WHITE MOUNTAINS INSURANCE GROUP LTD
Form 10-Q
August 04, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the period ended June 30, 2017

OR

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

For the transition period from to

Commission file number 1-8993

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

Bermuda	94-2708455
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
80 South Main Street, Hanover, New Hampshire	03755-2053
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (603) 640-2200

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

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

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

Large accelerated filer ý Accelerated filer o Non-accelerated filer o
Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of August 2, 2017, 4,336,625 common shares with a par value of $1.00 per share were outstanding (which includes 53,814 restricted common shares that were not vested at such date).

WHITE MOUNTAINS INSURANCE GROUP, LTD.

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Part I.FINANCIAL INFORMATION.
Item 1. Financial Statements
WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Millions, except share amounts)	June 30, 2017	December 31, 2016
Assets	Unaudited	
Fixed maturity investments, at fair value	$ 1,566.9	$ 2,081.1
Short-term investments, at amortized cost (which approximates fair value)	71.6	174.9
Common equity securities, at fair value	827.9	285.6
Other long-term investments	226.5	172.8
Total investments	2,692.9	2,714.4
Cash	53.3	80.2
Insurance premiums receivable	2.8	1.6
Deferred acquisition costs	13.0	10.6
Accrued investment income	16.0	14.8
Accounts receivable on unsettled investment sales	199.5	4.8
Goodwill and other intangible assets	49.5	54.7
Other assets	62.8	64.1
Assets held for sale	3,696.4	3,599.5
Total assets	$ 6,786.2	$ 6,544.7
Liabilities		
Unearned insurance premiums	$ 109.9	$ 82.9
Debt	10.6	12.7
Accrued incentive compensation	63.3	95.7
Accounts payable on unsettled investment purchases	114.6	—
Other liabilities	44.9	46.9
Liabilities held for sale	2,678.8	2,569.3
Total liabilities	3,022.1	2,807.5
Equity		
White Mountains's common shareholders' equity		
White Mountains's common shares at $1 par value per share - authorized 50,000,000 shares; issued and outstanding 4,571,625 and 4,563,814 shares	4.6	4.6
Paid-in surplus	810.5	806.1
Retained earnings	2,835.2	2,797.2
Accumulated other comprehensive loss, after tax:		
Net unrealized foreign currency translation losses	—	(1.4)
Accumulated other comprehensive loss from net change in benefit plan assets and obligations	(3.0)	(3.2)
Total White Mountains's common shareholders' equity	3,647.3	3,603.3
Non-controlling interests	116.8	133.9
Total equity	3,764.1	3,737.2
Total liabilities and equity	$ 6,786.2	$ 6,544.7

See Notes to Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions, except per share amounts)	2017	2016	2017	2016
Revenues:				
Earned insurance premiums	$2.2	$3.3	$5.2	$6.8
Net investment income	14.7	6.1	27.5	8.6
Net realized and unrealized investment gains	33.7	3.4	70.0	16.3
Advertising and commission revenues	33.2	29.2	71.7	63.0
Other revenue	1.6	7.2	4.5	13.3
Total revenues	85.4	49.2	178.9	108.0
Expenses:				
Loss and loss adjustment expenses	—	2.3	1.1	4.6
Insurance acquisition expenses	.9	1.4	2.2	3.1
Other underwriting expenses	.1	.1	.2	.2
Cost of sales	26.8	24.4	55.6	52.9
General and administrative expenses	57.5	45.2	117.9	99.9
Interest expense	.5	.9	.9	2.1
Total expenses	85.8	74.3	177.9	162.8
Pre-tax (loss) income from continuing operations	(.4)	(25.1)	1.0	(54.8)
Income tax benefit	1.0	4.0	1.3	5.6
Net income (loss) from continuing operations	.6	(21.1)	2.3	(49.2)
(Loss) gain from sale of other discontinued operations, net of tax	(.6)	366.6	(1.6)	366.6
Net income from discontinued operations, net of tax	3.4	17.0	35.7	64.4
Net income	3.4	362.5	36.4	381.8
Net loss (income) attributable to non-controlling interests	12.1	(21.4)	13.4	(27.7)
Net income attributable to White Mountains’s common shareholders	15.5	341.1	49.8	354.1
Comprehensive income, net of tax:				
Change in foreign currency translation	.6	(.2)	1.4	(.1)
Comprehensive income from discontinued operations, net of tax	.2	108.3	.3	145.5
Comprehensive income	16.3	449.2	51.5	499.5
Other comprehensive income attributable to non-controlling interests	(.1)	—	(.1)	—
Comprehensive income attributable to White Mountains’s common shareholders	$16.2	$449.2	$51.4	$499.5
Income per share attributable to White Mountains’s common shareholders				
Basic income (loss) per share				
Continuing operations	$2.78	$(8.34)	$3.42	$(14.47)
Discontinued operations	.61	75.27	7.47	81.04
Total consolidated operations	$3.39	$66.93	$10.89	$66.57
Diluted income (loss) per share				
Continuing operations	$2.78	$(8.32)	$3.42	$(14.46)
Discontinued operations	.61	75.11	7.47	80.96
Total consolidated operations	$3.39	$66.79	$10.89	$66.50
Dividends declared per White Mountains’s common share	$—	$—	$1.00	$1.00

See Notes to Consolidated Financial Statements

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

(Millions)	White Mountains's Common Shareholders' Equity Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2017	$ 810.7	$ 2,797.2	$ (4.6)	$ 3,603.3	$ 133.9	$ 3,737.2
Net income	—	49.8	—	49.8	(13.4)	36.4
Net change in foreign currency translation and benefit plan assets and obligations	—	—	1.6	1.6	.1	1.7
Total comprehensive income	—	49.8	1.6	51.4	(13.3)	38.1
Dividends declared on common shares	—	(4.6)	—	(4.6)	—	(4.6)
Dividends to non-controlling interests	—	—	—	—	(12.1)	(12.1)
Repurchases and retirements of common shares	(2.0)	(7.2)	—	(9.2)	(5.2)	(14.4)
Issuances of common shares	1.6	—	—	1.6	—	1.6
Deconsolidation of non-controlling interests associated with the sale of Star & Shield	—	—	—	—	(4.4)	(4.4)
Issuance of shares to non-controlling interests	(4.8)	—	—	(4.8)	4.8	—
Net contributions from non-controlling interests	—	—	—	—	12.6	12.6
Amortization of restricted share awards	9.6	—	—	9.6	.5	10.1
Balance at June 30, 2017	$ 815.1	$ 2,835.2	$ (3.0)	$ 3,647.3	$ 116.8	$ 3,764.1

(Millions)	White Mountains's Common Shareholders' Equity Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2016	$ 978.2	$ 3,084.9	$ (149.9)	$ 3,913.2	$ 454.8	$ 4,368.0
Net income	—	354.1	—	354.1	27.7	381.8
Net change in foreign currency translation and benefit plan assets and obligations	—	—	32.1	32.1	—	32.1
Recognition of foreign currency translation and other accumulated comprehensive items from the sale of Sirius Group	—	—	113.3	113.3	—	113.3
Total comprehensive income	—	354.1	145.4	499.5	27.7	527.2
Dividends declared on common shares	—	(5.4)	—	(5.4)	—	(5.4)

Dividends to non-controlling interests	—	—	—	—	(12.1)	(12.1)
Repurchases and retirements of common shares	(120.4)	(427.0)	—	(547.4)	—	(547.4)
Issuance of common shares	9.1	—	—	9.1	—	9.1
Deconsolidation of non-controlling interests associated with the sale of Sirius Group	—	—	—	—	(250.0)	(250.0)
Acquisition from non-controlling interests - OneBeacon	(2.7)	—	—	(2.7)	(8.8)	(11.5)
Issuances of shares to non-controlling interests	—	—	—	—	.3	.3
Net contributions from non-controlling interests	—	—	—	—	11.9	11.9
Amortization of restricted share awards	8.9	—	—	8.9	.4	9.3
Balance at June 30, 2016	$ 873.1	$ 3,006.6	$ (4.5)	$ 3,875.2	$ 224.2	$4,099.4

See Notes to Consolidated Financial Statements

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WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Six Months Ended June 30,	
(Millions)	2017	2016
Cash flows from operations:		
Net income	$36.4	$381.8
Charges (credits) to reconcile net income to net cash used for operations:		
Net realized and unrealized investment gains	(70.0)	(16.3)
Deferred income benefit	(4.8)	(6.4)
Net income from discontinued operations	(35.7)	(64.4)
Net loss (gain) from sale of discontinued operations, net of tax	1.6	(366.6)
Amortization and depreciation	19.2	8.8
Other operating items:		
Net change in unearned insurance premiums	27.6	12.8
Net change in deferred acquisition costs	(2.4)	(1.8)
Net change in restricted cash	—	5.8
Net change in other assets and liabilities, net	(38.1)	(74.6)
Net cash used for operations - continuing operations	(66.2)	(120.9)
Net cash provided from (used for) operations - discontinued operations	87.3	(61.2)
Net cash provided from (used for) operations	21.1	(182.1)
Cash flows from investing activities:		
Net change in short-term investments	102.8	(162.3)
Sales of fixed maturity and convertible investments	1,199.7	1,253.0
Maturities, calls and paydowns of fixed maturity and convertible investments	113.8	87.0
Sales of common equity securities	183.9	676.9
Distributions, settlements and redemptions of other long-term investments	1.9	3.0
Sales of unconsolidated affiliates and consolidated subsidiaries, net of cash sold	—	2,248.5
Net settlement of investment cash flows and contributions with discontinued operations	—	(409.7)
Purchases of other long-term investments	(55.1)	(12.9)
Purchases of common equity securities	(681.9)	(31.9)
Purchases of fixed maturity and convertible investments	(777.3)	(3,017.6)
Purchases of unconsolidated affiliates and consolidated subsidiaries, net of cash acquired	—	(8.1)
Net change in unsettled investment purchases and sales	(80.1)	47.8
Net acquisitions of property and equipment	(.1)	(1.6)
Net cash provided from investing activities - continuing operations	7.6	672.1
Net cash (used for) provided from investing activities - discontinued operations	(43.6)	276.8
Net cash (used for) provided from investing activities	(36.0)	948.9
Cash flows from financing activities:		
Draw down of debt and revolving line of credit	11.0	102.5
Repayment of debt and revolving line of credit	(13.3)	(150.5)
Proceeds from issuances of common shares	—	3.7
Cash dividends paid to the Company’s common shareholders	(4.6)	(5.4)
Common shares repurchased	—	(541.5)
Distribution to non-controlling interest shareholders	(.5)	(.7)
Contributions from discontinued operations	30.1	27.1
Payments of contingent consideration related to purchases of consolidated subsidiaries	—	(7.8)
Capital contributions from BAM members	17.3	16.7

Other financing activities, net	(9.2)	(5.8)
Net cash provided from (used for) financing activities - continuing operations	30.8	(561.7)
Net cash used for financing activities - discontinued operations	(42.0)	(43.1)
Net cash used for financing activities	(11.2)	(604.8)
Net change in cash during the period - continuing operations	(27.8)	(10.5)
Cash balances at beginning of period (excludes restricted cash balances of $0.0 and $5.8 and discontinued operations cash balances of $70.5 and $245.4)	80.2	72.0
Add: cash held for sale, excluding discontinued operations, at the beginning of period	.9	1.2
Less: cash held for sale, excluding discontinued operations, at the end of period	—	.6
Cash balances at end of period (excludes restricted cash balances of $0.0 and $0.0 and discontinued operations cash balances of $71.3 and $74.2)	$53.3	$62.1
Supplemental cash flows information:		
Interest paid	$(.4)	$(.5)
Net income tax refund from national governments	$—	$—

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 have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and include the accounts of White Mountains Insurance Group, Ltd. (the "Company" or the "Registrant"), its subsidiaries (collectively, with the Company, "White Mountains") and other entities required to be consolidated under GAAP. The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its insurance subsidiaries and other affiliates. The Company's headquarters is located at 26 Reid 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's reportable segments are HG Global/BAM, MediaAlpha and Other Operations.

The HG Global/BAM segment consists of HG Global Ltd. and its wholly-owned subsidiaries ("HG Global") and the consolidated results of Build America Mutual Assurance Company ("BAM"). BAM is the first and only mutual bond insurance company in the United States. By insuring the timely payment of principal and interest, BAM provides market access to, and lowers interest expense for, issuers of municipal bonds used to finance essential public purposes such as schools, utilities and transportation facilities. BAM is owned by and operated for the benefit of its members, the municipalities that purchase BAM's insurance for their debt issuances. HG Global was established to fund the startup of BAM and, through its wholly-owned subsidiary, HG Re Ltd. ("HG Re"), to provide 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of $503.0 million of surplus notes issued by BAM (the "BAM Surplus Notes"). As of June 30, 2017 and December 31, 2016, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. White Mountains does not have an ownership interest in BAM. However, GAAP requires White Mountains to consolidate BAM's results in its financial statements. BAM's results are attributed to non-controlling interests.

