WHITE MOUNTAINS INSURANCE GROUP LTD
Form 10-Q
May 02, 2016
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 March 31, 2016

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. 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

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 May 2, 2016, 5,064,039 common shares with a par value of $1.00 per share were outstanding (which includes 66,469 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)	March 31, 2016	December 31, 2015
Assets	Unaudited	
Fixed maturity investments, at fair value	$2,613.2	$ 2,639.7
Short-term investments, at amortized cost (which approximates fair value)	261.7	211.3
Common equity securities, at fair value	443.0	1,113.9
Other long-term investments	321.8	315.8
Total investments	3,639.7	4,280.7
Cash (restricted: $8.4 and $5.8)	178.8	179.3
Reinsurance recoverable on unpaid losses	150.9	186.5
Reinsurance recoverable on paid losses	16.6	7.5
Insurance premiums receivable	234.3	223.3
Deferred acquisition costs	109.8	107.6
Deferred tax asset	133.6	112.8
Ceded unearned insurance premiums	36.3	29.5
Accrued investment income	13.4	14.0
Accounts receivable on unsettled investment sales	4.5	41.9
Goodwill and intangible assets	371.5	375.7
Other assets	286.9	316.8
Assets held for sale	5,215.5	4,407.0
Total assets	$10,391.8	$ 10,282.6
Liabilities		
Loss and loss adjustment expense reserves	$1,349.6	$ 1,395.8
Unearned insurance premiums	626.5	612.6
Debt	532.6	440.5
Deferred tax liability	7.1	7.0
Accrued incentive compensation	114.2	141.7
Ceded reinsurance payable	31.8	30.5
Funds held under insurance contracts	134.9	137.8
Accounts payable on unsettled investment purchases	6.9	—
Other liabilities	229.8	264.7
Liabilities held for sale	3,121.1	2,884.0
Total liabilities	6,154.5	5,914.6
Equity		
White Mountains’s common shareholders’ equity		
White Mountains’s common shares at $1 par value per share - authorized 50,000,000 shares;		
issued and outstanding 5,415,462 and 5,623,735 shares	5.4	5.6
Paid-in surplus	933.5	972.6
Retained earnings	2,959.6	3,084.9
Accumulated other comprehensive loss, after tax:		
Net unrealized foreign currency translation losses	(108.3)	(145.6)
Pension liability and other	(4.3)	(4.3)
Total White Mountains’s common shareholders’ equity	3,785.9	3,913.2
Non-controlling interests	451.4	454.8
Total equity	4,237.3	4,368.0

Total liabilities and equity	$10,391.8	$ 10,282.6

See Notes to Consolidated Financial Statements

1

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

	Three Months Ended March 31,	
(Millions, except per share amounts)	2016	2015
Revenues:		
Earned insurance premiums	$282.1	$289.3
Net investment income	17.9	12.6
Net realized and unrealized investment gains	29.5	25.0
Other revenue	97.6	64.9
Total revenues	427.1	391.8
Expenses:		
Loss and loss adjustment expenses	161.1	167.9
Insurance acquisition expenses	52.7	53.0
Other underwriting expenses	55.4	56.0
General and administrative expenses	140.5	110.1
Interest expense	5.9	4.3
Total expenses	415.6	391.3
Pre-tax income from continuing operations	11.5	.5
Income tax benefit (expense)	8.7	(4.6)
Net income (loss) from continuing operations	20.2	(4.1)
Gain from sale of discontinued operations, net of tax	—	8.0
Net (loss) income from discontinued operations, net of tax	(.9)	65.8
Income before equity in earnings of unconsolidated affiliates	19.3	69.7
Equity in earnings of unconsolidated affiliates, net of tax	—	7.3
Net income	19.3	77.0
Net (income) loss attributable to non-controlling interests	(6.3)	7.3
Net income attributable to White Mountains's common shareholders	13.0	84.3
Other comprehensive (loss) income, net of tax:		
Change in equity in net unrealized gains from investments in Symetra common shares, net of tax	—	28.9
Change in foreign currency translation, pension liability and other, net of tax	.1	—
Change in foreign currency translation and other from discontinued operations, net of tax	37.2	(87.6)
Comprehensive income	50.3	25.6
Other comprehensive (loss) income attributable to non-controlling interests	—	—
Comprehensive income attributable to White Mountains's common shareholders	$50.3	$25.6

