in portfolio mix to lower risk, lower yield investments and a decrease in the overall invested asset base. Other revenues increased to \$64 million in the third quarter of 2009 from \$6 million the third quarter of 2008, due primarily to a \$67 million increase in foreign currency translation gains at White Mountains Re, which were \$23 million in the third quarter of 2009 compared to \$44 million of losses in the third quarter of 2008.

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White Mountains' total expenses decreased 14% to \$944 million in the third quarter of 2009 compared to \$1,100 million in the third quarter of 2008. Losses and LAE expenses decreased \$154 million, or 22%, due primarily to lower catastrophe losses in 2009 and to favorable loss reserve development in the third quarter of 2009 as compared to adverse loss development in the third quarter of 2008. General and administrative expenses increased 17% to \$71 million in the third quarter of 2009 compared to \$61 million in the third quarter of 2008, primarily due to an increase in incentive compensation expense and costs related to the restructuring at White Mountains Re during the third quarter of 2009.

Interest expense on debt decreased 16% to \$17 million in the third quarter of 2009 compared to \$20 million in the third quarter of 2008, primarily due to repurchases of OBH Senior Notes and the full repayment of the WTM Bank Facility and the Mortgage Note at OneBeacon.

White Mountains' income tax expense (benefit) for the third quarter of 2009 represented an effective tax rate of 28.6%. The effective tax rate for the third quarter of 2008 was (31.5)%. For the third quarter of 2009 and 2008, White Mountains' effective tax rates are different from the U.S. statutory rate of 35% primarily due to income generated in jurisdictions other than the United States.

Consolidated Results Nine Months Ended September 30, 2009 versus Nine Months Ended September 30, 2008

White Mountains' total revenues increased 31% to \$3,388 million for the nine months ended September 30, 2009 compared to \$2,595 million for the nine months ended September 30, 2008, primarily due to significant net unrealized and realized investment gains and foreign currency gains in other revenues during the nine months ended September 30, 2009 compared to significant losses from these sources in the nine months ended September 30, 2008. White Mountains reported net realized and unrealized investment gains of \$362 million for the nine months ended September 30, 2009 compared to \$627 million of net realized and unrealized investment losses for the nine months ended September 30, 2008. Earned premiums were down 3% for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008, as decreased earned premiums at White Mountains Re and Esurance were somewhat offset by an increase at OneBeacon. Net investment income decreased 39% to \$205 million for the nine months ended September 30, 2009 compared to \$334 million for the nine months ended September 30, 2008, due to lower overall portfolio yields, shifts in portfolio mix to lower risk, lower yield investments and a decrease in the overall invested asset base. Other revenues increased \$9 million to \$110 million for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008, due primarily to an \$85 million increase in foreign currency translation gains at White Mountains Re, which were \$55 million for the nine months ended September 30, 2009 compared to \$30 million of losses for the nine months ended September 30, 2008. This increase was partially offset by a \$41 million decrease in other revenues from WM Life Re, as the nine months ended September 30, 2009 included \$57 million in losses from WM Life Re compared to \$16 million in losses for the nine months ended September 30, 2008. The losses reported in the nine months ended September 30, 2009 were due mainly to the net effect of the change in the fair value of WM Life Re's variable annuity liabilities exceeding the change in the fair value of the related derivative contracts that economically hedge the liabilities (See **Note 8**). The WM Life Re results in the 2009 period also included \$22 million of losses from surrender assumption revisions made in the second quarter of 2009. In addition, other revenues from consolidated limited partnerships decreased to \$48 million for the nine months ended September 30, 2009 from \$81 million for the nine months ended September 30, 2008, due primarily to the sale of a business unit in the Tuckerman Fund I in the second half of 2008.

White Mountains' total expenses decreased 13% to \$2,778 million for the nine months ended September 30, 2009 compared to \$3,177 million for the nine months ended September 30, 2008. Losses and LAE expenses decreased \$353 million, or 18%, due primarily to lower catastrophe losses in 2009 and also due to favorable loss reserve development for the nine months ended September 30, 2009 as compared to significant adverse loss reserve development in the nine months ended September 30, 2008. General and administrative expenses increased to \$174 million for the nine months ended September 30, 2009 from \$169 million for the first nine months of 2008 as an increase in incentive compensation expenses and costs related to the restructuring at White Mountains Re during the third quarter of 2009 were partially offset by a decrease in expenses from consolidated limited partnerships. Interest expense on debt decreased 12% to \$54 million in the first nine months of 2009 compared to \$62 million in the first nine months of 2008, primarily due to repurchases of OBH Senior Notes and the full repayment of the WTM Bank Facility and the Mortgage Note at OneBeacon.

White Mountains' income tax expense (benefit) for the nine months ended September 30, 2009 and 2008 represented an effective tax rate of 28.6% and (32.2)%, respectively. For the nine months ended September 30, 2009 and 2008, White Mountains' effective tax rates are different from the U.S. statutory rate of 35% primarily due to income generated in jurisdictions other than the United States.

Table of Contents**I. Summary of Operations By Segment**

White Mountains conducts its operations through four segments: (1) OneBeacon, (2) White Mountains Re, (3) Esurance and (4) Other Operations. White Mountains manages all of its investments through its wholly-owned subsidiary, WM Advisors, therefore, a discussion of White Mountains consolidated investment operations is included after the discussion of operations by segment. White Mountains segment information is presented in **Note 10** to the Consolidated Financial Statements.

OneBeacon

Financial results for OneBeacon for the three and nine months ended September 30, 2009 and 2008 follow:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Gross written premiums	\$ 552.3	\$ 595.5	\$ 1,636.0	\$ 1,681.5
Net written premiums	\$ 503.9	\$ 534.1	\$ 1,471.2	\$ 1,489.4
Earned insurance and reinsurance premiums	\$ 492.8	\$ 471.2	\$ 1,470.8	\$ 1,390.3
Net investment income	34.4	43.1	92.4	137.8
Net realized and unrealized investment gains (losses)	117.6	(355.9)	239.1	(413.9)
Other revenue	5.7	4.4	16.2	10.6
Total revenues	650.5	162.8	1,818.5	1,124.8
Losses and LAE	298.2	303.4	861.9	878.7
Insurance and reinsurance acquisition expenses	101.4	92.6	294.3	261.6
Other underwriting expenses	79.4	74.3	236.4	223.6
General and administrative expenses	6.9	7.1	18.9	14.5
Accretion of fair value adjustment to loss and LAE reserves	1.4	3.0	4.1	9.0
Interest expense on debt	9.1	11.0	30.1	33.9
Interest expense - dividends on preferred stock				11.8
Interest expense - accretion on preferred stock				21.6
Total expenses	496.4	491.4	1,445.7	1,454.7
Pre-tax income (loss)	\$ 154.1	\$ (328.6)	\$ 372.8	\$ (329.9)

The following table presents OneBeacon's book value per common share.

Millions, except per share amounts	Sept. 30, 2009	June 30, 2009	Dec. 31, 2008	Sept. 30, 2008
OneBeacon's common shareholders' equity	\$ 1,375.5	\$ 1,284.4	\$ 1,155.1	\$ 1,373.4
OneBeacon Ltd. common shares outstanding	95.1	95.1	95.1	95.1

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OneBeacon book value per common share	\$	14.44	\$	13.51	\$	12.15	\$	14.44
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The following tables provide OneBeacon's GAAP ratios, net written premiums and earned insurance premiums for the three and nine months ended September 30, 2009 and 2008:

	Three Months Ended September 30, 2009				Nine Months Ended September 30, 2009			
	Specialty	Commercial	Personal	Total(1)	Specialty	Commercial	Personal	Total(1)
GAAP Ratios:								
Loss and LAE	51%	63%	69%	60%	44%	58%	75%	59%
Expense	39%	37%	32%	37%	39%	38%	31%	36%
Total Combined	90%	100%	101%	97%	83%	96%	106%	95%
Net written premiums	\$ 212.5	\$ 163.2	\$ 128.3	\$ 503.9	\$ 567.9	\$ 505.3	\$ 397.9	\$ 1,471.2
Earned premiums	\$ 180.8	\$ 171.4	\$ 140.5	\$ 492.8	\$ 515.0	\$ 518.7	\$ 436.8	\$ 1,470.8

	Three Months Ended September 30, 2008				Nine Months Ended September 30, 2008			
	Specialty	Commercial	Personal	Total(1)	Specialty	Commercial	Personal	Total(1)
GAAP Ratios:								
Loss and LAE	63%	64%	65%	64%	56%	63%	65%	63%
Expense	37%	37%	32%	36%	36%	37%	32%	35%
Total Combined	100%	101%	97%	100%	92%	100%	97%	98%
Net written premiums	\$ 190.7	\$ 180.0	\$ 163.4	\$ 534.1	\$ 460.2	\$ 551.9	\$ 477.0	\$ 1,489.4
Earned premiums	\$ 129.5	\$ 181.7	\$ 160.0	\$ 471.2	\$ 359.3	\$ 545.4	\$ 485.3	\$ 1,390.3

(1) Includes results from run-off operations.

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OneBeacon Results - Three Months Ended September 30, 2009 versus Three Months Ended September 30, 2008

Overview

OneBeacon ended the third quarter of 2009 with a book value per share of \$14.44, an increase of 8% and 24% for the three and nine months ended September 30, 2009, including dividends. OneBeacon's GAAP combined ratio decreased to 97% for the third quarter of 2009 from 100% for the third quarter of 2008. The third quarter of 2009 included 4 points of catastrophe losses, primarily related to severe wind and thunderstorm events, compared to 6 points of catastrophe losses in the third quarter of 2008, mainly due to hurricanes Ike and Gustav.

OneBeacon's net written premiums decreased 6% in the third quarter of 2009 to \$504 million, compared to \$534 million in the third quarter of 2008. This decrease was primarily from personal lines, due to the competitive market conditions in personal auto and from \$17 million of premiums that were ceded under a quota share reinsurance treaty that went into effect on January 1, 2009 designed to reduce property catastrophe exposure from homeowners business written in the Northeast (see *Personal lines* discussion below). Excluding the impact of the homeowners quota share, personal lines net written premium decreased by 11%. In addition, commercial lines net written premiums decreased 9%, primarily in the traditional middle market division. These decreases were partially offset by an increase in specialty lines.

Specialty lines. Net written premiums for specialty lines increased by 11% to \$213 million in the third quarter of 2009 from \$191 million in the third quarter of 2008. The increase was related to most specialty lines' businesses, particularly a \$6 million increase from OBGR, a \$5 million increase from OneBeacon Professional Insurance (OBPI) and a \$5 million increase from Specialty Accident & Health (A&H). Partially offsetting these increases was a \$4 million decrease in net written premiums from International Marine Underwriters (IMU).