The MediaAlpha segment consists of QL Holdings LLC and its wholly-owned subsidiary QuoteLab, LLC (collectively "MediaAlpha"). MediaAlpha is an advertising technology company that develops transparent and efficient platforms for the buying and selling of insurance and other vertical-specific performance media (i.e., clicks, calls and leads). MediaAlpha's exchange technology, machine learning and analytical tools facilitate transparent, real-time transactions between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory). MediaAlpha works with over 300 advertisers and 225 publishers across a number of insurance (auto, motorcycle, home, renter, health and life) and non-insurance (travel, education, personal finance and home services) verticals.

White Mountains's Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC ("WM Advisors") and certain consolidated and unconsolidated private capital investments. The consolidated private capital investments consist of Wobi Insurance Agency Ltd. ("Wobi") and Removal Stars Ltd. ("Buzzmove"). White Mountains's Other Operations segment also includes its variable annuity reinsurance business, White Mountains Life Reinsurance (Bermuda) Ltd. ("Life Re Bermuda"), which completed its runoff with all of its contracts fully matured on June 30, 2016, and its U.S.-based service provider, White Mountains Financial Services LLC (collectively, "WM Life Re").

On May 2, 2017, OneBeacon Insurance Group, Ltd. ("OneBeacon Ltd.") entered into a definitive agreement to be acquired by Intact Financial Corporation ("Intact"), which is expected to close in the third or fourth quarter of 2017 (the "OneBeacon Transaction"). OneBeacon Ltd., an exempted Bermuda limited liability company that owns a family of property and casualty insurance companies (collectively, "OneBeacon"), offers a wide range of insurance products in the United States through independent agencies, regional and national brokers, wholesalers and managing general agencies. On July 21, 2016, White Mountains completed its sale of Tranzact Holdings, LLC ("Tranzact") to an affiliate of Clayton, Dubilier & Rice, LLC. On April 18, 2016, White Mountains completed its sale of Sirius International Insurance Group, Ltd., and its subsidiaries (collectively, "Sirius Group") to CM International Holding PTE Ltd. ("CMI"), the Singapore-based investment arm of China Minsheng Investment Corp., Ltd. White Mountains has presented the results of OneBeacon, Tranzact and Sirius Group as discontinued operations in the statement of operations and comprehensive income for all periods prior to each transaction's completion date. White Mountains has presented OneBeacon's assets and liabilities as held for sale as of June 30, 2017 and December 31, 2016. On March 7, 2017, White Mountains completed the sale of Star & Shield Services LLC, Star & Shield Risk Management LLC, and Star & Shield Claims Services LLC (collectively "Star & Shield") and its investment in Star & Shield Insurance Exchange ("SSIE") surplus notes to K2 Insurance Services, LLC. Star & Shield provides management services for a fee to SSIE, a reciprocal that is owned by its members, who are policyholders. White Mountains was required to consolidate SSIE in its GAAP financial statements until White Mountains completed the sale. White Mountains has presented Star & Shield's and SSIE's assets and liabilities as held for sale as of December 31, 2016. See Note 15 — "Held for Sale and Discontinued Operations".

All significant intercompany transactions have been eliminated in consolidation. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation. These interim financial statements include all adjustments considered necessary by management to fairly state the financial position, results of operations and cash flows of White Mountains. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company’s 2016 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 2016 Annual Report on Form 10-K for a complete discussion regarding White Mountains’s significant accounting policies.

Recently Adopted Changes in Accounting Principles

Stock Compensation
Effective January 1, 2017, White Mountains adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (ASC 718) which simplifies certain aspects of the accounting for share-based compensation. The new guidance provides an accounting policy election to account for forfeitures by either applying an assumption, as required under existing guidance, or by recognizing forfeitures when they actually occur. At adoption, White Mountains did not change its accounting policy for forfeitures, which is to apply an assumed forfeiture rate. The new guidance has also changed the threshold for partial cash settlement to settle statutory withholding requirements for equity classified awards, increasing the threshold up to the maximum statutory tax rate. As a result of adoption, White Mountains reported $9.2 million and $5.8 million of statutory withholding tax payments made in connection with the settlement of restricted shares as financing cash flows for the six-month periods ended June 30, 2017 and 2016. Such payments were classified as operating cash flows prior to adoption.
In addition, the new guidance changed the treatment for excess tax benefits which arise from the difference between the deduction for tax purposes and the compensation costs recognized for financial reporting. Under the new guidance, a reporting entity will recognize excess tax benefits or expense in current period earnings, regardless of whether it is in a taxes payable position.

Business Combinations - Measurement Period Adjustments
Effective January 1, 2016, White Mountains adopted ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which requires adjustments to provisional amounts recorded in connection with a business combination that are identified during the measurement period to be recorded in the reporting period in which the adjustment amounts are determined, rather than as retroactive adjustments to prior periods. White Mountains has not recognized any adjustments to estimated purchase accounting amounts for the year to date period ended June 30, 2017 and accordingly, there was no effect to White Mountains’s financial statements upon adoption.

Amendments to Consolidation Analysis
On January 1, 2016, White Mountains adopted ASU 2015-02, Amendments to the Consolidation Analysis (ASC 810) which amends the guidance for determining whether an entity is a variable interest entity (“VIE”). ASU 2015-02 eliminates the separate consolidation guidance for limited partnerships and, with it, the presumption that a general partner should consolidate a limited partnership. In addition, ASU 2015-02 changes the guidance for determining if fee arrangements qualify as variable interests and the effect fee arrangements have on the determination of the primary beneficiary. Adoption of ASU 2015-02 did not affect the consolidation analysis for any of White Mountains’s investments.

Share-Based Compensation Awards
On January 1, 2016, White Mountains adopted ASU 2014-12, Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (ASC 718). The new guidance requires that a performance target that affects vesting and that can be achieved after the requisite service

period be treated as a performance condition. Compensation cost is to be recognized in the period when it becomes probable the performance target will be achieved in an amount equal to the compensation cost attributable to the periods for which service has been rendered. Adoption did not have any effect on White Mountains’s financial position, results of operations, cash flows, presentation or disclosures.

Debt Issuance Costs
On January 1, 2016, White Mountains adopted ASU 2015-03, Imputation of Interest (ASC 835), which requires debt issuance costs to be presented as a deduction from the carrying amount of the related debt, consistent with the treatment required for debt discounts. The new guidance requires amortization of debt issuance costs to be classified within interest expense and also requires disclosure to the debt's effective interest rate. As of June 30, 2017, there was an insignificant amount of unamortized debt issuance costs included in debt.

Recently Issued Accounting Pronouncements

Stock Compensation
In May 2017, the FASB issued ASU 2017-09, Stock Compensation: Scope of Modification Accounting (ASC 718), which narrows the scope of transactions subject to modification accounting to changes in terms of an award that result in a change in the award's fair value, vesting conditions or classification. The new guidance becomes effective for fiscal years beginning after December 15, 2017.

Cash Flow Statement
In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (ASC 230), which addresses the classification and presentation of certain items, including debt prepayment and extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees, for which there was diversity in practice.
In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows: Restricted Cash (ASC 230). Under current guidance, restricted amounts of cash or cash equivalents are excluded from the cash flow statement. The new guidance requires restricted cash and restricted cash equivalents to be included in the reconciliation of beginning and end-of-period amounts presented on the statement of cash flows. In addition, the new guidance requires a description of the nature of the changes in restricted cash and cash equivalents during the periods presented.
The updated guidance in ASU 2016-15 and ASU 2016-18 are both effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. White Mountains is evaluating the expected impact of this new guidance.

Credit Losses
In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (ASC 326), which establishes new guidance for the recognition of credit losses for financial assets measured at amortized cost. The new ASU requires reporting entities to estimate the credit losses expected over the life of a credit exposure using historical information, current information and reasonable and supportable forecasts that affect the collectability of the financial asset. This differs from current U.S. GAAP, which delays recognition until it is probable a loss has been incurred. The new guidance is expected to accelerate recognition of credit losses. The types of assets within the scope of the new guidance include premium receivables, reinsurance recoverables and loans. ASU 2016-13 is effective for annual periods beginning after January 1, 2020, including interim periods. White Mountains is evaluating the expected impact of this new guidance.

Leases
In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842). The new guidance requires lessees to recognize lease assets and liabilities on the balance sheet for both operating and financing leases, with the exception of leases with an original term of 12 months or less. Under existing guidance recognition of lease assets and liabilities is not required for operating leases. The lease assets and liabilities to be recognized are both measured initially based on the present value of the lease payments. Under the new guidance, a sale-leaseback transaction must meet the recognition criteria under ASC 606, Revenues in order to be accounted for as sale. The new guidance is effective for White Mountains for years beginning after December 15, 2018, including interim periods therein. White Mountains is evaluating the expected impact of this new guidance and available adoption methods.

Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASC 825-10). The new ASU modifies the guidance for financial instruments, including investments in equity securities. Under the new guidance, all equity securities with readily determinable fair values are required to be measured at fair value with changes therein recognized through current period earnings. In addition, the new ASU requires a qualitative assessment for equity securities without readily determinable fair values to identify impairment, and for impaired equity securities to be measured at fair value. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. White Mountains measures its portfolio of investment securities at fair value with changes therein recognized through current period earnings and accordingly, does not expect the adoption of ASU 2016-01 to have a significant impact on its financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC 606), which modifies the guidance for revenue recognition. Under ASU 2014-09, revenue is to be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods or services transferred to customers. The new guidance sets forth the steps to be followed to recognize revenue: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Subsequently, the FASB issued additional ASUs clarifying the guidance in and providing implementation guidance for ASU 2014-09.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers, which delays the effective date of ASU 2014-09 and all related ASUs to annual and interim reporting periods beginning after December 15, 2017. Revenue from insurance contracts, investment income and investments gains and losses are excluded from the scope of 2014-09. The new guidance is applicable to some of White Mountains’s revenue streams, including certain fee arrangements as well as commissions and other non-insurance revenues. White Mountains is evaluating the new guidance, but does not expect ASU 2014-09 to have a significant effect on recognition of White Mountains’s revenues from customers.

Note 2. Significant Transactions

Sale of OneBeacon

On May 2, 2017, OneBeacon Ltd. entered into a definitive agreement to be acquired by Intact in an all-cash transaction for $18.10 per share, or roughly 1.65x tangible book value. White Mountains owns 75.7% of OneBeacon’s outstanding common shares, representing 96.9% of the voting power as of June 30, 2017. On July 18, 2017, White Mountains voted its shares of OneBeacon Ltd. in favor of the OneBeacon Transaction. White Mountains expects to receive gross proceeds of $1.3 billion from the OneBeacon Transaction, which is expected to close in the third or fourth quarter of 2017 and is subject to regulatory approval and other customary closing conditions. The results of OneBeacon have been presented as discontinued operations in the statement of operations and comprehensive income for all periods and OneBeacon’s assets and liabilities have been presented as held for sale as of June 30, 2017 and December 31, 2016. As the OneBeacon Transaction was set at a fixed price, the results of OneBeacon do not impact White Mountains’s adjusted book value per share including the estimated gain from the transaction between signing and closing. See Note 15 — “Held for Sale and Discontinued Operations”.

Sale of Star & Shield

On March 7, 2017, White Mountains completed its sale of Star & Shield and its investment in SSIE surplus notes to K2 Insurances LLC. White Mountains did not recognize any gain or loss on the sale. Through December 31, 2016, Star & Shield’s assets and liabilities are reported as held for sale within White Mountains’s GAAP financial statements. See Note 15 — “Held for Sale and Discontinued Operations”.

Acquisition of Buzzmove

On August 4, 2016, White Mountains acquired a 70.9% ownership share in Buzzmove for a purchase price of GBP 6.1 million (approximately $8.1 million based upon the foreign exchange spot rate at the date of acquisition). White Mountains recognized total assets acquired related to Buzzmove of $11.5 million, including $7.6 million of goodwill and $1.1 million of intangible assets, and total liabilities assumed of $0.1 million, reflecting acquisition date fair values.

Sale of Tranzact

On July 21, 2016, White Mountains completed the sale of Tranzact to Clayton, Dubilier & Rice, LLC and received net proceeds of $221.3 million. In connection with the sale of Tranzact, the purchaser directly repaid $56.3 million for the portion of Tranzact's debt attributable to White Mountains's common shareholders. On October 5, 2016, White Mountains received additional proceeds of $1.2 million following the release of the post-closing purchase price adjustment escrow.

White Mountains recorded a $51.9 million gain from the sale of Tranzact in discontinued operations, which included a $30.2 million tax expense for the reversal of a tax valuation allowance that is offset by a tax benefit recorded in continuing operations. See Note 6 — "Income Taxes". The increase to White Mountains's book value from the sale of Tranzact was $82.1 million. A reconciliation of the gain reported in discontinued operations to the impact to White Mountains's book value is as follows:

Gain from sale of Tranzact reported in discontinued operations	$51.9
Add back reclassification from continuing operations for the release of a tax valuation allowance	30.2
Increase to White Mountains's book value from sale of Tranzact	$82.1

In the first quarter of 2017, White Mountains recorded a $1.0 million reduction to the gain from sale of Tranzact in discontinued operations as a result of state tax expense.