Income (loss) per share attributable to White Mountains's common shareholders		
Basic income per share		
Continuing operations	$2.51	$1.76
Discontinued operations	(.17)	12.33
Total consolidated operations	$2.34	$14.09
Diluted income per share		
Continuing operations	$2.51	$1.76
Discontinued operations	(.17)	12.33
Total consolidated operations	$2.34	$14.09
Dividends declared per White Mountains's common share	$1.00	$1.00

See Notes to Consolidated Financial Statements

2

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, 2016	$ 978.2	$ 3,084.9	$ (149.9)	$ 3,913.2	$ 454.8	$ 4,368.0
Net income	—	13.0	—	13.0	6.3	19.3
Net change in foreign currency translation	—	—	37.3	37.3	—	37.3
Total comprehensive income	—	13.0	37.3	50.3	6.3	56.6
Dividends declared on common shares	—	(5.4)	—	(5.4)	—	(5.4)
Dividends to non-controlling interests	—	—	—	—	(6.2)	(6.2)
Repurchases and retirements of common shares	(39.8)	(132.9)	—	(172.7)	—	(172.7)
Acquisition from non-controlling interests - OneBeacon	(2.7)	—	—	(2.7)	(8.8)	(11.5)
Issuance of shares to non-controlling interests	—	—	—	—	.3	.3
Net contributions from non-controlling interests	—	—	—	—	4.8	4.8
Amortization of restricted share awards	3.2	—	—	3.2	.2	3.4
Balance at March 31, 2016	$ 938.9	$ 2,959.6	$ (112.6)	$ 3,785.9	$ 451.4	$ 4,237.3

(Millions)	White Mountains's Common Shareholders' Equity Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2015	$ 1,034.7	$ 3,010.5	$ (49.5)	$ 3,995.7	$ 542.7	$ 4,538.4
Net income (loss)	—	84.3	—	84.3	(7.3)	77.0
Net change in unrealized gains from investments in unconsolidated affiliates	—	—	28.9	28.9	—	28.9
Net change in foreign currency translation	—	—	(87.8)	(87.8)	—	(87.8)
Net change in pension liability and other accumulated comprehensive items	—	—	.2	.2	—	.2
Total comprehensive income (loss)	—	84.3	(58.7)	25.6	(7.3)	18.3
Dividends declared on common shares	—	(6.0)	—	(6.0)	—	(6.0)
Dividends to non-controlling interests	—	—	—	—	(7.0)	(7.0)
Repurchases and retirements of common shares	(3.0)	(8.0)	—	(11.0)	—	(11.0)
Acquisition from non-controlling interests - Other	4.6	—	—	4.6	(4.6)	—
Net contributions from non-controlling interests	—	—	—	—	5.2	5.2

Amortization of restricted share awards	2.4	—	—	2.4	(.5)	1.9
Balance at March 31, 2015	$ 1,038.7	$ 3,080.8	$ (108.2)	$ 4,011.3	$ 528.5	$ 4,539.8

See Notes to Consolidated Financial Statements

3

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

(Millions)	Three Months Ended March 31, 2016	2015
Cash flows from operations:		
Net income	$19.3	$77.0
Charges (credits) to reconcile net income to net cash used for operations:		
Net realized and unrealized investment gains	(29.5)	(25.0)
Deferred income tax expense (benefit)	5.3	(.3)
Net loss (income) from discontinued operations	.9	(65.8)
Net gain on sale of discontinued operations	—	(8.0)
Amortization and depreciation	17.4	15.3
Undistributed equity in earnings from unconsolidated affiliates, net of tax	—	(7.3)
Other operating items:		
Net change in loss and loss adjustment expense reserves	(46.2)	(39.4)
Net change in reinsurance recoverable on paid and unpaid losses	26.5	13.9
Net change in unearned insurance premiums	13.9	7.6
Net change in variable annuity benefit guarantee liabilities	(.4)	(.4)
Net change in variable annuity benefit guarantee derivative instruments	7.0	9.4
Net change in deferred acquisition costs	(2.2)	(3.0)
Net change in funds held by ceding entities	—	19.7
Net change in ceded unearned premiums	(6.8)	(1.5)
Net change in funds held under insurance treaties	(2.8)	12.0
Net change in insurance premiums receivable	(11.0)	(18.3)
Net change in ceded reinsurance payable	1.3	5.2
Net change in restricted cash	(2.6)	(5.3)
Net change in other assets and liabilities, net	(31.8)	(29.2)
Net cash used for operations - continuing operations	(41.7)	(43.4)
Net cash used for operations - discontinued operations	(50.7)	(14.3)
Net cash used for operations	(92.4)	(57.7)
Cash flows from investing activities:		
Net change in short-term investments	(50.4)	(75.6)
Sales of fixed maturity and convertible investments	202.3	344.7
Maturities, calls and paydowns of fixed maturity and convertible investments	155.9	35.9
Sales of common equity securities	767.5	59.9
Distributions and redemptions of other long-term investments	3.0	3.4
Funding from operational cash flows for discontinued operations	—	7.9
Transfer of proceeds from Symetra sale to Sirius Group	(559.8)	—
Purchases of other long-term investments	(10.9)	(6.5)
Purchases of common equity securities	(86.1)	(38.8)
Purchases of fixed maturity and convertible investments	(315.2)	(398.7)
Purchases of consolidated and unconsolidated subsidiaries, net of cash acquired	(8.1)	(2.4)
Net change in unsettled investment purchases and sales	44.3	74.0
Net acquisitions of property and equipment	(2.7)	(4.0)
Net cash provided from (used for) investing activities - continuing operations	139.8	(.2)
Net cash (used for) provided from investing activities - discontinued operations	35.0	36.0
Net cash provided from investing activities	174.8	35.8

