



David T. Foy
*Executive Vice President and
Chief Financial Officer*

March 29, 2005

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Dear Mr. Katz:

We agree with the objectives of Section 404 of the Sarbanes-Oxley Act, namely to ensure public companies maintain strong internal controls that ensure accuracy and transparency in financial reporting. To that end, we have noted discernable benefits as a result of our assessment of internal control over financial reporting required by Section 404. Most significantly, our assessment identified areas for improvement in our controls. Additionally, we have noted a heightened awareness of the importance of the design and maintenance of an effective internal control environment by employees throughout the company. Furthermore, while it was generally accepted across our organization that the effectiveness of our internal controls was every employee's responsibility to some degree, the implementation of Section 404 reinforced that an effective control environment must be a top priority for all employees in the organization, not just the finance and accounting staff.

The extension of the deadline for accelerated filers to comply with Section 404 was essential. White Mountains used the additional time to do a thorough evaluation of our controls and to implement improvements where needed. In addition, providing companies the ability to exclude new acquisitions from management's assessment in the first year, provides management the needed time to perform a thorough evaluation of newly acquired operations and to implement new or improved processes and controls where needed. White Mountains completed several acquisitions in 2004 and has benefited from this rule.

However, in the process of implementing Section 404, we have noticed several problem areas. Remedying these areas would improve the overall benefits of the Act, while reducing the cost. These are as follows:

1. An excessive amount of time and effort has been expended on the documentation of processes and assessing the quality of the documentation versus focusing on assessing the controls. In addition, the current rules result in an inefficient process with significant duplication of effort between management and the external auditors. The roles should be split so that management's job is to establish an effective control environment and provide a reasonable level of documentation to demonstrate that this control environment is working properly, while the external auditor's job should be to test whether or not the overall controls of the company are effective. The external auditor's focus should not be whether or not each and every process has extensive and pristine documentation. In our opinion, way too much time is being spent by the lower level staff at the external auditor on this endeavor and this adds significantly to the amount charged without providing any additional benefit. The net effect is a transfer of value from the shareholders of public companies to the bottom line of the public accounting firms.
2. The cost of Section 404 is also greatly impacted by the materiality levels applied in the implementation of the rules. The threshold of materiality applied by the public accounting firms under Section 404 is too low, causing management to spend a significant amount of time on inconsequential matters. As a result, compliance with Section 404 has become an overly extensive process requiring its own infrastructure.


Corporate Headquarters:
White Mountains Insurance Group, Ltd.
The Bank of Butterfield Building
42 Reid Street, PO Box 2275
Hamilton, HM JX Bermuda
Ph: 441-278-3160 Fax: 441-278-3170

Connecticut Offices:
White Mountains Insurance Group, Ltd.
370 Church Street, Guilford, CT 06437
Ph: 203-453-1681 Fax: 203-458-0754
E-mail: dfoy@whitemountains.com

3. Under the current application of the rules, the experience, competence and expertise of managers and staff do not carry as much weight as they should in an effective control environment. Significantly more weight is placed on the documentation evidencing the control. This suggests a "check the box" mentality rather than a focus on the spirit of the Act.
4. Having gone through the implementation of Section 404 ourselves, it seems harsh to require a new public company to be Section 404 compliant in their first year. This could cause companies who otherwise would be accessing the public markets to favor private equity, which may increase the overall cost of capital for companies operating in the United States, as well as limit the general public's ability to invest in these companies. Allowing a new public company a one year grace period for Section 404 compliance, similar to the grace period allowed for new acquisitions, would provide them the opportunity to do a thorough and effective evaluation of their controls, without limiting their access to the public capital markets.

If it would be helpful to the SEC, we would be happy to sit down with you to discuss our experience with implementing Section 404 and our suggestions for improvement in more detail. Please feel free to call me at your convenience.

Sincerely,



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