Through July 21, 2016, Tranzact's results of operations are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements. See Note 15 — "Held for Sale and Discontinued Operations".

Sale of Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI for approximately $2.6 billion. $161.8 million of this amount was used to purchase certain assets to be retained by White Mountains out of Sirius Group, including shares of OneBeacon. The amount paid at closing was based on an estimate of Sirius Group's closing date tangible common shareholder's equity. During the third quarter of 2016, there was a final true-up to Sirius Group's tangible common shareholder's equity that resulted in a $4.0 million reduction to the gain. During 2016, White Mountains recorded $363.2 million of gain from sale of Sirius Group in discontinued operations and $113.3 million in other comprehensive income from discontinued operations from Sirius Group.

During the second quarter of 2017, White Mountains recorded a $0.6 million reduction to the gain from sale of Sirius Group as a result of a change to the valuation of the accrued incentive compensation payable to Sirius Group employees.

Through April 18, 2016, Sirius Group's results are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements.

The transactions to purchase the investments in OneBeacon and the other investments held by Sirius Group prior to the closing are presented in the statement of cash flows as net settlement of investment cash flows within discontinued operations. See Note 15 — "Held for Sale and Discontinued Operations".

Sale of Symetra

On February 1, 2016, Symetra Financial Corporation ("Symetra") closed its merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life") and White Mountains received proceeds of $658.0 million, or $32.00 per common share. White Mountains also received a special dividend of $0.50 per share as part of the transaction that was paid in the third quarter of 2015. See Note 12 — "Investment in Symetra".

Note 3. Investments Securities

White Mountains's portfolio of investment securities held for general investment purposes consists of fixed maturity investments, short-term investments, common equity securities, and other-long term investments, which are all classified as trading securities. Trading securities are reported at fair value as of the balance sheet date. Net realized and unrealized investment gains (losses) on trading securities are reported in pre-tax revenues.

White Mountains's fixed maturity investments are generally valued using industry standard pricing methodologies. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage 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.

Realized investment gains (losses) resulting from sales of investment securities are accounted for using the specific identification method. Premiums and discounts on all fixed maturity investments are amortized or accreted to income over the anticipated life of the investment. Short-term investments consist of interest-bearing 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 or accreted cost, which approximated fair value as of June 30, 2017 and December 31, 2016.

Other long-term investments consist primarily of hedge funds, private equity funds and unconsolidated private capital investments.

Net Investment Income

White Mountains's net investment income is comprised primarily of interest income associated with White Mountains's fixed maturity investments and short-term investments and dividend income from its common equity securities and other long- term investments.

Pre-tax net investment income for the three and six months ended June 30, 2017 and 2016 consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
Millions	2017	2016	2017	2016
Investment income:				
Fixed maturity investments	$11.2	$5.7	$23.1	$8.1
Short-term investments	.2	.5	.3	.6
Common equity securities	3.7	.3	5.0	.5
Other long-term investments	.4	.1	.4	.4
Total investment income	15.5	6.6	28.8	9.6
Third-party investment expenses	(.8)	(.5)	(1.3)	(1.0)
Net investment income, pre-tax	$14.7	$6.1	$27.5	$8.6

Net Realized and Unrealized Investment Gains (Losses)

Net realized and unrealized investment gains (losses) for the three and six months ended June 30, 2017 and 2016 consisted of the following:

Millions	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Net realized investment gains, pre-tax	$13.4	$1.6	$14.0	$264.3
Net unrealized investment gains (losses), pre-tax	20.3	1.8	56.0	(248.0)
Net realized and unrealized investment gains, pre-tax	33.7	3.4	70.0	16.3
Income tax expense attributable to net realized and unrealized investment gains	(1.7)	(1.4)	(5.5)	(3.9)
Net realized and unrealized investment gains, after tax	$32.0	$2.0	$64.5	$12.4

Net realized investment gains (losses)

Net realized investment gains (losses) for the three and six months ended June 30, 2017 and 2016 consisted of the following:

Millions	Three Months Ended June 30, 2017 Net realized gains	Net foreign currency gains (losses)	Total net realized gains (losses) reflected in earnings	Three Months Ended June 30, 2016 Net realized gains	Net foreign currency gains (losses)	Total net realized gains reflected in earnings
Fixed maturity investments	$.1	$ 1.3	$ 1.4	$1.4	$ —	$ 1.4
Short-term investments	—	—	—	.1	—	.1
Common equity securities	12.8	.5	13.3	.1	—	.1
Other long-term investments	.4	(1.7)	(1.3)	—	—	—
Net realized investment gains, pre-tax	13.3	.1	13.4	1.6	—	1.6
Income tax expense attributable to net realized investment gains	(2.7)	—	(2.7)	(.1)	—	(.1)
Net realized investment gains, after tax	$10.6	$ .1	$ 10.7	$1.5	$ —	$ 1.5

Millions	Six Months Ended June 30, 2017 Net realized (losses) gains	Net foreign currency gains (losses)	Total net realized gains (losses) reflected in earnings	Six Months Ended June 30, 2016 Net realized gains	Net foreign currency gains (losses)	Total net realized gains reflected in earnings
Fixed maturity investments	$(1.0)	$ 1.4	$ .4	$1.7	$ —	$ 1.7
Short-term investments	—	—	—	.2	—	.2
Common equity securities	13.6	.6	14.2	262.4	—	262.4
Other long-term investments	1.1	(1.7)	(.6)	—	—	—
Net realized investment gains, pre-tax	13.7	.3	14.0	264.3	—	264.3
Income tax expense attributable to net realized investment gains	(2.9)	—	(2.9)	(44.9)	—	(44.9)

Net realized investment gains, after tax	$10.8	$ .3	$ 11.1	$219.4	$ —	$ 219.4

Net unrealized investment gains (losses)

Net unrealized investment gains (losses) and changes in the carrying value of investments measured at fair value for the three and six months ended June 30, 2017 and 2016 consisted of the following:

Millions	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Net unrealized gains	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings	Net unrealized gains (losses)	Net foreign currency losses	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	$7.3	$ 5.8	$ 13.1	$8.6	$ —	$ 8.6
Common equity securities	7.8	2.6	10.4	(5.1)	—	(5.1)
Other long-term investments	4.7	(7.9)	(3.2)	(1.5)	(.2)	(1.7)
Net unrealized investment gains (losses), pre-tax	19.8	.5	20.3	2.0	(.2)	1.8
Income tax benefit (expense) attributable to net unrealized investment gains (losses)	1.0	—	1.0	(1.3)	—	(1.3)
Net unrealized investment gains (losses), after tax	$20.8	$ .5	$ 21.3	$.7	$ (.2)	$ .5

Millions	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Net unrealized gains	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings	Net unrealized gains (losses)	Net foreign currency gains	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	$17.5	$ 7.4	$ 24.9	$15.3	$ —	$ 15.3
Common equity securities	26.9	3.1	30.0	(264.6)	2.4	(262.2)
Other long-term investments	11.7	(10.6)	1.1	(1.3)	.2	(1.1)
Net unrealized investment gains (losses), pre-tax	56.1	(.1)	56.0	(250.6)	2.6	(248.0)
Income tax (expense) benefit attributable to net unrealized investment gains (losses)	(2.6)	—	(2.6)	41.0	—	41.0
Net unrealized investment gains (losses), after tax	$53.5	$ (.1)	$ 53.4	$(209.6)	$ 2.6	$ (207.0)

Total gains (losses) included in earnings attributable to unrealized investment gains (losses) for Level 3 investments for the three and six months ended June 30, 2017 and 2016 consisted of the following:

Millions	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Fixed maturity investments	$—	$.1	$—	$.1
Other long-term investments	(1.7)	.9	(1.5)	1.6
Total unrealized investment (losses) gains, pre-tax - Level 3 investments	$(1.7)	$1.0	$(1.5)	$1.7

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Investment Holdings

The cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains (losses), and carrying values of White Mountains's fixed maturity investments as of June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
U.S. Government and agency obligations	$59.5	$ —	$ (.3)	$ —	$59.2
Debt securities issued by corporations	705.4	4.9	(1.8)	9.5	718.0
Mortgage and asset-backed securities	514.7	1.2	(4.5)	—	511.4
Municipal obligations	272.6	2.6	(.8)	—	274.4
Foreign government, agency and provincial obligations	3.9	—	—	—	3.9
Total fixed maturity investments	$1,556.1	$ 8.7	$ (7.4)	$ 9.5	$1,566.9

	December 31, 2016				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
U.S. Government and agency obligations	$112.1	$ —	$ (1.1)	$ —	$111.0
Debt securities issued by corporations	752.0	2.3	(10.1)	2.1	746.3
Mortgage and asset-backed securities	986.9	.8	(7.9)	—	979.8
Municipal obligations	238.7	1.1	(1.3)	—	238.5
Foreign government, agency and provincial obligations	12.0	.1	—	—	12.1
Total fixed maturity investments	$2,101.7	$ 4.3	$ (20.4)	$ 2.1	$2,087.7
Less: fixed maturity investments reclassified to assets held for sale related to SSIE					(6.6)
Total fixed maturity investments					$2,081.1

The cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains (losses), and carrying values of White Mountains's common equity securities and other long-term investments as of June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	$770.8	$ 57.2	$ (3.2)	$ 3.1	$ 827.9
Other long-term investments	$246.6	$ 10.6	$ (16.3)	$ (14.4)	$ 226.5

	December 31, 2016				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency (losses)	Carrying value
Common equity securities	$258.6	$ 29.0	$ (2.0)	$ —	$ 285.6
Other long-term investments	$194.0	$ 7.9	$ (25.2)	$ (3.9)	$ 172.8

Other Long-term Investments

Other long-term investments consist of the following as of June 30, 2017 and December 31, 2016:

Millions	Carrying Value at June 30, 2017	Carrying Value at December 31, 2016
Hedge funds and private equity funds, at fair value	$148.5	$ 82.6
Private equity securities and limited liability companies, at fair value [1][2]	58.5	57.6
Private convertible preferred securities, at fair value [1]	28.3	30.6
Forward Contracts	(12.5)	(1.2)
Other	3.7	3.2
Total other-long term investments	$226.5	$ 172.8

[1] See Fair Value Measurements by Level table.

[2] White Mountains holds a 20% ownership interest in OneTitle Holdings LLC ("OTH") and has provided a $10.0 million surplus note facility under which OTH's wholly-owned insurance subsidiary, OneTitle National Guaranty Company, Inc. may, under certain circumstances, draw funds. At June 30, 2017, no funds had been drawn on the surplus note facility.

Hedge Funds and Private Equity Funds

White Mountains holds investments in hedge funds and private equity funds, which are included in other long-term investments. The fair value of these investments is generally estimated using the net asset value ("NAV") of the funds. As of June 30, 2017, White Mountains held investments in two hedge funds and eight private equity funds. The largest investment in a single fund was $53.8 million as of June 30, 2017 and $21.5 million as of December 31, 2016. The following table summarizes investments in hedge funds and private equity funds by investment objective and sector as of June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
Millions	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Hedge funds				
Long/short banks and financials	$53.8	$ —	$21.5	$ —
Long/short equity REIT	18.3	—	19.9	—
Total hedge funds	72.1	—	41.4	—
Private equity funds				
Manufacturing/Industrial	45.2	13.1	19.4	22.9
Aerospace/Defense/Government	24.6	23.6	19.4	25.9
Direct lending	5.1	25.0	1.4	28.6
Financial Services	1.5	4.5	1.0	5.0
Insurance	—	41.2	—	41.2
Total private equity funds	76.4	107.4	41.2	123.6
Total hedge funds and private equity funds included in other long-term investments	$148.5	$ 107.4	$82.6	$ 123.6

Redemption of investments in certain hedge funds is subject to restrictions including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency and advance notice periods for redemptions. Amounts requested for redemptions remain subject to market fluctuations until the redemption effective date, which generally falls at the end of the defined redemption period. As of June 30, 2017, one hedge fund with a fair value of $53.8 million was subject to a lock-up period that expires on September 1, 2018.
The following summarizes the June 30, 2017 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

Millions Redemption frequency	Notice Period 30-59 days notice	 60-89 days notice	Total
Monthly	$—	$ —	$—
Quarterly	—	—	—
Semi-annual	53.8	18.3	72.1
Annual	—	—	—
Total	$53.8	$ 18.3	$72.1

As of June 30, 2017, White Mountains did not have any redemption requests outstanding for investments in active hedge funds that would be subject to market fluctuations. Redemption requests are recorded as a receivable when the hedge fund investment is no longer subject to market fluctuations.
Investments in private equity funds are generally subject to a lock-up period during which investors may not request a redemption. Distributions prior to the expected termination date of the fund may be limited to dividends or proceeds arising from the liquidation of the fund's underlying investments. In addition, certain private equity funds provide an option to extend the lock-up period at either, the sole discretion of the fund manager or upon agreement between the fund and the investors.
As of June 30, 2017, investments in private equity funds were subject to lock-up periods as follows:

Millions	1-3 years	3 – 5 years	5 – 10 years	>10 years	Total
Private Equity Funds — expected lock-up period remaining	$3.6	$20.9	$29.7	$22.2	$76.4

Fair value measurements as of June 30, 2017

Fair value measurements are categorized into a 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"). Quoted prices in active markets for identical assets or liabilities 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"). As of June 30, 2017 and December 31, 2016, White Mountains used quoted market prices or other observable inputs to determine fair value for approximately 91% and 94% of its investment portfolio. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, short-term investments, which include U.S. Treasury Bills and common equity securities. Investments valued using Level 2 inputs are primarily comprised of fixed maturity investments, which have been disaggregated into classes, including debt securities issued by corporations, mortgage and asset-backed securities, municipal obligations, and foreign government, agency and provincial obligations. Investments valued using Level 2 inputs also include certain passive exchange traded funds ("ETFs") that track U.S. stock indices such as the S&P 500 but are traded on foreign exchanges and that management values using the fund manager's published NAV to account for the difference in market close times. 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's investments in certain fixed maturity investments, equity securities and other long-term investments where quoted market prices are unavailable or are not considered reasonable. Transfers between levels are based on investments held as of the beginning of the period.