Cash flows from financing activities:		
Draw down of debt and revolving line of credit	107.0	4.5
Repayment of debt and revolving line of credit	(15.1)	(1.3)
Payments on capital lease obligation	(.5)	(1.3)
Cash dividends paid to the Company's common shareholders	(5.4)	(6.0)
Cash dividends paid to OneBeacon Ltd.'s non-controlling common shareholders	(4.7)	(4.9)
Common shares repurchased	(166.9)	(4.3)
OneBeacon Ltd. common shares repurchased and retired	(11.5)	(1.7)
Distribution to non-controlling interest shareholders	—	(.7)
Contributions to discontinued operations	(3.0)	(3.0)
Payments of contingent consideration related to purchases of consolidated subsidiaries	(7.8)	—
Capital contributions from BAM members	6.7	4.6
Net cash used for financing activities - continuing operations	(101.2)	(14.1)
Net cash provided from financing activities - discontinued operations	2.4	1.8
Net cash used for financing activities	(98.8)	(12.3)
Effect of exchange rate changes on cash (excludes $4.2 and ($8.5) related to discontinued operations)	—	—
Net change in cash during the period - continuing operations	(3.1)	(57.7)
Cash balances at beginning of period (excludes restricted cash balances of $5.8 and $23.7 and discontinued operations cash balances of $143.9 and $111.5)	173.5	238.0
Cash balances at end of period (excludes restricted cash balances of $8.4 and $29.0 and discontinued operations cash balances of $134.8 and $126.5)	$170.4	$180.3
Supplemental cash flows information:		
Interest paid	$(1.6)	$—
Net income tax refund from (payment to) national governments	$13.5	$(8.0)

See Notes to Consolidated Financial Statements

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 and reinsurance subsidiaries and affiliates. The Company's headquarters is located at 14 Wesley Street, Hamilton, Bermuda HM 11, its principal executive office is located at 80 South Main Street, Hanover, New Hampshire 03755-2053 and its registered office is located at Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11. White Mountains's reportable segments are OneBeacon, HG Global/BAM and Other Operations. As discussed further in Note 2, 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. (See Note 2 - "Significant Transactions"). Accordingly, for the quarter ended March 31, 2016, Sirius Group has been presented as discontinued operations in the statement of comprehensive income and its assets and liabilities have been classified as held of sale in the balance sheet. Prior year amounts have been reclassified to conform to the current period's presentation. (See Note 17 - "Discontinued Operations").

The OneBeacon segment consists of OneBeacon Insurance Group, Ltd. ("OneBeacon Ltd."), an exempted Bermuda limited liability company that owns a family of property and casualty insurance companies (collectively, "OneBeacon"). OneBeacon is a specialty property and casualty insurance writer that offers a wide range of insurance products in the United States through independent agencies, regional and national brokers, wholesalers and managing general agencies. As of March 31, 2016 and December 31, 2015, White Mountains owned 76.1% and 75.5% of OneBeacon Ltd.'s outstanding common shares.

The HG Global/BAM segment consists of HG Global Ltd. ("HG Global") and the consolidated results of Build America Mutual Assurance Company ("BAM"). BAM is a municipal bond insurer domiciled in New York that was established in 2012 to provide insurance on bonds issued to support essential U.S. public purposes such as schools, utilities, core governmental functions and existing transportation facilities. 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"). HG Global, through its wholly-owned subsidiary, HG Re Ltd. ("HG Re"), also provides 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. As of March 31, 2016 and December 31, 2015, 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, which is a mutual insurance company owned by its members. However, GAAP requires White Mountains to consolidate BAM's results in its financial statements. BAM's results are attributed to non-controlling interests.