The specialty lines combined ratio for the third quarter of 2009 decreased to 90% from 100% for the third quarter of 2008. The loss and LAE ratio decreased 12 points to 51% while the expense ratio increased 2 points to 39%. The decrease in the loss and LAE ratio was mainly due to a 16 point decrease in the current accident year loss and LAE ratio, partially offset by a 4 point increase from lower favorable loss reserve development. The decrease in the current accident year loss and LAE ratio was mainly due to lower large losses at IMU and lower catastrophe losses. The third quarter of 2009 did not have significant large losses at IMU or catastrophe losses, while the third quarter of 2008 had 9 points of large losses at IMU and 8 points of catastrophe losses, mainly due to hurricanes Ike and Gustav. The third quarter of 2009 included 7 points of favorable loss reserve development related to lower than expected severity in professional liability, compared with 11 points of favorable loss reserve development in the third quarter of 2008, also driven by professional liability. The increase in the expense ratio was mainly due to higher acquisition costs from changes in mix of business within the specialty lines businesses and the mix of products offered within those businesses. OneBeacon's collector car and boat business and some of its other newer specialty lines businesses have higher commission rates than its older specialty lines businesses.

Commercial lines. Net written premiums for commercial lines decreased by 9% to \$163 million in the third quarter of 2009 from \$180 million in the third quarter of 2008. The decrease was primarily due to a \$12 million decrease in the middle market division and a \$5 million decrease in the small business division, reflecting continued soft market conditions.

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The commercial lines combined ratio for the third quarter of 2009 decreased to 100% from 101% for the third quarter of 2008. The loss and LAE ratio decreased 1 point to 63%, while the expense ratio remained flat at 37%. The decrease in the loss and LAE ratio was primarily due to 2 points of higher favorable loss reserve development in the third quarter of 2009, partially offset by 1 point of higher current accident year losses, primarily from catastrophe losses in the middle market division. The third quarter of 2009 included 5 points of favorable loss reserve development due to lower than expected severity on prior year catastrophe losses and on losses related to commercial multi-peril, compared to 3 points of favorable loss reserve development in the third quarter of 2008, mainly due to lower than expected severity related to package business. The loss and LAE ratio for the third quarter of 2009 included 10 points of current accident year catastrophe losses, primarily related to severe wind and thunderstorm events, compared with the 9 points of such losses in the prior year, primarily related to hurricane Ike.

Personal lines. Net written premiums for personal lines decreased by 21% to \$128 million in the third quarter of 2009 from \$163 million in the third quarter of 2008. In traditional personal lines, net written premiums decreased 19% to \$109 million. This decrease was primarily from \$17 million of written premiums ceded during the third quarter of 2009 under a 30% quota share reinsurance agreement effective from January 1, 2009 through December 31, 2009 that covers OneBeacon's Northeast homeowners business. OneBeacon entered into this reinsurance agreement to reduce its property catastrophe exposure. Excluding the impact of the homeowners quota share, traditional personal lines net written premium decreased by 6%. In addition, net written premiums at AutoOne decreased 36% to \$19 million from \$30 million in the third quarter of 2008, primarily due to declines in New York's assigned risk pool. With respect to the New York assigned risk pool, market trends indicate that assigned risk volumes are expected to decline to approximately \$133 million in 2009, down from \$143 million in 2008, \$179 million in 2007 and \$253 million in 2006.

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The personal lines combined ratio for the third quarter of 2009 increased to 101% from 97% for the third quarter of 2008. The loss and LAE ratio increased 4 points to 69%, while the expense ratio remained flat at 32%. The current accident year loss and LAE ratio increased 5 points as compared to the third quarter of 2008, reflecting higher current accident year loss ratios in automobile liability and several large homeowners losses. The third quarter of 2009 included 1 point of favorable loss reserve development related to lower than expected severity on catastrophe losses in traditional personal lines, compared with minimal favorable loss reserve development in the third quarter of 2008.

Run-off. Run-off business generated an underwriting loss of \$1 million in the third quarter of 2009, compared to an underwriting loss of \$3 million in the third quarter of 2008.

OneBeacon Results - Nine Months Ended September 30, 2009 versus Nine Months Ended September 30, 2008

Overview

OneBeacon's GAAP combined ratio decreased to 95% for the nine months ended September 30, 2009 from 98% for the nine months ended September 30, 2008. The first nine months of 2009 included 4 points of net favorable loss reserve development, as favorable loss reserve development in specialty lines and commercial lines was partially offset by adverse loss reserve development in personal lines, primarily related to personal injury protection litigation at AutoOne. The first nine months of 2008 included 2 points of favorable loss reserve development. OneBeacon experienced 2 points and 4 points of catastrophe losses in the nine months ended September 30, 2009 and 2008, respectively.

OneBeacon's net written premiums decreased by 1% in the nine months ended September 30, 2009 to \$1,471 million, compared to \$1,489 million in the nine months ended September 30, 2008. This decrease was due to personal lines, primarily as a result of the cession of \$47 million of premiums under the quota share agreement described above and the competitive market conditions in personal auto, and in commercial lines, reflecting continued soft market conditions. These decreases were partially offset by an increase in specialty lines, primarily from OneBeacon's collector car and boat business that it began writing in the second quarter of 2008, Entertainment Brokers International Insurance Services (EBI), which OneBeacon acquired in the third quarter of 2008, OBPI and A&H.

Specialty lines. Net written premiums for specialty lines increased by 23% to \$568 million in the nine months ended September 30, 2009 from \$460 million in the nine months ended September 30, 2008. The increase was primarily due to a \$34 million increase in net written premiums from OneBeacon's collector car and boat business and a \$32 million increase in net written premiums from EBI. The increase was also due to a \$24 million increase in net written premiums from OBPI, a \$16 million increase in net written premiums from A&H and a \$12 million increase in net written premiums from OBGR, partially offset by a \$13 million decrease in net written premiums from IMU.

The specialty lines combined ratio for the nine months ended September 30, 2009 decreased to 83% from 92% for the nine months ended September 30, 2008. The loss and LAE ratio decreased 12 points to 44% while the expense ratio increased 3 points to 39%. The decrease in the loss and LAE ratio was mainly due to a 10 point decrease in the current accident year loss and LAE ratio as compared to the nine months ended September 30, 2008, which included the impact of large losses at IMU, as described above. Additionally, the nine months ended September 30, 2009 reflected lighter catastrophe losses, with 1 point of catastrophe losses, compared to 3 points in the nine months ended September 30, 2008, mainly due to hurricanes Ike and Gustav. The nine months ended September 30, 2009 included 11 points of favorable loss reserve development related to lower than expected severity on losses in professional liability, compared with 9 points of favorable loss reserve development in the

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nine months ended September 30, 2008, also driven by lower than expected severity on losses in professional liability. The increase in the expense ratio was mainly due to changes in mix of business within the specialty lines as described above.

Commercial lines. Net written premiums for commercial lines decreased by 8% to \$505 million in the nine months ended September 30, 2009 from \$552 million in the nine months ended September 30, 2008. The decrease was primarily due to a \$40 million decrease in the traditional middle market division, reflecting continued soft market conditions.

The commercial lines combined ratio for the nine months ended September 30, 2009 decreased to 96% from 100% for the nine months ended September 30, 2008. The loss and LAE ratio decreased 5 points to 58%, while the expense ratio increased 1 point to 38%. The decrease in the loss and LAE ratio was primarily due to 3 points of higher favorable loss reserve development in the current period. The nine months ended September 30, 2009 included 7 points of favorable loss reserve development, mainly due to lower than expected severity in package business and commercial multi-peril, compared with 4 points in the 2008 period related to lower than expected severity in package business, commercial multi-peril and OneBeacon Specialty Property. In addition, the nine months ended September 30, 2009 included 4 points of catastrophe losses, primarily related to severe wind and thunderstorm events, compared to 6 points in the nine months ended September 30, 2008, primarily related to hurricane Ike in the middle market and small business divisions and losses from tornados in the southeastern United States that impacted the middle market division in the first quarter of 2008.

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Personal lines. Net written premiums for personal lines decreased by 17% to \$398 million in the nine months ended September 30, 2009 from \$477 million in the nine months ended September 30, 2008. In traditional personal lines, net written premiums decreased 15% to \$326 million. During the nine months ended September 30, 2009, OneBeacon ceded \$47 million of written premiums from its Northeast homeowners business under the quota share agreement described above. Excluding the impact of the homeowners quota share, traditional personal lines net written premiums decreased by 2%. In addition, net written premiums at AutoOne decreased 25% to \$72 million primarily due to declines in New York's assigned risk pool, as described above.

The personal lines combined ratio for the nine months ended September 30, 2009 increased to 106% from 97% for the nine months ended September 30, 2008. The loss and LAE ratio increased 10 points to 75%, while the expense ratio decreased by 1 point to 31%. The increase in the loss and LAE ratio was mainly due to 8 points of adverse loss reserve development in the nine months ended September 30, 2009, primarily related to personal injury protection litigation at AutoOne, compared with 2 points of adverse loss reserve development in the nine months ended September 30, 2008, primarily related to personal automobile liability at AutoOne. In addition, the nine months ended September 30, 2009 included a 4 point increase in the current accident year loss and LAE ratio as compared to the prior period, primarily related to higher non-catastrophe loss ratios in automobile liability. The decrease in the expense ratio was primarily due to lower policy acquisition expenses as a result of the ceding commissions relating to the homeowners quota share, as described above.

Run-off. Run-off business generated an underwriting loss of \$3 million in the nine months ended September 30, 2009, compared to an underwriting loss of \$19 million in the nine months ended September 30, 2008. During the second quarter of 2008, OneBeacon and Liberty Mutual Insurance Group (Liberty Mutual) entered into a settlement agreement that resolved nearly four years of arbitration and litigation. The disputes concerned amounts which Liberty Mutual asserted were due to it under agreements with OneBeacon for unallocated loss adjustment expenses and amounts which OneBeacon asserted were due to it related to claims administration and reinsurance. OneBeacon recorded a \$9 million loss in the second quarter of 2008 in connection with the settlement agreement.

White Mountains Re

Financial results and GAAP combined ratios for White Mountains Re for the three and nine months ended September 30, 2009 and 2008 follow:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Gross written premiums	\$ 211.3	\$ 224.0	\$ 835.6	\$ 912.3
Net written premiums	\$ 171.3	\$ 208.4	\$ 672.3	\$ 783.4
Earned insurance and reinsurance premiums	\$ 213.4	\$ 255.3	651.5	\$ 769.0
Net investment income	22.0	44.0	82.8	141.9
Net realized and unrealized investment gains (losses)	27.0	(42.2)	72.7	(153.4)
Other revenue - foreign currency translation gains (losses)	23.2	(43.9)	54.6	(29.8)
Other revenue - Tuckerman Fund II (1)	9.9	15.0	29.9	15.0
Other revenue	.1	.3	.3	1.0
Total revenues	295.6	228.5	891.8	743.7
Losses and LAE	104.3	241.7	327.9	611.4

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Insurance and reinsurance acquisition expenses	40.9	56.9	131.5	163.7
Other underwriting expenses	23.9	24.6	74.2	80.6
General and administrative expenses - Tuckerman Fund II (1)	8.6	13.8	28.4	13.8
General and administrative expenses	10.0	3.0	23.6	12.0
Accretion of fair value adjustment to losses and LAE reserves	2.1	1.3	4.5	3.6
Interest expense on debt	6.6	6.9	19.7	20.8
Total expenses	196.4	348.2	609.8	905.9
Pre-tax income (loss)	\$ 99.2	\$ (119.7)	\$ 282.0	\$ (162.2)
GAAP ratios:				
Losses and LAE	49%	95%	50%	79%
Expense	30%	32%	32%	32%
Total Combined	79%	127%	82%	111%

(1) Tuckerman Fund II was transferred from Other Operations to White Mountains Re, effective June 30, 2008.