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 outside pricing services to determine fair value. The outside pricing services White Mountains uses have indicated that they will only provide prices where observable inputs are available. In circumstances where quoted market prices are unavailable or are not considered reasonable, White Mountains estimates the fair value using industry standard pricing methodologies and observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, credit ratings, prepayment speeds, reference data including research publications and other relevant inputs. Given that many fixed maturity investments do not trade on a daily basis, the outside pricing services evaluate a wide range of fixed maturity investments by regularly drawing parallels from recent trades and quotes of comparable securities with similar features. The characteristics used to identify comparable fixed maturity investments vary by asset type and take into account market convention.

White Mountains's process to assess the reasonableness of the market prices obtained from the outside pricing sources covers substantially all of its fixed maturity investments and includes, but is not limited to, the evaluation of pricing methodologies and a review of the pricing services' quality control processes and procedures on at least an annual basis, a comparison of its invested asset prices obtained from alternate independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices and a review of the underlying assumptions utilized by the pricing services for select measurements on an ad hoc basis throughout the year. White Mountains also 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 on an ad-hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and $1.0 million from the expected price based on these assessment procedures are considered outliers. Also considered outliers are prices that have not changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of White Mountains's review process does not appear to support the market price provided by the pricing services, White Mountains challenges the vendor provided price. If White Mountains cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question.

The valuation process described above is generally applicable to all of White Mountains's fixed maturity investments. The techniques and inputs specific to asset classes within White Mountains's fixed maturity investments for Level 2 securities that use observable inputs are as follows:

Debt securities issued by corporations: The fair value of debt securities issued by corporations is determined from a pricing evaluation technique that uses information from market sources and integrates relative credit information, observed market movements, and sector news. Key inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features and market research publications.

Mortgage and asset-backed securities: The fair value of mortgage and asset-backed securities is determined from a pricing evaluation technique that uses information from market sources and leveraging similar securities. Key inputs include benchmark yields, reported trades, underlying tranche cash flow data, collateral performance, plus new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including issuer, vintage, loan type, collateral attributes, prepayment speeds, default rates, recovery rates, cash flow stress testing, credit quality ratings and market research publications.

Municipal obligations: The fair value of municipal obligations is determined from a pricing evaluation technique that uses information from market makers, brokers-dealers, buy-side firms, and analysts along with general market information. Key inputs include benchmark yields, reported trades, issuer financial statements, material event notices and new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including type, coupon, credit quality ratings, duration, credit enhancements, geographic location and market research publications.

Foreign government, agency and provincial obligations: The fair value of foreign government, agency and provincial obligations is determined from a pricing evaluation technique that uses feeds from data sources in each respective country, including active market makers and inter-dealer brokers. Key inputs include benchmark yields, reported trades, broker-dealer quotes, two-sided markets, benchmark securities, bids, offers, local exchange prices, foreign exchange rates and reference data including coupon, credit quality ratings, duration and market research publications.

Level 3 valuations are generated from techniques that use assumptions not observable in the market. These unobservable assumptions reflect White Mountains’s assumptions that market participants would use in valuing the investment. Generally, certain securities may start out as Level 3 when they are originally issued but as observable inputs become available in the market, they may be reclassified to Level 2.
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 periodic and audited annual financial statements of hedge funds and private equity funds and discussing each fund’s pricing with the fund manager throughout the year. 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. The fair value of White Mountains’s investments in hedge funds and private equity funds has generally been determined using the fund manager’s NAV. In the event White Mountains believes that its estimate of NAV of a hedge fund or private equity fund differs from that reported by the fund manager due to illiquidity or other factors, White Mountains will adjust the reported NAV to more appropriately represent the fair value of its investment in the hedge fund or private equity fund. As of June 30, 2017 and December 31, 2016, White Mountains did not have any adjustments to the reported NAV of its investments in hedge funds and private equity funds.

Fair Value Measurements by Level

The following tables summarize White Mountains's fair value measurements for investments as of June 30, 2017 and December 31, 2016 by level. The major security types were based on the legal form of the securities. White Mountains has disaggregated its fixed maturity investments based on the issuing entity type, which impacts credit quality, with debt securities issued by U.S. government entities carrying minimal credit risk, while the credit and other risks associated with other issuers, such as corporations, foreign governments, municipalities or entities issuing mortgage and asset-backed securities vary depending on the nature of the issuing entity type. White Mountains further disaggregates debt securities issued by corporations and common equity securities by industry sector because investors often reference commonly used benchmarks and their subsectors to monitor risk and performance. Accordingly, White Mountains has further disaggregated these asset classes into subclasses based on the similar sectors and industry classifications it uses to evaluate investment risk and performance against commonly used benchmarks, such as the Bloomberg Barclays U.S. Intermediate Aggregate and S&P 500 indices. The fair value measurements for derivative assets associated with White Mountains's variable annuity business are presented in Note 7.

	June 30, 2017			
Millions	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	$59.2	$49.7	$9.5	$—
Debt securities issued by corporations:				
Utilities	155.1	—	155.1	—
Consumer	140.5	—	140.5	—
Health Care	106.0	—	106.0	—
Communications	84.2	—	84.2	—
Materials	79.7	—	79.7	—
Financials	61.6	—	61.6	—
Technology	51.2	—	51.2	—
Industrial	34.6	—	30.2	4.4
Energy	5.1	—	5.1	—
Total debt securities issued by corporations	718.0	—	713.6	4.4
Mortgage and asset-backed securities	511.4	—	501.7	9.7
Municipal obligations	274.4	—	274.4	—
Foreign government, agency and provincial obligations	3.9	—	3.9	—
Total fixed maturity investments	1,566.9	49.7	1,503.1	14.1
Short-term investments(1)	71.6	55.7	15.9	—
Common equity securities:				
Exchange traded funds (2)	598.5	542.9	55.6	—
Consumer	32.7	32.7	—	—
Health Care	27.8	27.8	—	—
Industrial	18.9	18.9	—	—
Financials	18.6	18.6	—	—
Technology	14.7	14.7	—	—
Communications	13.0	13.0	—	—
Energy	7.6	7.6	—	—
Materials	4.0	4.0	—	—
Utilities	1.1	1.1	—	—
Other	91.0	—	91.0	—

Total common equity securities	827.9	681.3	146.6	—
Other long-term investments [3][4]	90.5	—	—	90.5
Total investments	$2,556.9	$786.7	$1,665.6	$104.6

[1] Short-term investments are measured at amortized cost, which approximates fair value.
[2] ETFs traded on foreign exchanges are priced using the fund's published NAV to account for the difference in market close times and are therefore designated a level 2 measurement.
[3] Excludes carrying value of $(12.5) related to foreign currency forward contracts.
[4] Excludes carrying value of $148.5 associated with hedge funds and private equity funds for which fair value is measured at NAV using the practical expedient.

	December 31, 2016			
Millions	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	$111.0	$101.5	$9.5	$ —
Debt securities issued by corporations:				
Consumer	190.8	—	190.8	—
Utilities	140.8	—	140.8	—
Health Care	114.9	—	114.9	—
Financials	79.7	—	79.7	—
Communications	72.0	—	72.0	—
Materials	65.0	—	65.0	—
Technology	48.8	—	48.8	—
Industrial	28.2	—	28.2	—
Energy	6.1	—	6.1	—
Total debt securities issued by corporations	746.3	—	746.3	—
Mortgage and asset-backed securities	979.8	—	979.8	—
Municipal obligations	238.5	—	238.5	—
Foreign government, agency and provincial obligations	12.1	—	12.1	—
Total fixed maturity investments(1)	2,087.7	101.5	1,986.2	—
Short-term investments(1)(2)	175.0	162.3	12.7	—
Common equity securities:				
Exchange traded funds(3)	157.2	129.4	27.8	—
Health Care	13.9	13.9	—	—
Consumer	8.6	8.6	—	—
Financials	7.7	7.7	—	—
Technology	7.3	7.3	—	—
Communications	7.0	7.0	—	—
Energy	2.5	2.5	—	—
Industrial	1.5	1.5	—	—
Other	79.9	—	79.9	—
Total common equity securities	285.6	177.9	107.7	—
Other long-term investments (4)(5)	91.4	—	—	91.4
Total investments(1)	$2,639.7	$441.7	$2,106.6	$ 91.4

(1) Includes carrying value of $6.6 in fixed maturity investments and $0.1 in short-term investments that are classified as assets held for sale related to SSIE.
(2) Short-term investments are measured at amortized cost, which approximates fair value.
(3) ETFs traded on foreign exchanges are priced using the fund's published NAV to account for the difference in market close times and are therefore designated a level 2 measurement.
(4) Excludes carrying value of $(1.2) related to foreign currency forward contracts.
(5) Excludes carrying value of $82.6 associated with hedge funds and private equity funds for which fair value is measured at NAV using the practical expedient.

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Debt securities issued by corporations

The following table summarizes the ratings of debt securities issued by corporations held in White Mountains's investment portfolio as of June 30, 2017 and December 31, 2016:

Millions	Fair Value at June 30, 2017	Fair Value at December 31, 2016
AA	$19.0	$ 37.3
A	170.8	212.8
BBB	300.6	335.6
BB	210.1	143.2
B	17.5	17.4
Debt securities issued by corporations[(1)]	$718.0	$ 746.3

[(1)] Credit ratings are assigned based on the following hierarchy: (1) Standard & Poor's Financial Services LLC ("Standard & Poor's") and (2) Moody's Investor Service, Inc. ("Moody's").

Mortgage and Asset-backed Securities

White Mountains purchases commercial mortgage-backed securities ("CMBS") and residential mortgage-backed securities ("RMBS") with the goal of maximizing risk adjusted returns in the context of a diversified portfolio. White Mountains considers sub-prime mortgage-backed securities as those that have underlying loan pools that exhibit weak credit characteristics, or those that are issued from dedicated sub-prime shelves or dedicated second-lien shelf registrations (i.e., White Mountains considers investments backed primarily by second-liens to be sub-prime risks regardless of credit scores or other metrics). White Mountains did not hold any RMBS categorized as sub-prime as of June 30, 2017.

White Mountains categorizes mortgage-backed securities as "non-prime" (also called "Alt A" or "A-") if they are backed by collateral that has overall credit quality between prime and sub-prime based on White Mountains's review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. As of June 30, 2017, White Mountains did not hold any RMBS classified as non-prime. White Mountains's non-agency RMBS portfolio is generally moderate-term and structurally senior. White Mountains does not own any collateralized loan obligations. White Mountains does not own any collateralized debt obligations, with the exception of $6.3 million of non-agency RMBS resecuritization tranches, each a senior tranche in its own right and each collateralized by a single earlier vintage Super Senior or Senior non-agency RMBS.

The following table summarizes the carrying value of White Mountains's mortgage and asset-backed securities as of June 30, 2017 and December 31, 2016:

	June 30, 2017			December 31, 2016		
Millions	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
Mortgage-backed securities:						
Agency:						
GNMA	$71.1	$71.1	$ —	$70.3	$70.3	$ —
FNMA	161.1	161.1	—	235.5	235.5	—
FHLMC	74.5	74.5	—	59.5	59.5	—
Total Agency[(1)]	306.7	306.7	—	365.3	365.3	—
Non-agency:						
Residential	92.6	84.9	7.7	70.3	70.3	—
Commercial	10.4	8.4	2.0	3.9	3.9	—
Total Non-agency	103.0	93.3	9.7	74.2	74.2	—
Total mortgage-backed securities	409.7	400.0	9.7	439.5	439.5	—
Other asset-backed securities:						
Credit card receivables	41.8	41.8	—	214.2	214.2	—
Vehicle receivables	35.4	35.4	—	205.9	205.9	—

Other	24.5	24.5	—	120.2	120.2	—
Total other asset-backed securities	101.7	101.7	—	540.3	540.3	—
Total mortgage and asset-backed securities	$511.4	$501.7	$ 9.7	$979.8	$979.8	$ —

(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).