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"), White Mountains's variable annuity reinsurance business, White Mountains Life Reinsurance (Bermuda) Ltd. ("Life Re Bermuda"), which is in runoff with all of its contracts maturing by June 30, 2016, and its U.S.-based service provider, White Mountains Financial Services LLC (collectively, "WM Life Re"), and White Mountains's ownership positions in Tranzact Holdings, LLC, QL Holdings, LLC (together with its subsidiaries "MediaAlpha") and Wobi Insurance Agency Ltd. ("Wobi"). The Other Operations segment also includes Star & Shield Services LLC, Star & Shield Risk Management LLC ("SSRM"), and Star & Shield Claims Services LLC (collectively "Star & Shield"). Star & Shield provides management services for a fee to Star & Shield Insurance Exchange ("SSIE"), a reciprocal that is owned by its members, who are policyholders. As of March 31, 2016, White Mountains holds $21.0 million of surplus notes issued by SSIE (the "SSIE Surplus Notes") but does not have an ownership interest in SSIE. However, because SSRM's role as the attorney-in-fact to SSIE gives it the power to direct the significant economic activities of SSIE, White Mountains is required to consolidate SSIE in its GAAP financial statements. SSIE's results do not affect White Mountains's common shareholders’ equity as they are attributable to non-controlling interests.

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 present 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 2015 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 2015 Annual Report on Form 10-K for a complete discussion regarding White Mountains's significant accounting policies.

Recently Adopted Changes in Accounting Principles

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 March 31, 2016 and accordingly, there was no effect to White Mountains's financial statements upon adoption.

Fair Value Measurements
On January 1, 2016, White Mountains adopted ASU 2015-07, Fair Value Measurement - Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (ASC 820), which eliminates the requirement to disclose the fair value hierarchy level for investments for which fair value is measured at net asset value using the practical expedient in ASC 820. White Mountains measures the fair value of its investments in hedge funds and private equity funds using this practical expedient. Upon adoption, these fair value measurements are no longer classified within the fair value hierarchy. Prior year amounts have been modified to conform to the current year's disclosures.

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 a significant 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. White Mountains has applied the guidance retrospectively and as a result has reclassified $1.9 million of unamortized debt issuance costs from other assets to debt as of December 31, 2015, reflecting these amounts as a reduction from the related debt, and has

modified its disclosures to include the required effective interest rate on its debt. As of March 31, 2016, the unamortized debt issuance costs included in debt is $3.8 million.

Recently Issued Accounting Pronouncements

Short-Duration Contracts
On May 21, 2015, the FASB issued ASU 2015-09, Disclosures about Short Duration Contracts (ASC 944), which requires expanded footnote disclosures about loss and loss adjustment expense ("LAE") reserves. Under the new guidance, some disclosures currently presented outside of White Mountains's financial statements, such as loss development tables and a reconciliation of loss development data to the loss and LAE reserves reflected on the balance sheet, will become part of the financial statement footnotes. In addition, the loss development tables required to be presented under the new ASU must be presented on a disaggregated basis by accident year rather than by reporting year as currently presented. Some of the expanded disclosures are new requirements, such as the disclosure of reserves for losses incurred but not reported ("IBNR") plus expected development on reported claims, which must be presented by accident year on a disaggregated basis. The new guidance also requires new disclosures about claim frequency data together with descriptions of the approach used to measure that data. Qualitative descriptions of methodologies and assumptions used to develop IBNR estimates must be presented together with the amounts of IBNR to which they relate, along with a discussion of any significant changes in methodology and assumptions and the related effect upon the loss reserves. The new guidance will be effective for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016 with retrospective restatement of prior periods required. White Mountains will modify its financial statement footnote disclosures to conform to the requirements of ASU 2015-09 upon adoption, including revisions to prior year's disclosures.

Stock Compensation
On March 30, 2016, the Board issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (ASC 718) which is intended to simplify 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. The new guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. White Mountains does not expect a significant effect upon adoption.

Leases
On February 25, 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
On January 5, 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASC 825-10). The new guidance requires all equity securities with readily determinable fair values 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 investments without readily determinable fair values to identify impairment, and for impaired equity security investments 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 has taken the fair value election for its portfolio of equity security investments and, accordingly, does not expect the adoption of ASU 2016-01 to have a significant impact on its financial statements.