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White Mountains Re Results - Three Months Ended September 30, 2009 versus Three Months Ended September 30, 2008

White Mountains Re's GAAP combined ratio decreased to 79% for the third quarter of 2009 from 127% for the third quarter of 2008. In the third quarter of 2009, White Mountains Re ceded \$20 million of losses under a retrocessional reinsurance contract related to the 2001 accident year. These retroceded losses were substantially offset in pre-tax income by \$10 million of retroceded premiums and \$7 million of interest charges on funds held under the contract. White Mountains Re has now recorded the full limit of loss cessions available under this contract. Excluding the impact of this cession, White Mountains Re's combined ratio for the third quarter of 2009 was 85%. The improvement in the combined ratio was also driven by lower catastrophe activity. The third quarter of 2009 included 10 points (\$21 million) of catastrophe losses, net of reinsurance and reinstatements, primarily from European windstorms. The third quarter of 2008 included 44 points (\$112 million) of catastrophe losses, including 34 points (\$87 million) from hurricane Ike and 9 points (\$22 million) from Slovenian hailstorms. The third quarter of 2009 also included 9 points of net favorable loss reserve development primarily related to the cession described above compared to 2 points of net adverse loss reserve development for the third quarter of 2008.

White Mountains Re's gross written premiums decreased 6% to \$211 million in the third quarter 2009 from \$224 million in the third quarter 2008. Net written premiums decreased 18% to \$171 million in the third quarter 2009 from \$208 million in the third quarter 2008. These declines were due mainly to reductions in U.S. casualty writings, reductions in the property catastrophe excess writings, additional cessions in the credit line of business and the effects of foreign currency translation. In addition, the decline in net premiums written is due partially to the aforementioned \$10 million of retroceded premiums. The reduction in U.S. casualty business is due to pricing, terms and conditions for certain accounts that no longer meet White Mountains Re's underwriting guidelines, as well as higher ceding company retentions. The decrease in property catastrophe excess business reflects White Mountains Re's reduction in net peak zone property catastrophe exposures as part of its capital and risk management strategy.

White Mountains Re's other revenues consisted primarily of \$23 million of foreign currency translation gains recorded in the third quarter 2009 as compared to a foreign currency translation loss of \$44 million in the third quarter 2008. In addition, White Mountains Re recorded other revenues of \$10 million related to the consolidation of Tuckerman Fund II in the third quarter of 2009, as compared to \$15 million in the third quarter 2008.

White Mountains Re's insurance and reinsurance acquisition expenses decreased 28% to \$41 million in the third quarter 2009 from \$57 million in the third quarter 2008. The decrease is primarily due to the overall decline in premium volume discussed above, in addition to increases in ceded commissions on property and credit lines of business.

White Mountains Re's other underwriting expenses decreased by \$1 million, primarily due to foreign currency translation, somewhat offset by increased incentive compensation expense. General and administrative expenses increased to \$19 million in the third quarter 2009 from \$17 million in the third quarter 2008, primarily due to \$6 million of expenses in the third quarter of 2009 relating to the reorganization of the White Mountains Re legal and operating structure. White Mountains Re also recorded \$9 million of general and administrative expenses related to the consolidation of Tuckerman Fund II as discussed above as compared to \$14 million in the third quarter 2008.

White Mountains Re Results - Nine Months Ended September 30, 2009 versus Nine Months Ended September 30, 2008

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White Mountains Re's GAAP combined ratio decreased to 82% for the nine months ended September 30, 2009 from 111% for the nine months ended September 30, 2008. Excluding the impact of the cession under the retrocessional reinsurance contract related to the 2001 accident year discussed above, the combined ratio for the first nine months of 2009 was 84%. The improvement in the combined ratio was also driven by lower catastrophe activity and favorable net loss reserve development. The nine months ended September 30, 2009 included 7 points (\$45 million) of catastrophe losses, net of reinsurance and reinstatement premiums, compared to 19 points (\$145 million) for the nine months ended September 30, 2008. Catastrophe losses in the nine months ended September 30, 2009 were primarily driven by 3 points from the windstorms and flood losses in Europe and 2 points from European winter storm Klaus that mainly impacted France in January. The catastrophe losses for the 2008 period were primarily due to hurricane Ike (11 points) and Slovenian hailstorms (3 points). The nine months ended September 30, 2009 also included 4 points (\$23 million) of net favorable loss reserve development primarily due to the \$20 million of ceded losses related to the aforementioned retrocessional reinsurance contract. The 2008 period included 11 points (\$88 million) of net adverse loss reserve development, which was predominantly attributable to casualty reinsurance written in the 1996-2002 underwriting years and construction defect losses at WMRe America, partially offset by favorable development recorded at WMRe Sirius, mainly attributable to property reinsurance.

White Mountains Re's gross written premiums decreased 8% to \$836 million in the nine months ended September 30, 2009 from \$912 million in the prior period. Net written premiums decreased 14% to \$672 million in the nine months ended September 30, 2009 from \$783 million in the prior period. These declines were due mainly to reductions in U.S. casualty writings, reductions in the property catastrophe excess writings, additional cessions in the credit line of business and the effects of foreign currency translation. The reduction in U.S. casualty business is due to pricing, terms and conditions for certain accounts that no longer meet White Mountains Re's underwriting guidelines, as well as higher ceding company retentions. The decrease in property catastrophe excess business reflects White Mountains Re's reduction in net peak zone property catastrophe exposures as part of its capital and risk management strategy.

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White Mountains Re's other revenues consisted primarily of \$55 million of foreign currency translation gains recorded in the nine months ended September 30, 2009 as compared to \$30 million of foreign currency translation losses in the prior period. In addition, White Mountains Re recorded \$30 million of other revenues in the 2009 period, related to the consolidation of Tuckerman Fund II, compared to \$15 million in the prior period, as a result of its transfer to White Mountains Re from the Other Operations segment, effective June 30, 2008.

White Mountains Re's insurance and reinsurance acquisition expenses decreased 20% to \$132 million in the nine months ended September 30, 2009 from \$164 million in the prior period. The decrease is primarily due to the overall decline in premium volume discussed above in addition to increases in ceded commissions on the property and credit lines of business.

White Mountains Re's other underwriting expenses decreased by \$6 million, primarily due to foreign currency translation. General and administrative expenses increased to \$52 million in the nine months ended September 30, 2009 from \$26 million in the prior period, primarily due to \$15 million of higher expenses related to the consolidation of Tuckerman Fund II, in addition to the costs in the third quarter of 2009 relating to the reorganization of the White Mountains Re legal and operating structure as discussed above.

Esurance

Financial results and GAAP ratios for Esurance for the three and nine months ended September 30, 2009 and 2008 follow:

(\$ in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
Gross written premiums	\$	205.5	\$	213.4	\$	600.3	\$	643.1
Net written premiums	\$	204.8	\$	212.6	\$	598.5	\$	640.6
Earned insurance and reinsurance premiums	\$	195.8	\$	209.2	\$	589.4	\$	627.2
Net investment income		6.2		8.7		18.5		25.1
Net realized and unrealized investment gains (losses)		12.9		(15.7)		34.7		(28.0)
Other revenue		13.4		12.5		40.0		28.3
Total revenues		228.3		214.7		682.6		652.6
Losses and LAE		141.6		152.4		426.4		479.5
Insurance and reinsurance acquisition expenses		39.6		41.0		118.1		130.7
Other underwriting expenses		19.4		20.9		56.2		58.5
General and administrative expenses		8.6		11.7		26.2		22.4
Amortization of AFI purchase accounting adjustments		4.2		5.9		13.8		10.6
Interest expense on debt				.1				.5
Total expenses		213.4		232.0		640.7		702.2
Pre-tax income (loss)	\$	14.9	\$	(17.3)	\$	41.9	\$	(49.6)

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<i>GAAP ratios:</i>								
Losses and LAE		72%		73%		72%		77%
Expense		30%		29%		30%		30%
Total Combined		102%		102%		102%		107%

Esurance Results - Three Months Ended September 30, 2009 versus Three Months Ended September 30, 2008

Esurance's GAAP combined ratio of 102% for the third quarter of 2009 was consistent with the third quarter of 2008. The loss and LAE ratio was 72% for the third quarter of 2009 compared to 73% for the third quarter of 2008. The third quarter of 2009 included 2 points of favorable loss reserve development compared to no loss reserve development in the third quarter of 2008. The loss and LAE ratio was affected by increasing claims frequency in the third quarter, a reversal of the trend Esurance had seen in the first half of 2009. The expense ratio increased to 30% for the third quarter of 2009, compared to 29% for the third quarter of 2008. The increase was driven primarily by higher policy acquisition costs.

Esurance's net written premiums decreased by 4% in the third quarter of 2009 to \$205 million compared to \$213 million in the third quarter of 2008, while net earned premiums decreased by 6% to \$196 million in the third quarter of 2009 compared to \$209 million in the third quarter of 2008. These decreases were mainly due to the impact of selective rate adjustments and lower advertising spending. Despite the decreased premium, new policy sales have increased 20% in the third quarter of 2009 compared to the third quarter of 2008 and customer retention has improved in the third quarter of 2009 compared to the third quarter of 2008, primarily due to programs aimed at attracting more preferred policyholders, such as the Switch and Save program, which offers discounts to customers with prior insurance, and specific initiatives aimed at retaining customers, such as Esurance's Cancel Save team that was established late in 2008.

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Esurance's other revenue was \$13 million in the third quarter of 2009, a slight increase from the third quarter of 2008, due to partner revenue from the non-AFI comparison quotes program. Commission revenue from AFI was flat in the third quarter of 2009 compared to the third quarter of 2008.

In the third quarter of 2009, AFI increased revenue and operating profit (AFI's pre-tax income excluding amortization of purchase accounting adjustments) compared to the third quarter of 2008. Including approximately 294,000 AFI customers, the Esurance segment now has approximately 765,000 policies-in-force. The Esurance segment has added approximately 4,000 policies-in-force since the third quarter of 2008.

The third quarter of 2009 included \$4 million of expenses associated with the amortization of intangible assets and fair value adjustments generated through the investment in AFI compared to \$6 million during the third quarter of 2008.

Esurance underwrites business in 30 states, which represent approximately 85% of the market for personal auto insurance premiums written in the United States during 2008. For the quarter ended September 30, 2009, Esurance's largest states were California (with 22% of gross written premium), Florida (14%), New York (8%), New Jersey (6%) and Texas (5%). Esurance, through its independent agency platform, AFI, sells policies in 50 states plus the District of Columbia. For the quarter ended September 30, 2009, AFI's largest states were California (16% of policies in force), Texas (7%), Florida (7%), Pennsylvania (4%) and Ohio (4%).