Non-agency Mortgage-backed Securities

The security issuance years of White Mountains's investments in non-agency RMBS and non-agency CMBS securities as of June 30, 2017 are as follows:

		Security Issuance Year					
Millions	Fair Value	2004	2013	2014	2015	2016	2017
Non-agency RMBS	$ 92.6	$ .3	$ 1.3	$ 21.4	$ 51.3	$ 2.3	$ 16.0
Non-agency CMBS	10.4	—	—	—	—	3.8	6.6
Total	$ 103.0	$ .3	$ 1.3	$ 21.4	$ 51.3	$ 6.1	$ 22.6

Non-agency Residential Mortgage-backed Securities

The classification of the underlying collateral quality and the tranche levels of White Mountains's non-agency RMBS securities are as follows as of June 30, 2017:

Millions	Fair Value	Super Senior (1)	Senior (2)	Subordinate (3)
Prime	$ 92.6	$ 69.7	$ 22.9	$ —
Non-prime	—	—	—	—
Sub-prime	—	—	—	—
Total	$ 92.6	$ 69.7	$ 22.9	$ —

(1) At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch Ratings, Inc. ("Fitch") and were senior to other "AAA" or "Aaa" bonds.

(2) At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch and were senior to non-"AAA" or non-"Aaa" bonds.

(3) At issuance, Subordinate were not rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch and were junior to "AAA" or "Aaa" bonds.

Non-agency Commercial Mortgage-backed Securities

White Mountains's non-agency CMBS portfolio is generally moderate-term and structurally senior, with more than 30 points of subordination on average for both fixed rate and floating rate as of June 30, 2017. In general, subordination represents the percentage principal loss on the underlying collateral that would have to be absorbed by other securities lower in the capital structure before the more senior security incurs a loss. As of June 30, 2017, none of the underlying loans of the non-agency CMBS held by White Mountains were reported as non-performing.

The amount of fixed and floating rate securities and their tranche levels of White Mountains's non-agency CMBS securities are as follows as of June 30, 2017:

Millions	Fair Value	Super Senior (1)	Senior (2)	Subordinate (3)
Fixed rate CMBS	$ 7.8	$ —	$ 6.2	$ 1.6
Floating rate CMBS	2.6	—	—	2.6
Total	$ 10.4	$ —	$ 6.2	$ 4.2

(1) At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch and were senior to other "AAA" or "Aaa" bonds.

(2) At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch and were senior to non-"AAA" or non-"Aaa" bonds.

(3) At issuance, Subordinate were not rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch and were junior to "AAA" or "Aaa" bonds.

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Rollforward of Fair Value Measurements by Level

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 maturity investments, common equity securities, and other long-term investments as of June 30, 2017 and 2016 consist of securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

The following tables summarize the changes in White Mountains's fair value measurements by level for the three months ended June 30, 2017 and 2016:

			Level 3 Investments			
Millions	Level 1 investments	Level 2 investments	Fixed maturity investments	Other long-term investments	Hedge Funds and Private Equity Funds measured at NAV[3]	Total
Balance at January 1, 2017	$ 279.5	$ 2,093.8	$—	$ 91.4	$82.6	$2,547.3 [1][2][4]
Net realized and unrealized gains (losses)	30.4	39.0	.1	(1.5)	15.0	83.0
Amortization/Accretion	—	(4.7)	—	—	—	(4.7)
Purchases	665.0	770.7	25.6	2.6	52.5	1,516.4
Sales	(243.9)	(1,255.0)	(.5)	(2.0)	(1.6)	(1,503.0)
Deconsolidation of SSIE	—	(5.2)	—	—	—	(5.2)
Transfers in	—	11.1	—	—	—	11.1
Transfers out	—	—	(11.1)	—	—	(11.1)
Balance at June 30, 2017	$ 731.0	$ 1,649.7	$14.1	$ 90.5	$148.5	$2,633.8 [1][2]

(1) Excludes carrying value of $(1.2) and $(12.5) as of January 1, 2017 and June 30, 2017 associated with foreign currency forward contracts.

(2) Excludes carrying value of $175.0 and $71.6 at January 1, 2017 and June 30, 2017 associated with short-term investments, of which $0.1 is classified as held for sale at January 1, 2017.

(3) Investments for which fair value is measured at NAV using the practical expedient are no longer classified within the fair value hierarchy. See Note 1 — "Summary of Significant Accounting Policies".

(4) Includes carrying value of $6.6 of fixed maturity investments at January 1, 2017 that is classified as assets held for sale related to SSIE.

			Level 3 Investments			
Millions	Level 1 investments	Level 2 investments	Fixed maturity investments	Other long-term investments	Hedge Funds and Private Equity Funds measured at NAV[2]	Total
Balance at January 1, 2016	$ 789.0	$ 585.6	$ —	$ 103.6	$ 65.3	$1,543.5 [1][3]
Net realized and unrealized gains (losses)	3.6	13.7	.1	1.6	(2.7)	16.3
Amortization/Accretion	.1	(2.1)	—	—	—	(2.0)
Purchases	1,312.9	1,668.7	67.9	2.0	15.2	3,066.7
Sales	(1,809.9)	(207.0)	—	—	(3.0)	(2,019.9)

Transfers in	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—
Balance at June 30, 2016	$ 295.7	$ 2,058.9	$ 68.0	$ 107.2	$ 74.8	$ 2,604.6 (1)(3)

(1) Excludes carrying value of $142.0 and $307.3 at January 1, 2016 and June 30, 2016 associated with short-term investments of which $0.1 and $0.3 is classified as held for sale at January 1, 2016 and June 30, 2016.

(2) Investments for which fair value is measured at NAV using the practical expedient are no longer classified within the fair value hierarchy. See Note 1 — "Summary of Significant Accounting Policies".

(3) Includes carrying value of $9.5 and $9.2 of fixed maturity investments at January 1, 2016 and June 30, 2016 that is classified as assets held for sale related to SSIE.

Fair Value Measurements — transfers between levels - Six-month period ended June 30, 2017 and 2016
Transfers between levels are recorded using the fair value measurement as of the end of the quarterly period in which the event or change in circumstance giving rise to the transfer occurred.
During the first six months of 2017, one fixed maturity investments classified as Level 3 measurement in the prior period was transferred to Level 2 measurement because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available at June 30, 2017. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $11.1 million for the period ended June 30, 2017.
During the first six months of 2016, there were no fixed maturity investments classified as Level 3 measurements in the prior period that were transferred to Level 2 measurements.

Significant Unobservable Inputs
The following summarizes significant unobservable inputs used in estimating the fair value of investment securities, other than hedge funds and private equity funds, classified within Level 3 as of June 30, 2017 and December 31, 2016. The fair value of investments in hedge funds and private equity funds are generally estimated using the NAV of the funds.

Description	June 30, 2017				
$ in millions, except share price	Rating[2]	Valuation Technique(s)	Fair Value[1]	Unobservable Input	
Non-agency commercial mortgage-backed securities	A-	Broker pricing	$2.0	Broker quote	100.03
Non-agency residential mortgage-backed securities	AAA	Broker pricing	$7.7	Broker quote	102.03
Debt securities issued by corporations	BBB	Broker pricing	$4.4	Broker quote	127.46
Private equity security	NR	Share price of most recent transaction	$21.0	Share price	-$1.00
Private equity security	NR	Discounted cash flow	$22.1	Discount rate	-25.0%
Private equity security	NR	Share price of most recent transaction	$3.4	Share price	-$2.52
Private convertible preferred security	NR	Multiple of EBITDA	$1.3	EBITDA multiple	-6.00
Private convertible preferred security	NR	Share price of most recent transaction	$27.0	Share price	-$3.83
Private equity security	NR	Discounted cash flow/ Option pricing method	$10.0	Discount rate	-21.0%
				Time until expiration	-4 years
			Volatility/Standard deviation		-50.0%
			Risk free rate		-1.00%

[1] Includes the net unrealized investment gains (losses) associated with foreign currency; foreign currency effects based on observable inputs.
[2] Credit ratings are assigned based on the following hierarchy: 1) Standard and Poor's and 2) Moody’s.

Description	December 31, 2016			
$ in millions, except share price	Valuation Technique(s)	Fair Value [1]	Unobservable Input	
Private equity security		$21.0	Share price	-$1.00

	Share price of most recent transaction			
Private equity security	Discounted cash flow	$22.1	Discount rate	-25.0%
Private equity security	Share price of most recent transaction	$3.2	Share price	-$2.52
Private convertible preferred security	Multiple of EBITDA	$3.6	EBITDA multiple	-6.00
Private convertible preferred security	Share price of most recent transaction	$27.0	Share price	-$3.83
Private equity security	Discounted cash flow/ Option pricing method	$9.3	Discount rate	-21.0%
			Time until expiration	-4 years
		Volatility/Standard deviation		-50.0%
		Risk free rate		-1.00%

(1) Includes the net unrealized investment gains (losses) associated with foreign currency; foreign currency effects based on observable inputs.

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Note 4. Goodwill and Other Intangible Assets

White Mountains has recognized goodwill and other intangible assets at the acquisition date fair values in connection with its purchases of subsidiaries.

On January 15, 2016, MediaAlpha acquired certain assets from Oversee.net for a purchase price of $3.9 million. The majority of assets acquired, which are included in other intangible assets, consists of customer relationships, a customer contract, a non-compete agreement from the seller, domain names and technology.

The following table shows the change in goodwill and other intangible assets:

	Three Months Ended June 30,					
Millions	2017			2016		
	Goodwill	Other intangible assets	Total	Goodwill	Other intangible assets	Total
Beginning balance	$31.7	$ 20.4	$52.1	$24.1	$ 30.1	$54.2
Add: Amounts held for sale at beginning of the period [1]	—	—	—	—	.3	.3
Amortization, including foreign currency translation	—	(2.6)	(2.6)	—	(3.0)	(3.0)
Ending balance	$31.7	$ 17.8	$49.5	$24.1	$ 27.4	$51.5

	Six Months Ended June 30,					
Millions	2017			2016		
	Goodwill	Other intangible assets	Total	Goodwill	Other intangible assets	Total
Beginning balance	$31.7	$ 23.0	$54.7	$24.1	$ 28.9	$53.0
Add: Amounts held for sale at beginning of the period [1]	—	—	—	—	.4	.4
Acquisitions of intangible assets	—	—	—	—	3.9	3.9
Amortization, including foreign currency translation	—	(5.2)	(5.2)	—	(5.8)	(5.8)
Ending balance	$31.7	$ 17.8	$49.5	$24.1	$ 27.4	$51.5

[1] See Note 15 — “Held for Sale and Discontinued Operations”.

Note 5. Debt

White Mountains's debt outstanding as of June 30, 2017 and December 31, 2016 consisted of the following:

Millions	June 30, 2017	Effective Rate [1]	December 31, 2016	Effective Rate [1]
WTM Bank Facility	$ —	N/A	$ —	N/A
Unamortized issue costs	—		—	
WTM Bank Facility, carrying value	—		—	
MediaAlpha Bank Facility	10.6	5.4%	—	N/A
Unamortized issuance cost	—		—	
MediaAlpha Bank Facility, carrying value	10.6		—	
Previous MediaAlpha Bank Facility	—	N/A	12.9	5.7%
Unamortized issuance cost	—		(.2)	
Previous MediaAlpha Bank Facility, carrying value	—		12.7	
Total debt	$ 10.6		$ 12.7	

[1] Effective rate considers the effect of the debt issuance costs.

WTM Bank Facility

On August 14, 2013, White Mountains entered into a revolving credit facility with a syndicate of lenders administered by Wells Fargo Bank, N.A., which has a total commitment of $425.0 million and has a maturity date of August 14, 2018 (the "WTM Bank Facility"). As of June 30, 2017, the WTM Bank Facility was undrawn.

The WTM Bank Facility contains various affirmative, negative and financial covenants which White Mountains considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards.

MediaAlpha Bank Facility

On May 12, 2017, MediaAlpha entered into a secured credit facility (the "MediaAlpha Bank Facility") with Western Alliance Bank, which has a total commitment of $20.0 million and has a maturity date of May 12, 2020. The MediaAlpha Bank Facility replaced MediaAlpha's previous credit facility (the "Previous MediaAlpha Bank Facility"), which had a total commitment of $20.0 million. The MediaAlpha Bank Facility consists of a $5.0 million term loan facility, which has an outstanding balance of $4.6 million as of June 30, 2017, and a revolving loan facility for $15.0 million, which has an outstanding balance of $6.0 million as of June 30, 2017.