Revenue Recognition

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC 606), which modifies the guidance for revenue recognition. The scope of the new ASU excludes insurance contracts but is applicable to certain fee arrangements, such as third party investment management fees charged by White Mountains Advisors as well as commissions and other non-insurance revenues. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (ASC 606), which delayed the effective date of ASU 2014-09 to annual and interim reporting periods beginning after December 15, 2017. White Mountains is in the process of evaluating the new guidance and has not yet determined the potential effect of adoption on its financial position, results of operations, or cash flows.

Note 2. Significant Transactions

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. The purchase price will be adjusted upon determination of Sirius Group's actual closing date tangible common shareholder's equity.

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 does not include White Mountains's investment in OneBeacon and certain other investments were held in the Sirius Group legal entities as of March 31, 2016 and December 31, 2015. The value of these investments, net of related tax effects, is approximately $161.8 million and $686.2 million, of which $0 and $528.6 million was Symetra's common shares, as of March 31, 2016 and December 31, 2015.

In connection with the transaction, White Mountains caused Sirius Group to purchase several industry loss warranty contracts to mitigate the potential impact of major events on Sirius Group's balance sheet pending the close of the sale to CMI (the "ILW Covers"). The cost and potential economic benefit provided by the coverage under the ILW Covers inure to White Mountains. The majority of the contracts expire in May or June 2016. The following summarizes the ILW Covers:

Scope	Limit	Industry Loss Trigger
United States first event	$75.0 million	$40.0 billion
United States first event	$22.5 million	$50.0 billion
United States second event	$45.0 million	$15.0 billion
Japan first event [1]	$25.0 million	$12.5 billion

[1] ILW cover expired on March 31, 2016.

Symetra

On February 1, 2016, White Mountains sold its investment in Symetra for proceeds of $658.0 million, or $32.00 per share. (See Note 14 - "Investments in Unconsolidated Affiliates").

OneBeacon Crop Business

On July 31, 2015, OneBeacon exited its multiple peril crop insurance ("MPCI") and its related crop-hail business (collectively, "Crop Business") as its exclusive managing general agency, Climate Crop Insurance Agency ("CCIA"), exited the business through a sale of the agency to an affiliate of AmTrust. As a result of the transaction, OneBeacon and CCIA agreed to an early termination of the existing five-year agreement. In connection with the termination of the agreement, OneBeacon received a payment of $3.0 million. Also related to the transaction, OneBeacon withdrew its 2016 Plan of Operations, which previously authorized it to write MPCI for the 2016 Reinsurance Year, and affiliates of AmTrust agreed to reinsure the Company's remaining net Crop Business exposure for the 2015 Reinsurance Year under a related 100% quota share reinsurance agreement which, coupled with other transfer and assignment agreements as well as communications with policyholders and agents, had the effect of assumption reinsurance. As a result of this transaction, the Company has no material net exposure related to the Crop Business.

Tranzact

On October 10, 2014, White Mountains acquired majority ownership of Tranzact, a provider of comprehensive direct-to-consumer customer acquisition solutions for leading insurance carriers. White Mountains acquired 63.2% of Tranzact for a purchase price of $177.7 million, representing an enterprise value of $281.2 million. Immediately following the closing, Tranzact completed a recapitalization that allowed for the return of $44.2 million to White Mountains.

As of the acquisition date, White Mountains recognized total assets acquired related to Tranzact of $332.8 million, including $41.4 million of tangible assets, $145.1 million of goodwill, and $146.3 million of other intangible assets, and total liabilities assumed of $108.7 million at their estimated fair values. The liabilities assumed include a contingent consideration liability of $7.4 million associated with a prior acquisition by Tranzact. The contingent consideration is payable if earnings before interest expense, taxes, depreciation and amortization ("EBITDA") of the acquiree exceed amounts defined in the purchase agreement.

On September 1, 2015, Tranzact acquired 100.0% of the outstanding share capital of TruBridge, Inc. and TruBroker, LLC (collectively "TruBridge") for a purchase price of $31.0 million. The purchase price is subject to an adjustment linked to the amount of marketing expense reimbursements expected to be received in 2016 and 2017. As of the acquisition date, Tranzact recognized total assets acquired of $54.5 million, which includes $18.7 million of goodwill and $28.1 million of other intangible assets, and total liabilities assumed of $4.3 million at their estimated fair values.