Esurance Results - Nine Months Ended September 30, 2009 versus Nine Months Ended September 30, 2008

Esurance's GAAP combined ratio decreased to 102% for the first nine months of 2009 from 107% for the first nine months of 2008 due to improved loss results. The loss and LAE ratio was 72% for the first nine months of 2009 compared to 77% for the first nine months of 2008. The first nine months of 2009 included 1 point of favorable loss reserve development compared to no loss reserve development in the first nine months of 2008. The decrease in the loss and LAE ratio was due to lower claims frequency in the first six months of 2009, partially offset by slightly increased claims frequency in the third quarter of 2009. The expense ratio was 30% for the first nine months of 2009, unchanged from the first nine months of 2008.

Esurance's net written premiums decreased by 7% in the first nine months of 2009 to \$599 million, compared to \$641 million in the first nine months of 2008, while net earned premiums decreased by 6% to \$589 million in the first nine months of 2009 compared to \$627 million in the first nine months of 2008. These decreases were mainly due to the impact of selective rate adjustments and lower advertising spending. Total new policy sales have decreased 1% in the first nine months of 2009 compared to the first nine months of 2008. However, customer retention has slightly improved for the first nine months of 2009 compared to the first nine months of 2008, with most of the improvement seen in the third quarter.

Esurance's other revenue was \$40 million in the first nine months of 2009, up \$12 million from the first nine months of 2008 due to the inclusion of AFI in all of the first nine months of 2009. Esurance began consolidating the results of AFI during the second quarter of 2008. Including approximately 294,000 AFI customers, the Esurance segment now has approximately 765,000 policies-in-force. The Esurance segment has added approximately 20,000 policies-in-force since the end of 2008.

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The first nine months of 2009 included \$14 million of expenses associated with the amortization of AFI purchase accounting adjustments compared to \$11 million during the first nine months of 2008.

For the first nine months of 2009, Esurance's largest states were California (with 23% of gross written premium), Florida (14%), New York (8%), Texas (5%) and New Jersey (5%).

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Other Operations consists of the operations of the Company, the Company's intermediate holding companies, the consolidated results of the Tuckerman Fund I and Tuckerman Fund II (until its transfer to the White Mountains Re segment, effective June 30, 2008), the International American Group (until its disposition in October 2008), WM Advisors and White Mountains' investments in unconsolidated affiliates. The Other Operations segment also includes the results of WM Life Re and the weather risk management business, both of which are in run-off. White Mountains continues to explore options to limit the cost of running off WM Life Re's contracts. During the second quarter of 2009, White Mountains sold Galileo Weather Risk Management Advisors LLC, including its employees, for nominal consideration and has ceased writing new weather derivative contracts. White Mountains will retain all of the outstanding weather derivative contracts and run them off. All of the in-force positions will expire by September 2011.

A summary of White Mountains' financial results from its Other Operations segment for the three and nine months ended September 30, 2009 and 2008 follows:

Millions	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
Net investment income	\$	3.6	\$	9.9	\$	10.8	\$	29.4
Net realized and unrealized investment gains (losses)		13.2		(15.9)		15.8		(31.7)
Other revenue - Tuckerman Fund I and II (1)		7.9		15.8		18.4		65.7
Other revenue		3.6		2.2		(49.8)		10.6
Total revenues		28.3		12.0		(4.8)		74.0
Losses and LAE				.1				(.6)
Other underwriting expenses				.6				1.9
General and administrative expenses - Tuckerman Fund I and II (1)		6.1		13.9		16.6		61.1
General and administrative expenses		30.7		11.3		60.3		45.4
Interest expense - debt		1.4		2.4		4.5		6.3
Total expenses		38.2		28.3		81.4		114.1
Pre-tax loss	\$	(9.9)	\$	(16.3)	\$	(86.2)	\$	(40.1)

(1) Tuckerman Fund II was transferred from Other Operations to White Mountains Re, effective June 30, 2008. Therefore the consolidated results of Tuckerman Fund II are included in the table above through that date and are included in the White Mountains Re segment from July 1, 2008 forward. The consolidated results of Tuckerman Fund I are included in all periods presented above.

Other Operations Results - Three Months Ended September 30, 2009 versus Three Months Ended September 30, 2008

White Mountains' Other Operations segment reported a pre-tax loss of \$10 million in the third quarter of 2009, compared to a pre-tax loss of \$16 million in the third quarter of 2008. The decrease in pre-tax loss was primarily attributable to a \$24 million increase in pre-tax income from the

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Symetra warrants (\$11 million of pre-tax income in the third quarter of 2009 compared to \$13 million of pre-tax losses in the third quarter of 2008) and an \$18 million improvement in the results of WM Life Re (\$4 million of pre-tax income in the third quarter of 2009 compared to \$14 million of pre-tax losses in the third quarter of 2008), partially offset by an increase in incentive compensation expenses in the third quarter of 2009.

Other Operations Results - Nine Months Ended September 30, 2009 versus Nine Months Ended September 30, 2008

White Mountains' Other Operations segment reported a pre-tax loss \$86 million in the first nine months of 2009, compared to a pre-tax loss \$40 million in the first nine months of 2008. The increase in pre-tax loss for the first nine months of 2009 compared to the first nine months of 2008 was primarily attributable to a \$30 million increase in pre-tax losses from WM Life Re, a \$19 million decrease in net investment income and an increase in incentive compensation expenses, partially offset by a \$40 million increase in pre-tax income from the Symetra warrants (\$15 million of pre-tax income in the first nine months of 2009 compared to \$25 million of pre-tax losses in the first nine months of 2008).

WM Life Re reported \$54 million in pre-tax losses in the first nine months of 2009 compared to \$24 million of pre-tax losses in the first nine months of 2008 (See **Note 8**). The WM Life Re results for the first nine months of 2009 included \$22 million of losses from surrender assumption revisions made in the second quarter of 2009. In addition to the surrender assumption revisions, the losses reported in the nine months ended September 30, 2009 were due mainly to the net effect of the change in the fair value of WM Life Re's variable annuity liabilities exceeding the change in the fair value of the related derivative contracts that economically hedge the liabilities. White Mountains continues to explore options to limit the cost of running off these contracts.

Table of Contents**II. Summary of Investment Results****Investment Returns**

For purposes of discussing rates of return, all percentages are presented gross of management fees and trading expenses in order to produce a more relevant comparison to benchmark returns, while all dollar amounts are presented net of any management fees and trading expenses. A summary of White Mountains consolidated pre-tax investment results and gross investment returns versus typical benchmarks for the three and nine months ended September 30, 2009 and 2008 follows:

Pre-tax investment results

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net investment income	\$ 66.2	\$ 105.7	\$ 204.5	\$ 334.2
Net realized and unrealized investment gains (losses)	170.7	(429.7)	362.3	(627.0)
Net unrealized foreign currency gains on investments(1)	148.7	(250.5)	210.4	(150.7)
Total GAAP pre-tax investment gains	\$ 385.6	\$ (574.5)	\$ 777.2	\$ (443.5)

(1) Recognized as a component of other comprehensive income.

Gross investment returns and benchmark returns

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Fixed maturity investments	5.0%	-2.9%	11.4%	-0.7%
Short-term investments	.4%	0.0%	.9%	1.5%
Total fixed maturities	3.7%	-2.2%	8.5%	-0.2%
Barclay's U.S. Intermediate Aggregate Index	3.2%	-0.1%	5.9%	1.2%
Convertible securities	11.8%	-3.1%	17.7%	-6.9%
Common stocks	8.5%	-18.4%	1.4%	-19.4%
Other long-term investments	6.3%	-14.9%	11.2%	-13.6%
Total equities, convertible securities and other long-term investments	8.7%	-15.2%	9.7%	-15.9%

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S&P 500 Index (total return)	15.6%	-8.4%	19.3%	-19.3%
Total consolidated portfolio	4.3%	-5.1%	8.7%	-3.7%

White Mountains GAAP total return on invested assets for the third quarter and first nine months of 2009 was 4.3% and 8.7%, including 1.2% and 1.6% from currency gains, compared to -5.1% and -3.7%, including -1.6% and -0.9% from currency losses, in the comparable periods of 2008. Net investment income was \$66 million and \$205 million in the third quarter and first nine months of 2009, down from \$106 million and \$334 million in the third quarter and first nine months of last year. The decline in both periods was primarily due to lower overall portfolio yields, shifts in portfolio mix to lower risk, lower yield investments and a decrease in the overall invested asset base. In addition, net investment income in the third quarter and first nine months of 2009 was reduced by \$7 million as a result of interest charges on funds held under the previously described retrocession at White Mountains Re. The GAAP total return on fixed maturity investments, excluding currency movements, was 2.3% and 6.7% for the third quarter and first nine months of 2009, outperforming the Barclays U.S. Intermediate Aggregate over the same periods. In particular, White Mountains corporate bond portfolio has performed well, up 5.8% in the third quarter and 16.4% in the first nine months of 2009. White Mountains fixed income portfolio has maintained its short duration, about 2 years including short-term investments, and has continued to avoid the credit losses affecting many financial institutions. White Mountains equity, convertible and other long-term investment portfolio was up 8.7% and 9.7% for the third quarter and first nine months of 2009, lagging the S&P 500 return over the same periods. For the third quarter this was largely because of the portfolio mix, which is more heavily weighted toward convertibles and other long-term investments than common stocks. White Mountains equity returns for the nine months ended September 30, 2009 were also impacted by White Mountains actions to de-risk its portfolios during the first quarter, selling approximately \$310 million of equities and convertibles.

Table of Contents*Mortgage-backed, Asset-backed Securities*

White Mountains purchases commercial and residential mortgage-backed securities to maximize its fixed income portfolio's risk adjusted returns and diversify the portfolio risk from primarily corporate credit risk to a mix of credit and cash flow risk. White Mountains is not an originator of residential mortgage loans and held \$0.1 million of residential mortgage-backed securities categorized as sub-prime as of September 30, 2009. In addition, White Mountains' investments in hedge funds, limited partnerships and private equities contain negligible amounts of sub-prime mortgage-backed securities at September 30, 2009. White Mountains considers sub-prime mortgage-backed securities to be those that are issued from dedicated sub-prime shelf registrations, dedicated second-lien shelf registrations (i.e., White Mountains considers investments backed primarily by second-liens to be a sub-prime risk regardless of credit score or other metrics) or otherwise have underlying loan pools that exhibit weak credit characteristics.

There are also mortgage-backed securities that White Mountains categorizes as non-prime (also called Alt A or A-) that are backed by collateral that has overall credit quality between prime and sub-prime, based on a review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. As of September 30, 2009, \$15.0 million of White Mountains' mortgage-backed securities holdings were classified as non-prime. At September 30, 2009 White Mountains does not own any collateralized debt obligations, including residential mortgage-backed collateralized debt obligations.