During both the three and six months ended June 30, 2017, MediaAlpha borrowed $11.0 million, $5.0 million on the term loan and $6.0 million on the revolving loan, under the MediaAlpha Bank Facility. During both the three and six months ended June 30, 2017, MediaAlpha repaid $0.4 million on the term loan under the MediaAlpha Bank Facility. During the three and six months ended June 30, 2017, MediaAlpha repaid $11.7 million and $12.9 million under the Previous MediaAlpha Bank Facility.

The MediaAlpha Bank Facility carries a variable interest rate that is based on the Prime Rate, as published by the Wall Street Journal, plus a spread of 1.5% on the term loan facility and 0.25% on the revolving credit facility as of June 30, 2017.

The MediaAlpha Bank Facility is secured by intellectual property and the common stock of MediaAlpha's subsidiaries, and contains various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including a fixed charge coverage ratio and an asset coverage ratio.

Compliance

At June 30, 2017, White Mountains was in compliance with the covenants under all of its debt instruments.

Note 6. Income Taxes

The Company and its Bermuda domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. In the event there is a change in the current law such that taxes are imposed, the Company and its Bermuda domiciled subsidiaries would be exempt from such tax until March 31, 2035, pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Company has subsidiaries and branches that operate in various other jurisdictions around the world that are subject to tax in the jurisdictions in which they operate. The jurisdictions in which the Company's subsidiaries and branches are subject to tax are Barbados, Gibraltar, Israel, Luxembourg, the Netherlands, the United Kingdom and the United States.

White Mountains's effective tax rate related to pre-tax loss from continuing operations for the three months ended June 30, 2017 was different from the U.S. statutory rate of 35%, primarily due to a full valuation allowance on all U.S. operations, a tax benefit recorded at BAM and consolidated pre-tax loss being near break-even. For the three months ended June 30, 2017, BAM had other comprehensive income that was available to partially offset its loss from continuing operations. As a result, BAM recorded a tax benefit of $1.7 million in net income from continuing operations, with an offsetting tax expense in other comprehensive income.

White Mountains's effective tax rate related to pre-tax income from continuing operations for the six months ended June 30, 2017 was different from the U.S. statutory rate of 35%, primarily due to a full valuation allowance on all U.S. operations, a tax benefit recorded at BAM and consolidated pre-tax income being near break-even. For the six months ended June 30, 2017, BAM had other comprehensive income that was available to partially offset its loss from continuing operations. As a result, BAM recorded a tax benefit of $2.3 million in net income from continuing operations, with an offsetting tax expense in other comprehensive income.

White Mountains's income tax benefit related to pre-tax loss from continuing operations for the three and six months ended June 30, 2016, represented a net effective tax rate of 15.9% and 10.2%. The effective tax rate for the three and six months ended June 30, 2016 was lower than the U.S. statutory rate of 35%, primarily due to a full valuation allowance on all U.S. operations and losses generated in jurisdictions other than the United States.

In arriving at the effective tax rate for the three and six months ended June 30, 2017 and 2016, White Mountains forecasted all income and expense items including the change in unrealized investment gains (losses) and realized investment gains (losses) for the years ending December 31, 2017 and 2016.

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. Changes in valuation allowances from period to period are included in income tax expense in the period of change. 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, carryback and carryforward periods and strategies that if executed would result in the realization of a deferred tax asset.

In the second quarter of 2016, White Mountains recorded an increase in deferred tax assets of $0.6 million and a corresponding increase in valuation allowance of $0.6 million related to the settlement of the IRS audit of Guilford Holdings, Inc. and subsidiaries for tax year 2012.

With few exceptions, White Mountains is no longer subject to U.S. federal, state, or non-U.S. income tax examinations by tax authorities for years before 2013.

Note 7. Derivatives

Variable Annuity Reinsurance

White Mountains entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. During the third quarter of 2015, the variable annuity contracts reinsured by WM Life Re began to mature and were fully runoff by June 30, 2016. The reinsurance agreement was commuted in December 2016.

The following table summarizes the pre-tax operating results of WM Life Re for the three and six months ended June 30, 2016.

Millions	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Fees, included in other revenue	$ .3	$ 1.2
Change in fair value of variable annuity liability, included in other revenue	.1	(.3)
Change in fair value of derivatives, included in other revenue	(.3)	(2.0)
Foreign exchange, included in other revenue	.4	1.3
Total revenue	.5	.2
Death benefit claims paid, included in general and administrative expenses	(.2)	(.3)
General and administrative expenses	(1.2)	(1.9)
Pre-tax loss	$ (.9)	$ (2.0)

The following summarizes realized and unrealized derivative gains (losses) recognized in other revenue for the three and six months ended June 30, 2016 and the carrying values, included in other assets, as of December 31, 2016 by type of instrument:

	Gains (losses)		Carrying Value
Millions	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	As of December 31, 2016
Fixed income/interest rate	$—	$ 1.8	$ —
Foreign exchange	(.6)	(4.8)	—
Equity	.3	1.0	—
Total	$(.3)	$ (2.0)	$ —

The following tables summarize the changes in White Mountains's variable annuity reinsurance liabilities and derivative instruments for the three and six months ended June 30, 2016.

	Three Months Ended June 30, 2016				
	Variable Annuity Liabilities	Derivative Instruments			
Millions	Level 3	Level 3 (1)	Level 2 (1)(2)	Level 1 (3)	Total
Beginning of period	$(.1)	$2.6	$ 10.3	$ .2	$13.1
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	.1	1.7	(1.8)	(.2)	(.3)
Transfers in	—	—	—	—	—
Sales/settlements	—	(4.3)	(8.5)	—	(12.8)
End of period	$—	$—	$ —	$ —	$—

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	Six Months Ended June 30, 2016				
	Variable Annuity Liabilities	Derivative Instruments			
Millions	Level 3	Level 3 [1]	Level 2 [1][2]	Level 1 [3]	Total
Beginning of period	$ .3	$ 2.7	$ 16.5	$ .9	$ 20.1
Purchases	—	—	—	—	—
Realized and unrealized (losses) gains	(.3)	2.9	(.7)	(4.2)	(2.0)
Transfers in	—	—	—	—	—
Sales/settlements	—	(5.6)	(15.8)	3.3	(18.1)
End of period	$—	$—	$ —	$ —	$—

[1] Consists of over-the-counter instruments.
[2] Consists of interest rate swaps, total return swaps, foreign currency forward contracts, and bond forwards. Fair value measurement based upon bid/ask pricing quotes for similar instruments that are actively traded, where available. Swaps for which an active market does not exist have been priced using observable inputs including the swap curve and the underlying bond index.
[3] Consists of 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’s variable annuity reinsurance liabilities were classified as Level 3 measurements. The fair value of White Mountains’s variable annuity reinsurance liabilities were estimated using actuarial and capital market assumptions related to the projected discounted cash flows over the term of the reinsurance agreement. Actuarial assumptions regarding future policyholder behavior, including surrender and lapse rates, were generally unobservable inputs and significantly impacted the fair value estimates. Generally, the liabilities associated with these guarantees increased with declines in the equity markets, interest rates and currencies against the Japanese yen, as well as with increases in market volatilities. White Mountains used derivative instruments to mitigate the risks associated with changes in the fair value of the reinsured variable annuity guarantees. The types of inputs used to estimate the fair value of these derivative instruments, with the exception of actuarial assumptions regarding policyholder behavior and risk margins, were generally the same as those used to estimate the fair value of variable annuity liabilities.

Forward Contracts

White Mountains’s investment portfolio contains investment grade fixed maturity investments denominated in British Pound Sterling (GBP) and common equity securities denominated in Euro (EUR) and other European currencies. White Mountains has entered into foreign currency forward contracts to manage its foreign currency exposure related to these investments. The contracts do not meet the criteria to be accounted for as a hedge. White Mountains actively manages its net foreign currency exposure and adjusts its foreign currency positions within ranges established by senior management. Mismatches between currency driven movements in foreign denominated investments and foreign currency forward contracts may result in net foreign currency positions being outside pre-defined ranges and/or net foreign currency gains/(losses). At June 30, 2017, White Mountains held $302.0 million (GBP 150.0 million and EUR 104.0 million) total gross notional value of foreign currency forward contracts.

White Mountains’s foreign currency forward contracts are traded over-the-counter. The fair value of the contracts has been estimated using OTC quotes for similar instruments and accordingly, the measurements have been classified as Level 2 measurements at June 30, 2017.

The net realized derivative loss recognized in net realized and unrealized investment gains (losses) for both the three and six months ended June 30, 2017 was $1.7 million. The net unrealized derivative loss recognized in net realized and unrealized investment gains (losses) for the three and six months ended June 30, 2017 was $8.5 million and $11.3 million. White Mountains’s forward contracts are subject to master netting agreements. As of June 30, 2017 and December 31, 2016, the gross liability amount offset under the master netting agreement and the net amount recognized in other long-term investments was $12.5 million and $1.2 million.

White Mountains does not hold or provide any collateral under its forward contracts. The following table summarizes the gross notional amount associated with the forward currency contracts:

Millions	June 30, 2017 Notional Amount[1]	June 30, 2017 Carrying Value	Standard & Poor's Rating [2]
Barclays Bank PLC	$187.3	$(8.2)	A-
JP Morgan	114.7	(4.3)	A+
Total	$302.0	$(12.5)	

[1] At June 30, 2017, WTM entered into a spot trade of $57.0 (EUR 50.0) in anticipation of settling a forward currency contract (gross notional: $52.7 (EUR 50.0) with JP Morgan set to expire on July 6, 2017.
[2] Standard & Poor's ratings as detailed above are: "A+" (Strong, which is the fifth highest of twenty-three creditworthiness ratings) and "A-" (Strong, which is the seventh highest of twenty-three creditworthiness ratings).

Note 8. Municipal Bond Guarantee Insurance

In 2012, HG Global was capitalized with $594.5 million from White Mountains and $14.5 million from non-controlling interests to fund BAM, a newly formed mutual municipal bond insurer. As of June 30, 2017, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of $503.0 million of BAM Surplus Notes. Through HG Re, which had statutory capital and surplus of $469.7 million at June 30, 2017, HG Global provides first loss reinsurance protection for policies underwritten by BAM of up to 15% of par outstanding, on a per policy basis. HG Re's obligations to BAM are collateralized in trusts, and there is an aggregate loss limit that is equal to the total assets in the collateral trusts at any point in time.

For the three and six months ended June 30, 2017, HG Global had pre-tax income of $6.7 million and $13.3 million, which included $4.7 million and $9.5 million of interest income on the BAM Surplus Notes. For the three and six months ended June 30, 2016, HG Global had pre-tax income of $5.9 million and $13.2 million, which included $4.4 million and $8.9 million of interest income on the BAM Surplus Notes.

For the three and six months ended June 30, 2017, White Mountains reported pre-tax losses of $11.5 million and $23.7 million on BAM that were recorded in net loss attributable to non-controlling interests, which included $4.7 million and $9.5 million of interest expense on the BAM Surplus Notes. For the three and six months ended June 30, 2016, White Mountains reported pre-tax losses of $9.0 million and $16.6 million on BAM that were recorded in net loss attributable to non-controlling interests, which included $4.4 million and $8.9 million of interest expense on the BAM Surplus Notes.

Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8.0% to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually, which is 3.54% and 3.78% for 2016 and 2017. Prior to the end of 2018, BAM has the option to extend the variable rate period for an additional three years. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8.0%. No payment of interest or principal on the BAM Surplus Notes may be made without the approval of the New York State Department of Financial Services. BAM has stated its intention to seek regulatory approval to pay interest and principal on its surplus notes only to the extent that its remaining qualified statutory capital ("QSC") exceeds $500 million and its remaining QSC and other capital resources continue to support its outstanding obligations, business plan and its AA stable rating from S&P.

During the three months ended June 30, 2017, in order to further support BAM's long-term capital position and business prospects, HG Global agreed to contribute the $203.0 million Series A BAM Surplus Notes ("Series A Notes") into the supplemental collateral trust (the "Supplemental Trust") at HG Re, HG Global's wholly owned reinsurance subsidiary. The Supplemental Trust already holds the $300.0 million Series B BAM Surplus Notes ("Series B Notes" and, collectively with the Series A Notes, the "BAM Surplus Notes"). Assets held in the Supplemental Trust serve to collateralize HG Re's obligations to BAM under the first loss reinsurance treaty between BAM and HG Re. HG Global and BAM also agreed to change the payment terms of the Series B Notes, so that payments will reduce principal and accrued interest on a pro rata basis, consistent with the payment terms on the Series A Notes. The terms of the Series B Notes had previously stipulated that payments would first reduce interest owed, then reduce principal owed once all accrued interest had been paid. Such change is subject to approval by the New York Department of Financial Services, which is expected in the third quarter of 2017.

HG Global and BAM have also made certain changes to the ceding commission arrangements under the reinsurance treaty between HG Re and BAM. These changes will accelerate growth in BAM's statutory capital but will not impact the net risk premium ceded from BAM to HG Re.