On November 6, 2015, Tranzact acquired the domain name CancerInsurance.com for a purchase price of $3.1 million, which is included in other intangible assets. The purchase price included cash of $1.1 million and a liability of $2.0 million for contingent consideration that is payable if EBITDA exceeds amounts defined in the purchase agreement between November 6, 2016 and May 6, 2018. The maximum amount of the contingent consideration is $6.8 million.

MediaAlpha

On March 14, 2014, White Mountains acquired 60% of the outstanding Class A common units of MediaAlpha. MediaAlpha is a California-based advertising technology company that develops programmatic platforms that bring transparency and efficiency to the buying and selling of insurance and other vertical-specific performance media (clicks, calls and leads). MediaAlpha's exchange technology and sophisticated analytical tools facilitate transparent, real-time transactions between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory). MediaAlpha works with over 200 advertisers and 200 publishers across a number of insurance (auto, motorcycle, home, renter, health, and life) and non-insurance (travel, education) verticals.

White Mountains paid an initial purchase price of $28.1 million. The purchase price was subject to adjustment equal to 62.5% of the 2015 gross profit in excess of the 2013 gross profit. On February 26, 2016, White Mountains paid $7.8 million in settlement of the final purchase adjustment. After adjustment for the estimated contingent purchase price adjustment, White Mountains recognized total assets acquired related to MediaAlpha of $70.1 million, including $18.3 million of goodwill and $38.5 million of other intangible assets, and total liabilities assumed of $10.0 million, reflecting acquisition date fair values.

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, consist of customer relationships, a customer contract, a non-compete agreement from the seller, domain names and technology.

Wobi

On February 19, 2014, White Mountains acquired 54% of the outstanding common shares of Wobi for NIS 14.4 million (approximately $4.1 million based upon the foreign exchange spot rate at the date of acquisition). During 2014, in addition to the common shares, White Mountains also purchased NIS 31.5 million (approximately $9.0 million based upon the foreign exchange spot rate at the dates of acquisition) of newly-issued convertible preferred shares of Wobi. Wobi is the only price comparison/aggregation business in Israel, with an insurance carrier panel that represents 85% of the premiums written in the Israeli insurance market. Wobi sells four insurance lines of business, primarily personal auto, and operates as an agency, charging upfront commissions on all insurance policy sales. Wobi also offers a pension products comparison service for Israeli customers and is paid transaction fees when customers use the service to connect to companies that sell those pension products. As of the acquisition date, White Mountains recognized total assets acquired related to Wobi of $13.4 million, including $5.5 million of goodwill and $2.9 million of other intangible assets; and total liabilities assumed of $0.7 million at their estimated fair values.

During 2015, White Mountains purchased NIS 91.4 million (approximately $23.8 million based upon the foreign exchange spot rate at the dates of acquisition) of convertible preferred shares of Wobi. For both periods, March 31, 2016 and December 31, 2016, White Mountains's ownership share was 96.1% on a fully converted basis.

During 2015, Wobi acquired Tnuva Finansit Ltd. ("Cashboard") in two transactions for a total of NIS 35.9 million (approximately $8.9 million based upon the foreign exchange spot rate at the dates of acquisition). The acquisition of Cashboard accelerated Wobi's development of its pension products comparison service. As of the acquisition date, Wobi recognized total assets acquired of $5.5 million, including $0.3 million of goodwill and $2.8 million of other intangible assets; and total liabilities assumed of $1.2 million at their estimated acquisition date fair values.

Star & Shield

On January 31, 2014, White Mountains acquired certain assets and liabilities of Star & Shield Holdings LLC, including SSRM, the attorney-in-fact for SSIE, for a purchase price of $1.8 million.

White Mountains owns $21.0 million of surplus notes issued by SSIE. Principal and interest on the surplus notes are payable to White Mountains only with approval from the Florida Office of Insurance Regulation.

SSIE is a Florida-domiciled reciprocal insurance exchange providing private passenger auto insurance to the public safety community and their families. SSIE is a variable interest entity ("VIE"). As a result of SSRM's role as the attorney-in-fact to SSIE and the investment in SSIE's Surplus Notes, White Mountains is required to consolidate SSIE. At March 31, 2016 and December 31, 2015, consolidated amounts included total assets of $13.3 million and $14.2 million and total liabilities of $29.4 million and $30.3 million, respectively, of SSIE. The surplus notes purchased by White Mountains and the corresponding liability included in SSIE's liabilities are eliminated in consolidation. For the three months ended March 31, 2016 and 2015, SSIE had pre-tax losses of $0.1 million and $1.1 million that were recorded in net loss attributable to non-controlling interests.