The following table summarizes White Mountains' asset-backed securities holdings as of September 30, 2009 and December 31, 2008:

Millions	September 30, 2009	December 31, 2008
Mortgage-backed securities:		
Agency (1)		
GNMA	\$ 749.7	\$ 964.4
FNMA	223.1	114.7
FHLMC	120.1	232.9
Total Agency	1,092.9	1,312.0
Non-agency:		
Residential	166.9	398.2
Commercial	402.5	435.0
Total Non-agency	569.4	833.2
Total mortgage-backed securities	1,662.3	2,145.2
Other asset-backed securities:		
Credit card receivables	28.0	82.2
Auto loans	106.9	13.8
Other	.8	
Total other asset-backed securities	135.7	96.0
Total asset-backed securities (2)	\$ 1,798.0	\$ 2,241.2

(1) Represents publicly traded mortgage-backed securities which carry the full faith and credit guaranty of the U.S. government (i.e., GNMA) or are guaranteed by a government sponsored entity (i.e., FNMA, FHLMC).

(2) Of White Mountains' total asset-backed securities, approximately 91% and 99% as of September 30, 2009 and December 31, 2008, respectively, have the highest rating ascribed by Moody's (Aaa) or S&P (AAA).

Securities Lending

During 2009, OneBeacon and White Mountains Re exited their securities lending programs. As of September 30, 2009, all loaned securities under the OneBeacon program had been returned except for two illiquid instruments for which OneBeacon holds \$2 million in collateral. As of September 30, 2009, all loaned securities under the White Mountains Re program had been returned and all collateral returned to borrowers. White Mountains recognized net realized and unrealized investment losses of \$7 million on its securities lending programs at OneBeacon and White Mountains Re over the life of the programs.

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LIQUIDITY AND CAPITAL RESOURCES

Operating Cash and Short-term Investments

Holding company level. The primary sources of cash for the Company and certain of its intermediate holding companies are dividends and tax sharing payments received from its insurance and reinsurance operating subsidiaries, capital raising activities, net investment income and proceeds from sales and maturities of holding company investments. The primary uses of cash are repurchases of the Company's and OneBeacon Ltd.'s common shares, payments on and repurchases/retirements of its debt obligations, dividend payments to holders of the Company's common shares, to noncontrolling interest holders of OneBeacon Ltd.'s common shares and to holders of the WMRe Preference Shares, purchases of investments, payments made to tax authorities, contributions to operating subsidiaries and holding company operating expenses.

Operating subsidiary level. The primary sources of cash for White Mountains' insurance and reinsurance operating subsidiaries are premium collections, net investment income, capital raising activities and proceeds from sales and maturities of investments. The primary uses of cash are claim payments, policy acquisition costs, purchases of investments, payments on and repurchases/retirements of its debt obligations, dividend and tax sharing payments made to holding companies and operating expenses.

Both internal and external forces influence White Mountains' financial condition, results of operations and cash flows. Claim settlements, premium levels and investment returns may be impacted by changing rates of inflation and other economic conditions. In many cases, significant periods of time, ranging up to several years or more, may lapse between the occurrence of an insured loss, the reporting of the loss to White Mountains and the settlement of the liability for that loss. The exact timing of the payment of claims and benefits cannot be predicted with certainty. White Mountains' insurance and reinsurance operating subsidiaries maintain portfolios of invested assets with varying maturities and a substantial amount of short-term investments to provide adequate liquidity for the payment of claims.

Management believes that White Mountains' cash balances, cash flows from operations, routine sales and maturities of investments and the liquidity provided by the WTM Bank Facility and WTM Barclays Facility are adequate to meet expected cash requirements for the foreseeable future on both a holding company and insurance and reinsurance operating subsidiary level.

Dividend Capacity

Under the insurance laws of the states and jurisdictions under which White Mountains' insurance and reinsurance operating subsidiaries are domiciled, an insurer is restricted with respect to the timing and the amount of dividends it may pay without prior approval by regulatory authorities. Accordingly, there can be no assurance regarding the amount of such dividends that may be paid by such subsidiaries in the future. Following is a description of the dividend capacity of White Mountains' insurance and reinsurance operating subsidiaries:

OneBeacon:

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Generally, OneBeacon's regulated insurance operating subsidiaries have the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount equal to the greater of prior year statutory net income or 10% of prior year end statutory surplus, subject to the availability of unassigned funds. Based upon December 31, 2008 statutory surplus of \$1.4 billion, OneBeacon's top tier regulated insurance operating subsidiaries have the ability to pay approximately \$136 million of dividends during 2009 without prior approval of regulatory authorities, subject to the availability of unassigned funds. As of September 30, 2009, OneBeacon's top tier regulated insurance operating subsidiaries had approximately \$1 billion of unassigned funds. During the first nine months of 2009, OneBeacon's regulated insurance operating subsidiaries paid \$30 million of dividends to their immediate parent.

During the first nine months of 2009, OneBeacon's unregulated insurance operating subsidiaries paid \$3 million of dividends to their immediate parent. At September 30, 2009, OneBeacon's unregulated insurance operating subsidiaries had approximately \$24 million of net unrestricted cash and fixed maturity investments.

During the first nine months of 2009, OneBeacon Ltd. paid \$60 million of regular quarterly dividends to its common shareholders. White Mountains received a total of \$45 million of these dividends.

As of September 30, 2009, OneBeacon Ltd. and its intermediate holding companies had approximately \$82 million of net unrestricted cash and fixed maturity investments outside of its regulated and unregulated insurance operating subsidiaries.

White Mountains Re:

WMRe America has the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount equal to the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus. Based upon December 31, 2008 statutory surplus of \$709 million, WMRe America would have the ability to pay approximately \$71 million of dividends during 2009 without prior approval of regulatory authorities, subject to the availability of earned surplus. As of September 30, 2009, WMRe America had negative earned surplus. During the first nine months of 2009, WMRe America did not pay any dividends to its immediate parent.

In accordance with the provisions of Swedish law, WMRe Sirius can voluntarily transfer its pre-tax income, or a portion thereof, subject to certain limitations, to its Swedish parent companies to minimize taxes (referred to as a group contribution). In 2009, WMRe

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Sirius intends to transfer approximately \$60 million (based on December 31, 2008 SEK to USD exchange rate) of its 2008 pre-tax income to its Swedish parent companies as a group contribution, of which \$27 million was transferred during the first nine months of 2009.

WMRe Sirius has the ability to pay dividends subject to the availability of unrestricted statutory surplus. Historically, WMRe Sirius has allocated the majority of its pre-tax income, after group contributions to its Swedish parent companies, to the Safety Reserve (see **Safety Reserve** below). As of December 31, 2008, WMRe Sirius had \$55 million (based on December 31, 2008 SEK to USD exchange rate) of unrestricted statutory surplus, which is available for distribution in 2009. During the first nine months of 2009, WMRe Sirius paid \$36 million of dividends to its immediate parent.

In September 2009, White Mountains Re substantially completed a reorganization of its reinsurance operations whereby the in-force business and infrastructure of WMRe Bermuda was transferred to WMRe Sirius, which established a branch office in Bermuda to maintain the group's presence in the Bermuda market. With the anticipated completion of the reorganization in the first quarter of 2010, WMRe Bermuda will be run off as a subsidiary of WMRe Sirius. As part of the reorganization, \$400 million of WMRe Bermuda's existing capital was distributed to White Mountains Re and its intermediate holding companies and \$200 million was contributed to WMRe Sirius as additional unrestricted statutory surplus. Prior to the reorganization, during the first six months of 2009, WMRe Bermuda distributed \$50 million to its immediate parent.

During the first nine months of 2009, WMRUS did not pay any dividends to its immediate parent. At September 30, 2009, WMRUS had \$3 million of net unrestricted cash and fixed maturity investments.

During the first nine months of 2009, White Mountains Re paid \$358 million of distributions to its immediate parent, which included \$305 million in cash and \$53 million of other assets.

As of September 30, 2009, White Mountains Re and its intermediate holding companies had approximately \$243 million of net unrestricted cash and fixed maturity investments outside of WMRe America, WMRe Sirius, WMRe Bermuda and WMRUS.

Esurance:

Generally, Esurance Insurance Company has the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount equal to the lesser of prior year statutory net income or 10% of prior year end statutory surplus, subject to the availability of unassigned funds. Based on 2008 statutory net income, Esurance Insurance Company does not have the ability to pay dividends during 2009 without prior approval of regulatory authorities. As of September 30, 2009, Esurance Insurance Company had \$48 million of unassigned funds.

AFI paid a capital distribution of \$4 million to its immediate parent during the first nine months of 2009. As of September 30, 2009, AFI had approximately \$8 million of net unrestricted cash and fixed maturity investments.

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As of September 30, 2009, Esurance had approximately \$9 million of net unrestricted cash and fixed maturity investments outside of Esurance Insurance Company and AFI.

Other Operations:

WM Advisors paid \$15 million in dividends to its immediate parent during the first nine months of 2009. As of September 30, 2009, WM Advisors had approximately \$18 million of net unrestricted cash and fixed maturity investments.

As of September 30, 2009, the Company and its intermediate holding companies had approximately \$132 million of net unrestricted cash and fixed maturity investments included in its Other Operations segment.

Safety Reserve

In accordance with provisions of Swedish law, WMRe Sirius is permitted to transfer up to the full amount of its pre-tax income, subject to certain limitations, into an untaxed reserve referred to as a safety reserve, which amounted to \$1.3 billion at September 30, 2009. Under GAAP, an amount equal to the safety reserve, net of a related deferred tax liability established at the Swedish tax rate of 26.3%, is classified as shareholders' equity. Generally, this deferred tax liability is only required to be paid by WMRe Sirius if it fails to maintain predetermined levels of premium writings and loss reserves in future years. As a result of the indefinite deferral of these taxes, Swedish regulatory authorities do not apply any taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations. Accordingly, under local statutory requirements, an amount equal to the deferred tax liability on WMRe Sirius' safety reserve (\$344 million at September 30, 2009) is included in solvency capital. Access to the safety reserve is restricted to coverage of aggregate losses and requires the approval of Swedish regulatory authorities. Similar to the approach taken by Swedish regulatory authorities, the major rating agencies generally include the \$1.3 billion balance of the safety reserve, without any provision for deferred taxes, in WMRe Sirius' capital when assessing WMRe Sirius' financial strength.

Table of Contents**Insurance Float**

Insurance float is an important aspect of White Mountains' insurance and reinsurance operations. Insurance float is money that an insurance company holds for a limited time. In an insurance operation, float arises because premiums are collected before losses are paid. This interval can extend over many years. During that time, the insurer invests the funds. When the premiums that an insurer collects do not cover the losses and expenses it eventually must pay, the result is an underwriting loss, which is considered to be the cost of insurance float. The amount and cost of insurance float for White Mountains is affected by underlying market conditions, as well as acquisitions or dispositions of insurance and reinsurance businesses. White Mountains has historically obtained its insurance float primarily through acquisitions, as opposed to organic growth. It is White Mountains' intention to generate low-cost float over time through a combination of acquisitions and/or by organic growth in its existing insurance and reinsurance operations. However, White Mountains will seek to increase its insurance float organically only when market conditions allow for an expectation of generating underwriting profits.

Although insurance float can be calculated using numbers determined under GAAP, insurance float is not a GAAP concept and, therefore, there is no comparable GAAP measure.