Under GAAP, if the terms of a debt instrument are amended, unless there is a greater than 10% change in the expected discounted future cash flows of such instrument, a change in the instrument's carrying value is not permitted. White Mountains has determined that the impact of the changes to the terms of the BAM Surplus Notes on the expected discounted future cash flows is not greater than 10%.

All of the contracts issued by BAM are accounted for as insurance contracts under ASC 944-605, Financial Guarantee Insurance Contracts. Premiums are received upfront and an unearned premium revenue liability, equal to the amount of the cash received, is established at contract inception. Premium revenues are recognized in revenue over the period of the contracts in proportion to the amount of insurance protection provided using a constant rate. The constant rate is calculated based on the relationship between the par outstanding in a given reporting period compared with the sum of each of the par amounts outstanding for all periods.

The following table provides a schedule of BAM's insured obligations:

	June 30, 2017	December 31, 2016
Contracts outstanding	5,564	4,807
Remaining weighted average contract period outstanding (in years)	10.9	10.8
Contractual debt service outstanding (in millions):		
Principal	$37,619.7	$33,057.3
Interest	19,012.8	16,396.6
Total debt service outstanding	$56,632.5	$49,453.9
Gross unearned insurance premiums	$109.9	$82.9

The following table is a schedule of BAM's future premium revenues as of June 30, 2017:

Millions	June 30, 2017
July 1, 2017 - December 31, 2017	$4.6
January 1, 2018 - March 31, 2018	2.3
April 1, 2018 - June 30, 2018	2.3
July 1, 2018 - September 30, 2018	2.2
October 1, 2018 - December 31, 2018	2.2
	9.0
2019	8.6
2020	8.2
2021	7.8
2022 and thereafter	71.7
Total gross unearned insurance premiums	$109.9

Note 9. Earnings Per Share

White Mountains calculates earnings per share using the two-class method, which allocates earnings between common and unvested restricted common shares. Both classes of shares participate equally in earnings on a per share basis. Basic earnings per share amounts are based on the weighted average number of common shares outstanding adjusted for unvested restricted common shares. Diluted earnings per share amounts are also impacted by the net effect of potentially dilutive common shares outstanding. The following table outlines the Company's computation of earnings per share from continuing operations for the three and six months ended June 30, 2017 and 2016. See Note 15 — "Held for Sale and Discontinued Operations".

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Basic and diluted earnings per share numerators (in millions):				
Net income (loss) from continuing operations attributable to White Mountains's common shareholders	$12.7	$(42.5)	$15.7	$(76.9)
Allocation of income for unvested restricted common shares	(.2)	.6	(.1)	.9
Dividends declared on participating restricted common shares[1]	—	—	(.1)	(.1)
Total allocation to restricted common shares	(.2)	.6	(.2)	.8
Net income (loss) attributable to White Mountains's common shareholders, net of restricted common share amounts	$12.5	$(41.9)	$15.5	$(76.1)
Undistributed net earnings (in millions):				
Net income (loss) attributable to White Mountains's common shareholders, net of restricted common share amounts	$12.5	$(41.9)	$15.5	$(76.1)
Dividends declared net of restricted common share amounts[1]	—	—	(4.5)	(5.9)
Total undistributed net earnings (loss), net of restricted common share amounts	$12.5	$(41.9)	$11.0	$(82.0)
Basic earnings per share denominators (in thousands):				
Total average common shares outstanding during the period	4,572.1	5,096.1	4,568.4	5,317.8
Average unvested restricted common shares[2]	(57.2)	(66.5)	(54.9)	(60.2)
Basic earnings per share denominator	4,514.9	5,029.6	4,513.5	5,257.6
Diluted earnings per share denominator (in thousands):				
Total average common shares outstanding during the period[3]	4,572.1	5,107.0	4,568.4	5,324.0
Average unvested restricted common shares[2]	(57.2)	(66.5)	(54.9)	(60.2)
Diluted earnings per share denominator[3]	4,514.9	5,040.5	4,513.5	5,263.8
Basic earnings per share (in dollars):				
Net income (loss) attributable to White Mountains's common shareholders	$2.78	$(8.34)	$3.42	$(14.47)
Dividends declared and paid	—	—	(1.00)	(1.00)
Undistributed earnings (loss)	$2.78	$(8.34)	$2.42	$(15.47)
Diluted earnings per share (in dollars):				
Net income (loss) attributable to White Mountains's common shareholders	$2.78	$(8.32)	$3.42	$(14.46)
Dividends declared and paid	—	—	(1.00)	(1.00)
Undistributed earnings (loss)	$2.78	$(8.32)	$2.42	$(15.46)

[1] Restricted shares issued by White Mountains receive dividends, and therefore, are considered participating securities.

[2] Restricted shares outstanding vest either in equal annual installments or upon a stated date. See Note 13 — "Employee Share-Based Compensation Plans".

[3] The diluted earnings per share denominator for the three and six months ended June 30, 2016 includes the impact of 120,000 common shares issuable upon exercise of the non-qualified options outstanding, which resulted in 10,863 and 6,194 incremental shares outstanding over the period.

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Note 10. Non-controlling Interests

The following table details the balance of non-controlling interests included in White Mountains's total equity and the related percentage of each consolidated entity's total equity owned by non-controlling shareholders as of June 30, 2017 and December 31, 2016:

$ in millions	June 30, 2017		December 31, 2016	
	Non-controlling Percentage	Non-controlling Equity	Non-controlling Percentage	Non-controlling Equity
OneBeacon Ltd.	24.2 %	$ 247.0	23.9 %	$ 244.6
Other, excluding mutuals and reciprocals				
HG Global	3.1	16.3	3.1	16.6
MediaAlpha	40.0	10.1	40.0	11.7
Buzzmove	29.1	2.6	29.1	2.9
Wobi	5.0	.9	5.0	.7
Dewar [1]	11.4	(.4)	18.8	3.9
Total other, excluding mutuals and reciprocals		29.5		35.8
Mutuals and reciprocals				
BAM	100.0	(159.7)	100.0	(150.9)
SSIE	—	—	100.0	4.4
Total mutuals and reciprocals		(159.7)		(146.5)
Total non-controlling interests		$ 116.8		$ 133.9

[1] Dewar is a subsidiary of OneBeacon.

Note 11. Segment Information

White Mountains has determined that its reportable segments are HG Global/BAM, MediaAlpha and Other Operations. As a result of the Sirius Group and Tranzact sales and the OneBeacon Transaction, the results of operations for Sirius Group and OneBeacon, previously reported in their own respective segments, and Tranzact, previously reported in the Other Operations segment, have been classified as discontinued operations and are now presented, net of related income taxes, as such in the statement of operations and comprehensive income. Beginning in the second quarter of 2017, MediaAlpha's results have been presented as a separate segment within White Mountains's consolidated financial statements. Prior year amounts have been reclassified to conform to the current period's presentation. See Note 15 — "Held for Sale and Discontinued 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 chief operating decision makers and the Board of Directors.

Significant intercompany transactions among White Mountains's segments have been eliminated herein. Financial information for White Mountains's segments follows:

Millions	HG Global/BAM HG Global	HG Global/BAM BAM[1]	MediaAlpha	Other Operations	Total
Three Months Ended June 30, 2017					
Earned insurance premiums	$1.7	$.5	$ —	$ —	$2.2
Net investment income	.8	2.2	—	11.7	14.7
Net investment income (loss) - BAM Surplus Note interest	4.7	(4.7)	—	—	—
Net realized and unrealized investment gains	—	1.1	—	32.6	33.7
Advertising and commission revenues	—	—	30.8	2.4	33.2
Other revenue	—	.2	—	1.4	1.6
Total revenues	7.2	(.7)	30.8	48.1	85.4
Insurance acquisition expenses	.3	.6	—	—	.9
Other underwriting expenses	—	.1	—	—	.1
Cost of sales	—	—	26.1	.7	26.8
General and administrative expenses	.2	10.1	6.2	41.0	57.5
Interest expense	—	—	.3	.2	.5
Total expenses	.5	10.8	32.6	41.9	85.8
Pre-tax income (loss)	$6.7	$(11.5)	$ (1.8)	$ 6.2	$(.4)

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Millions	HG Global/BAM HG Global	BAM[1]	MediaAlpha	Other Operations	Total
Six Months Ended June 30, 2017					
Earned insurance premiums	$3.2	$1.0	$ —	$ 1.0	$5.2
Net investment income	1.4	4.2	—	21.9	27.5
Net investment income (loss) - BAM Surplus Note interest	9.5	(9.5)	—	—	—
Net realized and unrealized investment gains	.3	2.1	—	67.6	70.0
Advertising and commission revenues	—	—	63.3	8.4	71.7
Other revenue	—	.6	—	3.9	4.5
Total revenues	14.4	(1.6)	63.3	102.8	178.9
Losses and LAE	—	—	—	1.1	1.1
Insurance acquisition expenses	.6	1.5	—	.1	2.2
Other underwriting expenses	—	.2	—	—	.2
Cost of sales	—	—	53.8	1.8	55.6
General and administrative expenses	.5	20.4	11.8	85.2	117.9
Interest expense	—	—	.5	.4	.9
Total expenses	1.1	22.1	66.1	88.6	177.9
Pre-tax income (loss)	$13.3	$(23.7)	$ (2.8)	$ 14.2	$1.0

Millions	HG Global/BAM HG Global	BAM[1]	MediaAlpha	Other Operations	Total
Three Months Ended June 30, 2016					
Earned insurance premiums	$1.0	$.4	$ —	$ 1.9	$3.3
Net investment income	.5	1.8	—	3.8	6.1
Net investment income (loss) - BAM Surplus Note interest	4.4	(4.4)	—	—	—
Net realized and unrealized investment gains (losses)	.5	3.2	—	(.3)	3.4
Advertising and commission revenues	—	—	28.1	1.1	29.2
Other revenue	—	.3	—	6.9	7.2
Total revenues	6.4	1.3	28.1	13.4	49.2
Losses and LAE	—	—	—	2.3	2.3
Insurance acquisition expenses	.2	.6	—	.6	1.4
Other underwriting expenses	—	.1	—	—	.1
Cost of sales	—	—	23.3	1.1	24.4
General and administrative expenses	.3	9.6	5.3	30.0	45.2
Interest expense	—	—	.2	.7	.9
Total expenses	.5	10.3	28.8	34.7	74.3
Pre-tax income (loss)	$5.9	$(9.0)	$ (.7)	$ (21.3)	$(25.1)

Millions	HG Global/BAM HG Global	BAM[1]	MediaAlpha	Other Operations	Total
Six Months Ended June 30, 2016					
Earned insurance premiums	$1.9	$.7	$ —	$ 4.2	$6.8
Net investment income	1.0	3.4	—	4.2	8.6
Net investment income (loss) - BAM Surplus Note interest	8.9	(8.9)	—	—	—
Net realized and unrealized investment gains	2.6	8.1	—	5.6	16.3
Advertising and commission revenues	—	—	60.8	2.2	63.0
Other revenue	—	.4	—	12.9	13.3
Total revenues	14.4	3.7	60.8	29.1	108.0
Losses and LAE	—	—	—	4.6	4.6
Insurance acquisition expenses	.4	1.3	—	1.4	3.1
Other underwriting expenses	—	.2	—	—	.2
Cost of sales	—	—	51.0	1.9	52.9
General and administrative expenses	.8	18.8	10.6	69.7	99.9
Interest expense	—	—	.5	1.6	2.1
Total expenses	1.2	20.3	62.1	79.2	162.8
Pre-tax income (loss)	$13.2	$(16.6)	$ (1.3)	$ (50.1)	$(54.8)

[1] BAM manages its affairs on a statutory accounting basis. BAM's statutory surplus includes surplus notes and is not reduced by accruals of interest expense on the surplus notes. BAM's statutory surplus is reduced only after a payment of principal or interest has been approved by the New York Department of Financial Services.

Note 12. Investment in Symetra

White Mountains's investment in Symetra represented an investment in which White Mountains had a significant voting and economic interest but did not control the entity.

In August 2015, Symetra announced it had entered into a definitive merger agreement with Sumitomo Life pursuant to which Sumitomo Life would acquire all of the outstanding shares of Symetra. Following the announcement and Symetra shareholders' November 5, 2015 meeting to approve the transaction, White Mountains relinquished its representation on Symetra's board of directors. As a result, White Mountains changed its accounting for Symetra common shares from the equity method to fair value as of December 31, 2015. During the fourth quarter of 2015, White Mountains recognized $258.8 million ($241.1 million after tax) of unrealized investment gains through net income, representing the difference between the carrying value of Symetra common shares under the equity method at the date of change and fair value at December 31, 2015. White Mountains also received a special dividend of $0.50 per share as part of the transaction that was paid in the third quarter of 2015. On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life and White Mountains received proceeds of $658.0 million, or $32.00 per common share. White Mountains recognized $4.7 million in pre-tax net investment gains associated with Symetra in the first quarter of 2016.