Essentia Insurance Company

Effective January 1, 2013, OneBeacon completed the sale of Essentia Insurance Company ("Essentia"), an indirect wholly-owned subsidiary which wrote the collector cars and boats business, to Markel Corporation. During the first quarter of 2015, OneBeacon recognized in other revenues a $3.7 million negative adjustment to the pre-tax gain on sale of Essentia in connection with an assessment from the Michigan Catastrophic Claims Association payable to Markel Corporation pursuant to the indemnification provisions in the stock purchase agreement governing the sale of Essentia.

Note 3. Loss and Loss Adjustment Expense Reserves

The following table summarizes the loss and loss adjustment expense ("LAE") reserve activities of White Mountains's insurance and reinsurance subsidiaries for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
Millions	2016	2015
Gross beginning balance	$1,395.8	$1,350.0
Less beginning reinsurance recoverable on unpaid losses	(186.5)	(161.7)
Net loss and LAE reserves	1,209.3	1,188.3
Loss and LAE incurred relating to:		
Current year losses	161.2	169.8
Prior year losses	(0.1)	(1.9)
Total incurred losses and LAE	161.1	167.9
Loss and LAE paid relating to:		
Current year losses	(23.1)	(23.3)
Prior year losses	(148.6)	(164.0)
Total loss and LAE payments	(171.7)	(187.3)
Net ending balance	1,198.7	1,168.9
Plus ending reinsurance recoverable on unpaid losses	150.9	141.7
Gross ending balance	$1,349.6	$1,310.6

Loss and LAE incurred relating to prior year losses for the three months ended March 31, 2016

For the three months ended March 31, 2016, White Mountains experienced net favorable loss reserve development of $0.1 million. During the three months ended March 31, 2016, OneBeacon experienced no net loss and LAE reserve development on prior accident year reserves, as favorable development from several businesses, including Technology and Accident, was offset by unfavorable development primarily in Healthcare. For the three months ended March 31, 2016, SSIE had net favorable loss reserve development of $0.1 million.

Loss and LAE incurred relating to prior year losses for the three months ended March 31, 2015
For the three months ended March 31, 2015, White Mountains experienced net favorable loss reserve development of $1.9 million. For the three months ended March 31, 2015, OneBeacon had net favorable loss reserve development of $1.8 million primarily attributable to favorable development from Crop resulting from the 2014 crop year and favorable development in several other businesses, including Ocean Marine, Technology, Government Risks, Surety and Specialty Property. This favorable development was mostly offset by unfavorable development in Entertainment driven by several claims and by losses within the Inland Marine business driven by a few large claims. For the three months ended March 31, 2015, SSIE had net favorable loss reserve development of $0.1 million.

Note 4. Third Party Reinsurance

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

OneBeacon
At March 31, 2016, OneBeacon had $16.6 million and $150.4 million of reinsurance recoverables on paid and unpaid losses. At December 31, 2015, OneBeacon had $7.5 million and $186.0 million of reinsurance recoverables on paid and unpaid losses. Reinsurance contracts do not relieve OneBeacon of its obligation to its policyholders. OneBeacon is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. OneBeacon monitors the financial strength and ratings of its reinsurers on an ongoing basis. Uncollectible amounts related to the ongoing specialty business historically have not been significant.
In the first quarter of 2016, OneBeacon entered into a 50% quota share reinsurance agreement related to its Financial Institutions business.

Note 5. Investment Securities

White Mountains's invested assets consist of investment securities and other long-term investments held for general investment purposes. The portfolio of investment securities includes 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. Realized and unrealized investment gains and losses on trading securities are reported in pre-tax revenues.
White Mountains's investments in fixed maturity investments are generally valued using industry standard pricing models. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life.
Realized investment gains and 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 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 March 31, 2016 and December 31, 2015.
Other long-term investments consist primarily of hedge funds, private equity funds, direct investments in privately held common and convertible securities and the OneBeacon surplus notes.