One of the means by which White Mountains calculates its insurance float is by taking its net investment assets and subtracting its total adjusted capital. The following table illustrates White Mountains' consolidated insurance float position as of September 30, 2009 and December 31, 2008:

(\$ in millions)	September 30, 2009	December 31, 2008
Total investments	\$ 9,284.6	\$ 9,002.7
Consolidated limited partnership investments(1)	(46.7)	(50.2)
Cash	258.1	409.6
Investments in unconsolidated affiliates	356.1	116.9
Equity in net unrealized (gains) losses from Symetra's fixed maturity portfolio	(5.9)	197.3
Accounts receivable on unsettled investment sales	47.0	78.2
Accounts payable on unsettled investment purchases	(60.2)	(7.5)
Interest-bearing funds held by ceding companies (2)	96.5	123.7
Interest-bearing funds held under reinsurance treaties (3)	(61.0)	(54.7)
Net investment assets	\$ 9,868.5	\$ 9,816.0
Total White Mountains' common shareholders' equity	\$ 3,577.3	\$ 2,898.8
Noncontrolling interest - OneBeacon Ltd.	337.4	283.5
Noncontrolling interest - WMRe Preference Shares	250.0	250.0
Debt	1,050.5	1,362.0
Total capital (1)	\$ 5,215.2	\$ 4,794.3
Equity in net unrealized (gains) losses from Symetra's fixed maturity portfolio	(5.9)	197.3
Total adjusted capital	\$ 5,209.3	\$ 4,991.6
Insurance float	\$ 4,659.2	\$ 4,824.4
Insurance float as a multiple of total adjusted capital	0.9x	1.0x
Net investment assets as a multiple of total adjusted capital	1.9x	2.0x
Insurance float as a multiple of White Mountains' common shareholders' equity	1.3x	1.7x
Net investment assets as a multiple of White Mountains' common shareholders' equity	2.8x	3.4x

- (1) The noncontrolling interest arising from White Mountains' investments in consolidated limited partnerships has not been included in insurance float or total capital because White Mountains does not benefit from the return on or have the ability to utilize the net assets supporting this noncontrolling interest.
- (2) Excludes funds held by ceding companies from which White Mountains does not receive interest credits.
- (3) Excludes funds held by White Mountains under reinsurance treaties for which White Mountains does not provide interest credits.

Table of Contents**Financing**

The following table summarizes White Mountains' capital structure as of September 30, 2009 and December 31, 2008:

(\$ in millions)	September 30, 2009	December 31, 2008
OBH Senior Notes, carrying value	\$ 606.4	\$ 675.1
WMRe Senior Notes, carrying value	399.1	399.0
WTM Bank Facility		200.0
WTM Barclays Facility		
Other debt	45.0	87.9
Total debt	1,050.5	1,362.0
Noncontrolling interest - OneBeacon Ltd.	337.4	283.5
Noncontrolling interest - WMRe Preference Shares	250.0	250.0
Total White Mountains' common shareholders' equity	3,577.3	2,898.8
Total capital(1)	5,215.2	4,794.3
Equity in net unrealized (gains) losses from Symetra's fixed maturity portfolio	(5.9)	197.3
Total adjusted capital	\$ 5,209.3	\$ 4,991.6
Total debt to total adjusted capital	20%	27%
Total debt and WMRe Preference Shares to total adjusted capital	25%	32%

(1) The noncontrolling interest arising from White Mountains' investments in consolidated limited partnerships has not been included in total capital because White Mountains does not benefit from the return on or have the ability to utilize the assets supporting this noncontrolling interest.

Management believes that White Mountains generally has the flexibility and capacity to obtain funds externally as needed through debt or equity financing on both a short-term and long-term basis. However, given the recent disruptions in the capital markets, White Mountains can provide no assurance that, if needed, it would be able to obtain additional debt or equity financing on satisfactory terms, if at all.

Refer to the Company's 2008 Annual Report on Form 10-K for a full discussion regarding White Mountains' debt obligations as of December 31, 2008.

In September 2009, White Mountains repaid the entire \$200 million that had been drawn on the WTM Bank Facility with funds distributed from White Mountains Re.

During the first nine months of 2009, OneBeacon repaid the entire \$41 million outstanding under its Mortgage Note and also repurchased \$69 million face value of its outstanding OBH Senior Notes.

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On June 10, 2009, White Mountains entered into a \$33.3 million revolving credit facility with Barclays Bank PLC (the WTM Barclays Facility). The terms and conditions of the WTM Barclays Facility are similar to the existing WTM Bank Facility with the exception of the commitment term. The commitment under the WTM Barclays Facility terminates on June 9, 2010 whereas the commitments under the WTM Bank Facility terminate on June 19, 2012. White Mountains has yet to draw on the WTM Barclays Facility.

The WTM Bank Facility and WTM Barclays Facility contain various affirmative, negative and financial covenants which White Mountains considers to be customary for such borrowings and include maintaining certain minimum net worth and maximum debt to capitalization standards. Failure to meet one or more of these covenants could result in an event of default, which ultimately could eliminate availability under these facilities and result in acceleration of principal repayment on any amounts outstanding. At September 30, 2009, White Mountains was in compliance with all of the covenants under the WTM Bank Facility and the WTM Barclays Facility, and anticipates it will continue to remain in compliance with these covenants for the foreseeable future.

The OBH Senior Notes and the WMRe Senior Notes were issued under indentures which contain restrictive covenants that, among other things, limit the ability of the Company, OBH, WMRe Group and their respective subsidiaries to create liens and enter into sale and leaseback transactions and limits the ability of the Company, OBH, WMRe Group and their respective subsidiaries to consolidate, merge or transfer their properties and assets. The indentures do not contain any financial ratios or specified levels of net worth or liquidity to which the Company, OBH or WMRe Group must adhere. At September 30, 2009, White Mountains was in compliance with all of the covenants under the OBH Senior Notes and the WMRe Senior Notes, and anticipates it will continue to remain in compliance with these covenants for the foreseeable future.

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Cash Flows

Detailed information concerning White Mountains' cash flows during the nine months ended September 30, 2009 and 2008 follows:

For the nine months ended September 30, 2009

Financing and Other Capital Activities

During the third quarter of 2009, the Company repaid the entire \$200 million that had been drawn on the WTM Bank Facility.

During the first quarter of 2009, the Company declared and paid a \$9 million cash dividend to its common shareholders.

During the first nine months of 2009, OneBeacon Ltd. declared and paid \$60 million in cash dividends to its common shareholders. White Mountains received a total of \$45 million of these dividends.

During the first nine months of 2009, OneBeacon repaid the entire \$41 million outstanding under its Mortgage Note and repurchased \$69 million face value of its outstanding OBH Senior Notes for \$63 million.

During the second quarter of 2009, White Mountains Re declared and paid a \$9 million cash dividend to holders of the WMRe Preference Shares.

During the first nine months of 2009, White Mountains Re paid \$305 million of cash distributions to its immediate parent, which included \$30 million received from the weather risk management business.

During the first nine months of 2009, AFI declared and paid \$4 million of capital distributions to its immediate parent.

During the first nine months of 2009, White Mountains contributed \$133 million in cash to WM Life Re and \$32 million in cash to Esurance.

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Other Liquidity and Capital Resource Activities

During the first nine months of 2009, White Mountains made payments totaling \$43 million, in cash or by deferral into certain non-qualified compensation plans, to participants in the long-term incentive compensation plans of the Company and its subsidiaries.

For the nine months ended September 30, 2008

Financing and Other Capital Activities

During the first quarter of 2008, the Company drew the full \$475 million available on WTM Bank Facility. The Company repaid \$175 million and \$100 million of this amount during the second and third quarters of 2008, respectively.

During the first nine months of 2008, the Company declared and paid cash dividends of \$42 million to its common shareholders.

During the first nine months of 2008, the Company repurchased and retired 136,608 of its common shares for \$60 million.

During the first nine months of 2008, OneBeacon Ltd. declared and paid cash dividends of \$256 million to its common shareholders, including a \$195 million special dividend and \$60 million of regular quarterly dividends. White Mountains received a total of \$191 million of these dividends.

During the first nine months of 2008, OneBeacon Ltd. repurchased and retired 3.4 million of its Class A common shares for \$69 million through its share repurchase program.

During the first nine months of 2008, OneBeacon paid \$12 million of dividends on, and repaid the \$300 million redemption value of, the Berkshire Preferred Stock, using funds that had been held in trust for the purpose of economically defeasing the preferred stock.

During the third quarter of 2008, OneBeacon repurchased \$24 million face value of its outstanding OBH Senior Notes for \$22 million.

During the second quarter of 2008, White Mountains Re declared and paid \$9 million of dividends to holders of the WMRe Preference Shares.

During the first nine months of 2008, White Mountains Re paid \$65 million of dividends to its immediate parent.

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During the first nine months of 2008, White Mountains contributed \$44 million in cash to Esurance and \$13 million in cash to the weather risk management business.

Acquisitions and Dispositions

During the first quarter of 2008, White Mountains Re acquired Helicon Re Holdings, Ltd. for approximately \$150 million.

During the first nine months of 2008, White Mountains acquired 100% of the outstanding debt and equity of AFI for \$75 million. White Mountains also contributed an additional \$2 million to AFI during the first quarter of 2008.

During the first nine months of 2008, the Company issued a total of 1,500 common shares to its employees through the exercise of Options during the period for cash proceeds of \$0.4 million.

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Other Liquidity and Capital Resource Activities

During the first quarter of 2008, White Mountains made payments totaling \$66 million, in cash or by deferral into certain non-qualified compensation plans or by issuing common shares of the Company, to participants in the long-term incentive compensation plans of the Company and its subsidiaries.

FAIR VALUE CONSIDERATIONS

On January 1, 2008, White Mountains adopted FAS 157 (included in ASC 820-10), Fair Value Measurements. FAS 157 provides a revised definition of fair value, establishes a framework for measuring fair value and expands financial statement disclosure requirements for fair value information. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price). The Statement establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs). The fair value hierarchy prioritizes fair value measurements into three levels based on the nature of the inputs. Quoted prices in active markets for identical assets have the highest priority (Level 1), followed by observable inputs other than quoted prices including prices for similar but not identical assets or liabilities (Level 2), and unobservable inputs, including the reporting entity's estimates of the assumptions that market participants would use, having the lowest priority (Level 3).

White Mountains carries certain financial instruments at fair value with changes therein recognized in earnings. Assets and liabilities carried at fair value include substantially all of the investment portfolio; derivative instruments, both exchange traded and over the counter instruments; and reinsurance assumed liabilities associated with variable annuity benefit guarantees. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation of assets and liabilities measured at fair value require management to make estimates and apply judgment to matters that may carry a significant degree of uncertainty. In determining its estimates of fair value, White Mountains uses a variety of valuation approaches and inputs. Whenever possible, White Mountains estimates fair value using valuation methods that maximize the use of observable prices and other inputs. Where appropriate, assets and liabilities measured at fair value have been adjusted for the effect of counterparty credit risk.

White Mountains' invested assets measured at fair value include fixed maturity securities, common and preferred equity securities, convertible fixed maturity securities and interests in limited partnerships. White Mountains' limited partnership investments comprise hedge funds and private equity funds.