Note 13. Employee Share-Based Incentive Compensation Plans

White Mountains's 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 of White Mountains. White Mountains's 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. Awards generally vest at the end of a three-year period, are subject to the attainment of pre-specified performance goals, and are valued based on the market value of common shares at the time awards are approved for payment. The following table summarizes performance share activity for the three and six months ended June 30, 2017 and 2016 for performance shares granted under the WTM Incentive Plan:

Millions, except share amounts	Three Months Ended June 30, 2017 Target Performance Shares Outstanding	2017 Accrued Expense	2016 Target Performance Shares Outstanding	2016 Accrued Expense	Six Months Ended June 30, 2017 Target Performance Shares Outstanding	2017 Accrued Expense	2016 Target Performance Shares Outstanding	2016 Accrued Expense
Beginning of period	56,805	$ 24.0	108,683	$ 71.3	80,353	$ 42.4	93,654	$ 57.7
Shares paid [1]	(671)	(.8)	(36,294)	(41.3)	(30,838)	(21.6)	(36,294)	(41.3)
New grants	1,050	—	—	—	17,510	—	16,215	—
Forfeitures and cancellations[2]	(6,609)	(3.3)	908	.9	(16,450)	(9.0)	(278)	.3
Expense recognized	—	11.3	—	1.3	—	19.4	—	15.5
End of period[3]	50,575	$ 31.2	73,297	$ 32.2	50,575	$ 31.2	73,297	$ 32.2

(1) WTM performance share payments in 2017 for the 2014-2016 performance cycle, which were paid in March 2017, ranged from 34% to 76% of target. WTM performance share payments in 2016 for the 2013-2015 performance cycle ranged from 140% to 142% of target.

(2) Amounts include changes in assumed forfeitures, as required under GAAP.

(3) Outstanding performance share awards as of June 30, 2017 and 2016 exclude 2,195 and 7,315 performance share awards granted to employees of Sirius Group.

For performance shares earned in the 2014-2016 performance cycle, all performance shares earned were settled in cash. For the performance shares earned in the 2013-2015 performance cycle, the Company issued 5,000 common shares and settled the remainder in cash. If all the outstanding WTM performance shares had vested on June 30, 2017, the total additional compensation cost to be recognized would have been $32.3 million, based on accrual factors (common share price and payout assumptions) at June 30, 2017.

Performance Shares granted under the WTM Incentive Plan

The following table summarizes performance shares outstanding and accrued expense for performance shares awarded under the WTM Incentive Plan at June 30, 2017 for each performance cycle:

Millions, except share amounts	Target Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2015 – 2017	18,470	$ 18.3
2016 – 2018	16,315	10.3
2017 – 2019	16,560	3.1

Sub-total	51,345	31.7
Assumed forfeitures	(770)	(.5)
June 30, 2017	50,575	$ 31.2

Restricted Shares

The following table summarizes the unrecognized compensation cost associated with the outstanding restricted share awards for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
Millions, except share amounts	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value	Restricted Shares	Unamortized Issue Date Fair Value
Non-vested,								
Beginning of period	60,140	$ 29.1	66,470	$ 29.2	70,620	$ 19.7	70,675	$ 15.7
Issued	1,050	.9	—	—	17,785	16.7	21,215	16.3
Vested	(6,571)	—	—	—	(28,586)	—	(24,620)	—
Forfeited	(804)	(.7)	—	—	(6,004)	(3.5)	(800)	.2
Expense recognized	—	(5.8)	—	(5.0)	—	(9.4)	—	(8.0)
End of period [1]	53,815	$ 23.5	66,470	$ 24.2	53,815	$ 23.5	66,470	$ 24.2

[1] Restricted share awards outstanding as of June 30, 2017 and 2016 include 2,195 and 5,235 restricted shares issued to employees of Sirius Group, which was accounted for as discontinued operations.

During the three months ended June 30, 2017, White Mountains issued 550 restricted shares that vest on January 1, 2020, 250 restricted shares that vest on January 1, 2019 and 250 restricted shares that vest on January 1, 2018. During the first quarter of 2017, White Mountains issued 16,735 restricted shares that vest on January 1, 2020. During the first quarter of 2016, White Mountains issued 21,215 restricted shares that vest on January 1, 2019. The unamortized issue date fair value at June 30, 2017 is expected to be recognized ratably over the remaining vesting periods.

Stock Options

Non-Qualified Options

As January 20, 2017, the 125,000 Non-Qualified options issued to the Company's former Chairman and CEO had been exercised. During the first quarter of 2017, 40,000 Non-Qualified Options, with an intrinsic value of $4.4 million, were exercised in exchange for 5,142 common shares with an equal total market value. During 2016, 5,000 Non-Qualified Options, with an intrinsic value of $0.4 million, were exercised at $742 per common share and 80,000 Non-Qualified Options, with an intrinsic value of $8.4 million, were exercised in exchange for 9,930 common shares with an equal total market value. Intrinsic value represents the difference between the market price of the Company's common shares at the date of exercise less the fixed strike price of $742 per common share. The Non-Qualified Options were fully amortized as of 2011.

Note 14. Fair Value of Financial Instruments

White Mountains accounts for its financial instruments at fair value with the exception of the WTM Bank Facility, which was undrawn at June 30, 2017 and December 31, 2016, the MediaAlpha Bank Facility and the Previous MediaAlpha Bank Facility, which is recorded as debt at face value less unamortized original issue discount.

The following table summarizes the fair value and carrying value of these financial instruments as of June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
Millions	Fair Value	Carrying Value	Fair Value	Carrying Value
MediaAlpha Bank Facility	$10.6	$ 10.6	$ —	$ —
Previous MediaAlpha Bank Facility	—	—	13.0	12.7

The fair value estimate for the MediaAlpha Bank Facility and the Previous MediaAlpha Bank Facility has been determined based on a discounted cash flows approach and is considered to be a Level 3 measurement.

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Note 15. Held for Sale and Discontinued Operations

OneBeacon

On May 2, 2017, OneBeacon entered into a definitive agreement to be acquired by Intact Financial Corporation in an all-cash transaction for $18.10 per share, or roughly 1.65x tangible book value. White Mountains owns 75.7% of OneBeacon's outstanding common shares, representing 96.9% of the voting power as on June 30, 2017. On July 18, 2017, White Mountains voted its shares of OneBeacon Ltd. in favor of the OneBeacon Transaction. White Mountains expects to receive gross proceeds of $1.3 billion from the OneBeacon Transaction, which is expected to close in the third or fourth quarter of 2017 and is subject to regulatory approval and other customary closing conditions. The results of OneBeacon have been presented as discontinued operations in the statement of operations and comprehensive income for all periods and OneBeacon's assets and liabilities have been presented as held for sale as of June 30, 2017 and December 31, 2016. See Note 2 — "Significant Transactions".

Star & Shield

On March 7, 2017, White Mountains completed its sale of Star & Shield and its investment in SSIE surplus notes to K2 Insurances LLC. White Mountains did not recognize any gain or loss on the sale. Through December 31, 2016, Star & Shield's assets and liabilities are reported as held for sale within White Mountains's GAAP financial statements. See Note 2 — "Significant Transactions".

Tranzact

On July 21, 2016, White Mountains completed the sale of Tranzact to Clayton, Dubilier & Rice, LLC and received net proceeds of $221.3 million at closing. On October 5, 2016, White Mountains received additional proceeds of $1.2 million following the release of the post-closing purchase price adjustment escrow.

During 2016, White Mountains recorded a $51.9 million gain from the sale of Tranzact in discontinued operations, which included a $30.2 million tax expense for the reversal of a tax valuation allowance that is offset by a tax benefit recorded in continuing operations.

In the first quarter of 2017, White Mountains recorded a $1.0 million reduction to the gain from sale of Tranzact in discontinued operations as a result of 2016 tax payments.

During 2016, White Mountains recognized a $21.4 million tax benefit in continuing operations related to the reversal of a valuation allowance that resulted from the gain on the sale of Tranzact recognized within discontinued operations. This tax benefit was recorded in continuing operations with an offsetting amount of net tax expense recorded in discontinued operations, $30.2 million of tax expense was recorded to gain from sale of Tranzact in discontinued operations and a $8.8 million tax benefit was recorded to net income from discontinued operations.

Through July 21, 2016, Tranzact's results of operations are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements. Net loss from discontinued operations related to
Tranzact was $2.5 million and $0.5 million for the three and six months ended June 30, 2016. See Note 2 — "Significant Transactions".

Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI for approximately $2.6 billion. $161.8 million of this amount was used to purchase certain assets to be retained by White Mountains out of Sirius Group, including shares of OneBeacon. The amount paid at closing was based on an estimate of Sirius Group's closing date tangible common shareholder's equity. During 2016, White Mountains recorded $363.2 million of gain from sale of Sirius Group in discontinued operations in the statement of operations and $113.3 million in other comprehensive income from discontinued operations.

Through April 18, 2016, Sirius Group's results are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements. Assets held for sale did not include White Mountains's investment in OneBeacon and certain other investments that are in the Sirius Group legal entities. As of December 31, 2015, the value of these investments, net of related tax effects, was $686.2 million, of which $528.6 million related to

Symetra. Net loss from discontinued operations does not include White Mountains's net investment income and realized and unrealized investment gains and losses associated with these investments. For the three months and six ended June 30, 2016, $0.4 million and $3.7 million of net investment income and realized and unrealized investment gains and losses, net of related tax effects, that are included in the Sirius Group legal entities have been excluded from net loss from discontinued operations. For the three and six months ended June 30, 2016, White Mountains recorded $361.1 million and $360.2 million of total income from discontinued operations and $108.1 million and $145.3 million of other comprehensive income from Sirius Group.

During the second quarter of 2017, White Mountains recorded a $0.6 million reduction to the gain from sale of Sirius Group as a result of a change to the valuation of the accrued incentive compensation payable to Sirius Group employees. See Note 2 — "Significant Transactions".

Summary of Reclassified Balances and Related Items

Net Assets Held for Sale

The following table summarizes the assets and liabilities associated with business classified as held for sale. At June 30, 2017, amounts presented relate to OneBeacon. At December 31, 2016, amounts presented relate to OneBeacon, Star & Shield and SSIE.

Millions	June 30, 2017	December 31, 2016
Assets held for sale		
Fixed maturity investments, at fair value	$2,288.6	$2,175.7
Short-term investments, at amortized cost (which approximates fair value)	55.5	112.3
Common equity securities, at fair value	205.5	188.7
Other long-term investments	134.1	150.5
Total investments	2,683.7	2,627.2
Cash	71.3	70.5
Reinsurance recoverable on unpaid and paid losses	198.0	179.8
Insurance and reinsurance premiums receivable	245.4	229.8
Deferred acquisition costs	106.9	96.3
Deferred tax asset	130.1	126.7
Ceded unearned insurance and reinsurance premiums	56.6	44.2
Accounts receivable on unsettled investment sales	5.8	1.4
Goodwill and other intangible assets	.6	1.2
Other assets	198.0	222.4
Total assets held for sale	$3,696.4	$3,599.5
Liabilities held for sale		
Loss and loss adjustment expense reserves	$1,411.2	$1,370.6
Unearned insurance and reinsurance premiums	595.2	576.3
Debt	273.3	273.2
Accrued incentive compensation	39.5	44.3
Funds held under reinsurance treaties	210.2	153.0
Accounts payable on unsettled investment purchases	9.3	—
Other liabilities	140.1	151.9
Total liabilities held for sale	2,678.8	2,569.3
Net assets held for sale	$1,017.6	$1,030.2

Net Income (Loss) from Discontinued Operations

The following table summarizes the results of operations, including related income taxes, associated with the business classified as discontinued operations. For the three and six months ended June 30, 2017, the amounts presented relate to OneBeacon and Sirius Group. For the three and six months ended June 30, 2016, the amounts presented relate to OneBeacon, Sirius Group and Tranzact. The results of discontinued operations from Sirius Group and Tranzact up to the closing date of the transaction inured to White Mountains. Given the fixed price nature of the OneBeacon Transaction, OneBeacon's results were economically transferred to the buyer at signing.

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016			
Millions	OneBeacon	Sirius Group	Total	OneBeacon	Sirius Group	Other Disc Ops	Total
Revenues							
Earned insurance premiums	$277.4	$ —	$277.4	$271.4	$ 37.7	$ —	$309.1
Net investment income	14.5	—	14.5	12.1	2.2	—	14.3
Net realized and unrealized gains	12.3	—	12.3	24.7	7.3	—	32.0
Other revenue	2.1	—	2.1	.8	4.7	47.0	52.5
Total revenues	306.3	—	306.3	309.0	51.9	47.0	407.9
Expenses							
Loss and loss adjustment expenses	188.6	—	188.6	179.7	41.2	—	220.9
Insurance and reinsurance acquisition expenses	48.4	—	48.4	48.7	10.6	—	59.3
Other underwriting expenses							