Where available, the estimated fair value of investments is based upon quoted prices in active markets. In circumstances where quoted prices are unavailable, White Mountains uses fair value estimates based upon other observable inputs including matrix pricing, benchmark interest rates, market comparables, and other relevant inputs. Where observable inputs are not available, the estimated fair value is based upon internal pricing models using assumptions that include inputs that may not be observable in the marketplace but which reflect management's best judgment given the circumstances and consistent with what other market participants would use when pricing such instruments.

As of September 30, 2009, approximately 93% of the investment portfolio recorded at fair value was priced based upon quoted market prices or other observable inputs. Investments valued using Level 1 inputs include fixed maturities, primarily investments in U.S. Treasuries, common

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equities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs comprise fixed maturities including corporate debt, state and other governmental debt, convertible fixed maturity securities and mortgage and asset-backed securities. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Level 3 fair value estimates based upon unobservable inputs include White Mountains' investments in hedge funds and private equity funds, as well as investments in debt securities, including certain asset-backed securities, where quoted market prices are unavailable. White Mountains uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, White Mountains uses the quoted market prices provided by the outside pricing service to determine fair value. The outside pricing services used by White Mountains have indicated that they will only provide prices where observable inputs are available. White Mountains' process to validate the market prices obtained from the outside pricing sources includes, but is not limited to, periodic evaluation of model pricing methodologies and monthly analytical reviews of certain prices. White Mountains also periodically performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price.

White Mountains' investments in debt securities, including asset-backed securities, are generally valued using matrix and other pricing models. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds.

Other long-term investments accounted for at fair value at September 30, 2009 comprised \$214 million in hedge funds, \$110 million in private equity funds and \$40 million of other long-term investments. In addition, at September 30, 2009, other long-term investments also included \$14 million in limited partnerships accounted for using the equity method. At September 30, 2009, all of White Mountains' investments in hedge funds and private equity funds that were included in other long-term investments were in the form of limited partnership interests. At September 30, 2009, White Mountains held limited partnership investments in 23 hedge funds and 30 private equity funds. The largest investment in a single fund was \$51 million at September 30, 2009.

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The fair value of White Mountains' investments in hedge funds and private equity funds are based upon White Mountains' proportionate interest in the underlying fund's net asset value, which is deemed to approximate fair value. The fair value of White Mountains' investments in hedge funds and private equity funds has been estimated using net asset value because it reflects the fair value of the funds' underlying investments. White Mountains employs a number of procedures to assess the reasonableness of the fair value measurements, for its other long-term investments including obtaining and reviewing each fund's audited financial statements and discussing each fund's pricing with the fund's manager. However, since the fund managers do not provide sufficient information to independently evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable. Accordingly, the fair values of White Mountains' investment in hedge funds and private equity funds have been classified as Level 3.

In circumstances where the underlying investments are publicly traded, such as the investments made by hedge funds, the fair value of the underlying investments is determined using current market prices. In circumstances where the underlying investments are not publicly traded, such as the investments made by private equity funds, the private equity fund managers have considered the need for a liquidity discount on each of the underlying investments when determining the fund's net asset value. In circumstances where White Mountains' portion of a fund's net asset value is deemed to differ from fair value due to illiquidity or other factors associated with White Mountains' investment in the fund, the net asset value is adjusted accordingly. At September 30, 2009, White Mountains did not record an adjustment to the net asset value related to its investments in hedge funds or private equity funds.

Market Risk

Widening and tightening of spreads generally translate into decreases and increases in fair values of fixed maturity investments. The table below summarizes the estimated effects of hypothetical widening and tightening of spreads for different classes of the White Mountains' fixed maturity and convertible fixed maturity portfolios.

Millions	Fair Value	September 30, 2009			
		Tighten 50	Tighten 25	Widen 25	Widen 50
U.S Government and agency obligations	\$ 713.2	\$.2	\$.1	\$ (.3)	\$ (.6)
Foreign government, agency and provincial obligations	979.9	.1	.1	(.3)	(.6)
		Tighten 100	Tighten 50	Widen 50	Widen 100
Agency mortgage-backed	1,092.9	12.5	8.3	(10.6)	(20.8)
Asset-backed	135.7	.3	.2	(.7)	(1.4)
		Tighten 200	Tighten 100	Widen 100	Widen 200
Debt securities issued by industrial corporations	2,361.6	140.3	79.7	(85.9)	(166.3)
Municipal obligations	4.9	.1		(.1)	(.2)
Convertible fixed maturities	326.7	4.1	2.3	(7.0)	(13.9)
		Tighten 400	Tighten 200	Widen 200	Widen 400
Non-agency commercial mortgage-backed	402.5	20.0	12.9	(13.7)	(26.5)
		Tighten 600	Tighten 300	Widen 300	Widen 600
Preferred stocks	78.6	4.5	4.2	(6.4)	(14.9)
Non-agency residential mortgage-backed	166.9	22.7	10.9	(9.2)	(17.1)

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Sensitivity analysis of likely returns on hedge fund and private equity fund investments

White Mountains investment portfolio includes investments in hedge funds and private equity funds. At September 30, 2009, the value of investments in hedge funds and in private equity funds was \$214 million and \$110 million, respectively. The hedge funds and private equity funds underlying investments are typically publicly traded and private common equity investments, and, as such, are subject to market risks that are similar to those in White Mountains common equity portfolio.

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The following illustrates the estimated effect on September 30, 2009 fair value resulting from a 10% change and a 30% change in market value:

Millions	September 30, 2009					
	Change in fair value			Change in fair value		
	10% decline	10% increase		30% decline	30% increase	
Hedge funds	\$ (21.4)	\$ 21.4	\$	\$ (64.2)	\$ 64.2	
Private equity funds	\$ (11.0)	\$ 11.0	\$	\$ (33.0)	\$ 33.0	

Hedge fund and private equity fund returns are commonly measured against the benchmark returns of hedge fund indices and/or the S&P 500 Index. The Hedge Fund Research, Inc. (HFRX) Equal Weighted Strategies Index is representative of the overall composition of the hedge fund market and is comprised of typical hedge fund strategies, including convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage and relative value arbitrage. The HFRX Equal Weighted Strategies Index applies an equal weight to all constituent strategy indices. The historical returns for each index in the past 5 full years are listed below:

	Year Ended December 31,				
	2008	2007	2006	2005	2004
HFRX Equal Weighted Strategies Index	-21.9%	4.0%	8.8%	1.3%	2.7%
S&P 500 Index	-37.0%	5.5%	15.8%	4.9%	10.9%

White Mountains investment in Symetra warrants is measured at fair value. Because the warrants are not publicly traded, the fair value measurement is based on unobservable inputs and accordingly is classified as a Level 3 measurement.

The following table summarizes White Mountains total fair value measurements and the fair value measurements based on Level 3 inputs for investments at September 30, 2009:

Millions	September 30, 2009			Level 3 Inputs as a % of total fair value
	Fair value		Level 3 Inputs	
US Government obligations	\$ 713.2	\$.9	.1%
Debt securities issued by industrial corporations	2,361.6		20.7	.9%
Municipal obligations	4.9			
Mortgage-backed and asset-backed securities	1,798.0		84.1	4.7%
Foreign government, agency and provincial obligations	979.9			
Preferred stocks	78.6		74.4	94.7%
Fixed maturities	5,936.2		180.1	3.0%
Common equity securities	307.6		123.3	40.1%
Convertible fixed maturity investments	326.7			
Short-term investments	2,336.6			
Other long-term investments (1)	363.7		363.7	100.0%
Total investments	\$ 9,270.8	\$	667.1	7.2%

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

White Mountains uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturities at March 31, June 30, and September 30, 2009 comprise securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

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The following table summarizes the changes in White Mountains Level 3 fair value measurements for the nine months ended September 30, 2009:

Millions	Fixed Maturities	Common equity securities	Convertible fixed maturities	Other long-term investments	Total
Balance at January 1, 2009	\$ 156.4	\$ 113.3	\$	\$ 401.2	\$ 670.9
Total realized and unrealized losses	(3.6)	(3.6)		(44.3)	(51.5)
Purchases	22.2		.7	45.5	68.4
Sales	(17.1)	(.4)		(22.2)	(39.7)
Transfers in	52.1				52.1
Transfers out	(39.4)				(39.4)
Balance at March 31, 2009	170.6	109.3	.7	380.2	660.8
Total realized and unrealized gains	17.9	7.9	.1	26.9	52.8
Purchases	6.7		3.4	2.1	12.2
Sales	(26.1)	(.2)	(.2)	(18.3)	(44.8)
Transfers in	36.9				36.9
Transfers out	(50.1)				(50.1)
Balance at June 30, 2009	155.9	117.0	4.0	390.9	667.8
Total realized and unrealized gains	18.5	6.4	.1	11.3	36.3
Purchases	19.7	.2	.7	5.2	25.8
Sales	(15.3)	(.3)	(1.3)	(43.7)	(60.6)
Transfers in	26.1				26.1
Transfers out	(24.8)		(3.5)		(28.3)
Balance at September 30, 2009	\$ 180.1	\$ 123.3	\$	\$ 363.7	\$ 667.1

Level 3 measurements transfers in and out - Three-month period ended March 31, 2009

Observable inputs in the form of quoted market prices for similar securities became unavailable for one security with a fair value of \$1.5 million that has been reflected as Transfers in to Level 3 measurements during the quarter ended March 31, 2009. Quoted market prices for this security had been used at December 31, 2008 to estimate fair value, and as such, this security was categorized as a Level 2 measurement at December 31, 2008. In addition, the estimated fair value for three securities of \$50.6 million for which the quoted price provided by a third party source was deemed unreliable and could not be validated against an alternative source is reflected in Transfers in during the quarter ended March 31, 2009. The fair value of these securities was estimated using industry standard pricing models, in which management selected inputs using its best judgment. These inputs principally included benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. The pricing models used by White Mountains use the same valuation methodology by fixed maturity category for all Level 3 measurements. These securities are considered to be Level 3 because the measurements are not directly observable. The estimated fair value for these securities determined using the industry standard pricing models was \$3.2 million less than the estimated fair value based upon quoted prices provided by a third party. In addition, during the first quarter of 2009, three securities which had been classified as Level 3 measurements at December 31, 2008 were recategorized as Level 2 measurements when quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available at March 31, 2009. These measurements comprise Transfers out of \$(39.4) million for the period ended March 31, 2009.

Level 3 measurements transfers in and out - Three-month period ended June 30, 2009

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The estimated fair value of \$36.9 million for three securities for which the quoted market prices provided by a third party source were deemed to be unreliable and could not be validated against an alternative third party source were valued using industry standard pricing models described above and are reflected in Transfers in during the quarter ended June 30, 2009. These securities are considered to be Level 3 because the measurements are not directly observable. Quoted market prices for these securities had been used at March 31, 2009 to estimate fair value, and as such these securities were categorized as Level 2 measurements at March 31, 2009. The fair value for these securities determined using the industry standard pricing model was \$3.2 million less than the estimated fair value based upon quoted prices provided by a third party. In addition, during the second quarter of 2009 twenty-eight securities which had been classified as Level 3 measurements at March 31, 2009 were recategorized as Level 2 measurements when quoted market prices that were considered reliable and could be validated against an alternative source were available at June 30, 2009. These measurements comprise Transfers out of \$(50.1) million for the period ended June 30, 2009.

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The estimated fair value of \$26.1 million for three securities for which the quoted market prices provided by a third party source were deemed to be unreliable and could not be validated against an alternative third party source were valued using industry standard pricing models described above and are reflected in Transfers in during the quarter ended September 30, 2009. These securities are considered to be Level 3 because the measurements are not directly observable. Quoted market prices for these securities had been used at June 30, 2009 to estimate fair value, and as such these securities were categorized as Level 2 measurements at June 30, 2009. The fair value for these securities determined using the industry standard pricing model was \$2.7 million less than the estimated fair value based upon quoted prices provided by a third party. During the third quarter of 2009, nine securities which had been classified as Level 3 measurements at June 30, 2009 were recategorized as Level 2 measurements when quoted market prices that were considered reliable and could be validated against an alternative source were available at September 30, 2009. These measurements comprise Transfers out of \$(24.8) million for fixed maturities and \$(3.5) million for convertible fixed maturities for the period ended September 30, 2009.

The following table summarizes the amount of total gains (losses) included in earnings attributable to unrealized investment gains (losses) for three and nine months ended September 30, 2009 and 2008:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Fixed maturities	\$ 24.2	\$ (2.1)	\$ 49.3	\$ (23.3)
Common equity securities	6.3	(12.3)	11.2	(16.4)
Convertible fixed maturities			.1	
Other long-term investments	(3.5)	(83.7)	34.7	(85.7)
Total unrealized investment gains (losses)				
- Level 3 assets	\$ 27.0	\$ (98.1)	\$ 95.3	\$ (125.4)

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. White Mountains carries the benefit guarantees at fair value. The fair value of the guarantees is estimated using actuarial and capital market assumptions related to the projected cash flows over the term of the reinsurance agreement. The valuation uses assumptions about policyholder behavior (e.g., surrenders and lapse rates), market volatilities and other factors, and includes a risk margin which represents the additional compensation a market participant would require to assume the risks related to the business. The selection of surrender and lapse rates, market volatility assumptions, risk margins and other factors requires the use of significant management judgment. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates as well as variations in actuarial assumptions regarding policyholder behavior may result in significant fluctuations in the fair value of the liabilities associated with these guarantees that could materially affect results of operations. All of White Mountains' variable annuity reinsurance liabilities (\$398.5 million) were classified as Level 3 measurements at September 30, 2009.

Assumptions regarding policyholder behavior, particularly surrender and lapse rates, are generally unobservable inputs and significantly impact the fair value estimate. Policyholder behavior is especially difficult to predict given that the variable annuity market in Japan is relatively new. WM Life Re's reinsured contracts have been in force less than five years and the recent financial turmoil is unprecedented for this type of product in the Japanese market. Consequently, WM Life Re continues to project surrender rates by year for policies based on a combination of actual experience and management's expectations of policyholder behavior over the life of the contract. Actual policyholder behavior may differ materially from WM Life Re's projections and is expected to be sensitive to a number of factors such as the level of the account value versus guarantee value, applicable surrender charges, annuitants' views of the primary insurance company's financial strength and ability to pay the guarantee at maturity, annuitants' need for money in a prolonged recession and time remaining to receive the guarantee at maturity. WM Life Re monitors annuitant related experience and compares it with actuarial assumptions, including surrender, lapse and mortality rates, and adjusts

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relevant assumptions if required. As a result of surrender experience that was lower than WM Life Re's assumptions in the first half of 2009, WM Life Re reduced surrender assumptions for each of the remaining policy years to maturity. The resulting charge for this adjustment was \$22 million in the second quarter of 2009. At the current level of account values, the sensitivity of the fair value of the liability to future potential changes in surrender assumptions is as follows:

Millions	Increase in fair value of liability	
Decrease 50%	\$	30 million
Decrease 100% (to zero surrenders)	\$	62 million

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The following table summarizes the changes in White Mountains variable annuity reinsurance liabilities and derivative instruments for the nine months ended September 30, 2009:

Millions	Variable Annuity (Liabilities)		Derivative Instruments			Total
	Level 3	Level 3 (1)	Level 2 (2)	Level 1 (3)		
Balance at January 1, 2009	\$ (467.1)	\$ 198.3	\$ 5.0	\$ (24.9)	\$	178.4
Purchases		8.8				8.8
Realized and unrealized gains (losses)	34.8	(15.7)	(6.4)	(31.0)		(53.1)
Transfers in (out)						
Sales/settlements				11.6		11.6
Balance at March 31, 2009	(432.3)	191.4	(1.4)	(44.3)		145.7
Purchases		35.5				35.5
Realized and unrealized gains (losses)	54.2	(35.5)	4.4	(60.6)		(91.7)
Transfers in (out)						
Sales/settlements			(2.2)	105.7		103.5
Balance at June 30, 2009	(378.1)	191.4	.8	.8		193.0
Purchases		6.3				6.3
Realized and unrealized gains (losses)	(20.4)	12.4	3.9	(8.9)		7.4
Transfers in (out)						
Sales/settlements			(1.3)	18.9		17.6
Balance at September 30, 2009	\$ (398.5)	\$ 210.1	\$ 3.4	\$ 10.8	\$	224.3

(1) Comprises OTC instruments.

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

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

All of White Mountains weather risk management contracts (\$6.2 million) were classified as Level 3 measurements at September 30, 2009. The following table summarizes the changes in White Mountains weather risk management contract Level 3 measurements for the nine months ended September 30, 2009:

Millions	Nine Months Ended September 30,	
	2009	2008
Net liability for weather derivative contracts as of January 1 (1)	\$ 13.1	\$ 17.9
Net consideration (paid) received during the period for new contracts	(8.3)	16.5
Net payments received (made) on contracts settled during the period	.4	(10.9)
Net increase (decrease) in fair value on settled and unsettled contracts	1.0	(6.6)
Net liability for weather derivative contracts as of September 30 (2)	\$ 6.2	\$ 16.9

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

(2) Includes unamortized deferred gains of \$2.4 and \$4.5 as of September 30, 2009 and 2008.

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NON-GAAP FINANCIAL MEASURES

This report includes three non-GAAP financial measures that have been reconciled to their most comparable GAAP financial measures. White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains' results of operations and financial condition.

Adjusted comprehensive income is a non-GAAP financial measure that excludes the change in net unrealized gains and losses from Symetra's fixed maturity portfolio from comprehensive income. In the calculation of comprehensive income under GAAP, fixed maturity investments are marked-to-market while the liabilities to which those assets are matched are not. Symetra attempts to earn a spread between what it earns on its investments and what it pays out on its products. In order to try to fix this spread, Symetra invests in a manner that tries to match the duration and cash flows of its investments with the required cash outflows associated with its life insurance and structured settlements products. As a result, Symetra typically earns the same spread on in-force business whether interest rates fall or rise. Further, at any given time, some of Symetra's structured settlement obligations may extend 40 or 50 years into the future, which is further out than the longest maturing fixed maturity investments regularly available for purchase in the market (typically 30 years). For these long-dated products, Symetra is unable to fully match the obligation with assets until the remaining expected payout schedule comes within the duration of securities available in the market. If at that time, these fixed maturity investments have yields that are lower than the yields expected when the structured settlement product was originally priced, the spread for the product will shrink and Symetra will ultimately harvest lower returns for its shareholders. GAAP comprehensive income increases when rates decline, which would suggest an increase in the value of Symetra - the opposite of what is happening to the intrinsic value of the business. Therefore, White Mountains' management and Board of Directors use adjusted comprehensive income when assessing Symetra's quarterly financial performance. In addition, this measure is typically the predominant component of change in adjusted book value per share, which is used in calculation of White Mountains' performance for both short-term (annual bonus) and long-term incentive plans. The reconciliation of adjusted comprehensive income to comprehensive income is included on page 34.

Adjusted book value per share is a non-GAAP measure which is derived by expanding the GAAP calculation of book value per White Mountains common share to exclude net unrealized gains/(losses) from Symetra's fixed maturity portfolio. In addition, the number of common shares outstanding used in the calculation of adjusted book value per share are adjusted to exclude unearned shares of restricted stock, the compensation cost of which, at the date of calculation, has yet to be amortized. The reconciliation of adjusted book value per share to book value per share is included on page 33.

Total capital at White Mountains is comprised of White Mountains' common shareholders' equity, debt and noncontrolling interest in OneBeacon Ltd and the WMRe Preference Shares. Total adjusted capital excludes the equity in net unrealized gains from Symetra's fixed maturity portfolio from total capital. The reconciliation of total capital to total adjusted capital is included on page 48.

CRITICAL ACCOUNTING ESTIMATES

Refer to the Company's 2008 Annual Report on Form 10-K for a complete discussion regarding White Mountains' critical accounting estimates.

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FORWARD-LOOKING STATEMENTS

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

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

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

- the risks associated with Item 1A of the Company's 2008 Annual Report on Form 10-K;
- claims arising from catastrophic events, such as hurricanes, earthquakes, floods or terrorist attacks;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other insurers and reinsurers;
- changes in domestic or foreign laws or regulations applicable to White Mountains, its competitors or its clients;

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- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate; and
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch;
- other factors, most of which are beyond White Mountains' control.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Refer to White Mountains' 2008 Annual Report on Form 10-K and in particular Item 7A. - Quantitative and Qualitative Disclosures About Market Risk. As of September 30, 2009, there were no material changes in the market risks as described in White Mountains' most recent Annual Report.

Item 4. Controls and Procedures.

The Principal Executive Officer (PEO) and the Principal Financial Officer (PFO) of White Mountains have evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the PEO and PFO have concluded that White Mountains' disclosure controls and procedures are adequate and effective.

There were no significant changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended September 30, 2009.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

Scandinavian Re

On August 19, 2009, the arbitration panel hearing the arbitration proceeding between Scandinavian Re and St. Paul Fire & Marine Insurance Company, et. al. (St. Paul) issued a final decision. This arbitration related to a dispute over a multi-year Retrocessional Casualty Aggregate Stop Loss Agreement (Agreement) concerning certain classes of casualty reinsurance written by St. Paul during the 1999-2001 underwriting years. Scandinavian Re had argued that the Agreement should be reformed or rescinded. The final decision stated, among other things, that the Agreement is valid and enforceable and shall be applied based on the written terms of the Agreement. The decision did not have a material effect on White Mountains' financial position.

Item 1A. Risk Factors

There have been no material changes in the Registrant's risk factors since the Registrant's most recently filed

Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

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Item 6. Exhibits.

(a)	Exhibits		
	11	-	Statement Re Computation of Per Share Earnings **
	31.1	-	Principal Executive Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as Amended. *
	31.2	-	Principal Financial Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as Amended. *
	32.1	-	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
	32.2	-	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

* Included herein

** Not included as an exhibit as the information is contained elsewhere within this report. See **Note 9** of the Notes to Consolidated Financial Statements.

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.
(Registrant)

Date: October 30, 2009

By: */s/ J. Brian Palmer*
J. Brian Palmer
Vice President and Chief Accounting Officer