Net Investment Income

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

Pre-tax net investment income for the three months ended March 31, 2016 and 2015 consisted of the following:

Millions	Three Months Ended March 31, 2016	2015
Investment income:		
Fixed maturity investments	$14.5	$12.5
Short-term investments	.2	—
Common equity securities	1.2	2.2
Other long-term investments	2.8	(.1)
Total investment income	18.7	14.6
Third-party investment expenses	(.8)	(2.0)
Net investment income, pre-tax	$17.9	$12.6

Net Realized and Unrealized Investment Gains (Losses)

Net realized and unrealized investment gains (losses) consisted of the following:

Millions	Three Months Ended March 31, 2016	2015
Net realized investment gains, pre-tax	$256.8	$14.8
Net unrealized investment (losses) gains, pre-tax	(227.3)	10.2
Net realized and unrealized investment gains, pre-tax	29.5	25.0
Income tax expense attributable to net realized and unrealized investment gains	(8.5)	(7.1)
Net realized and unrealized investment gains, after tax	$21.0	$17.9

Net realized investment gains (losses)

Net realized investment gains (losses) for the three months ended March 31, 2016 and 2015 consisted of the following:

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
Millions	Net realized (losses) gains	Net foreign currency gains	Total net realized (losses) gains reflected in earnings	Net realized gains (losses)	Net foreign currency gains	Total net realized gains (losses) reflected in earnings
Fixed maturity investments	$(1.1)	$ —	$ (1.1)	$.5	$ —	$ .5
Short-term investments	—	—	—	—	—	—
Common equity securities	257.6	—	257.6	22.0	.5	22.5
Other long-term investments	.3	—	.3	(8.2)	—	(8.2)
Net realized investment gains, pre-tax	256.8	—	256.8	14.3	.5	14.8
Income tax expense attributable to net realized investment gains	(42.9)	—	(42.9)	(4.5)	—	(4.5)

Net realized investment gains, after tax	$213.9	$ —	$ 213.9	$9.8	$ .5	$ 10.3

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Net unrealized investment gains (losses)

The following table summarizes net unrealized investment gains (losses) and changes in the carrying value of investments measured at fair value:

Millions	Three Months Ended March 31, 2016 Net unrealized gains (losses)	Net foreign currency gains	Total net unrealized gains (losses) reflected in earnings	Three Months Ended March 31, 2015 Net unrealized gains (losses)	Net foreign currency(losses)	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	$21.7	$ —	$ 21.7	$11.4	$ —	$ 11.4
Short-term investments	—	—	—	—	—	—
Common equity securities	(249.8)	2.4	(247.4)	(2.8)	(4.0)	(6.8)
Other long-term investments	(2.0)	.4	(1.6)	6.6	(1.0)	5.6
Net unrealized investment (losses) gains, pre-tax	(230.1)	2.8	(227.3)	15.2	(5.0)	10.2
Income tax benefit (expense) attributable to net unrealized investment (losses) gains	34.4	—	34.4	(2.6)	—	(2.6)
Net unrealized investment (losses) gains, after tax	$(195.7)	$ 2.8	$ (192.9)	$12.6	$ (5.0)	$ 7.6

The following table summarizes the amount of total gains (losses) included in earnings attributable to unrealized investment gains (losses) for Level 3 investments for the three months ended March 31, 2016 and 2015:

Millions	Three Months Ended March 31, 2016	2015
Fixed maturity investments	$.5	$.2
Common equity securities	—	(1.8)
Other long-term investments	1.1	5.7
Total unrealized investment gains, pre-tax - Level 3 investments	$1.6	$4.1

Investment Holdings

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of White Mountains's fixed maturity investments as of March 31, 2016 and December 31, 2015 were as follows:

Millions	March 31, 2016 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
U.S. Government and agency obligations	$88.4	$ .4	$ —	$ —	$88.8
Debt securities issued by corporations	899.0	12.5	(1.1)	—	910.4
Municipal obligations	264.3	4.6	(.2)	—	268.7
Mortgage-backed and asset-backed securities	1,259.9	5.1	(4.1)	—	1,260.9
Foreign government, agency and provincial obligations	1.0	.2	—	—	1.2
Preferred stocks	78.3	4.9	—	—	83.2
Total fixed maturity investments	$2,590.9	$ 27.7	$ (5.4)	$ —	$2,613.2

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	December 31, 2015				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
U.S. Government and agency obligations	$160.4	$ —	$ (.4)	$ —	$160.0
Debt securities issued by corporations	1,001.0	4.3	(5.3)	—	1,000.0
Municipal obligations	227.8	2.2	(1.2)	—	228.8
Mortgage-backed and asset-backed securities	1,170.6	2.0	(5.6)	—	1,167.0
Foreign government, agency and provincial obligations	1.0	.2	—	—	1.2
Preferred stocks	78.3	4.4	—	—	82.7
Total fixed maturity investments	$2,639.1	$ 13.1	$ (12.5)	$ —	$2,639.7

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of White Mountains's common equity securities and other long-term investments as of March 31, 2016 and December 31, 2015 were as follows:

	March 31, 2016				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency (losses)	Carrying value
Common equity securities	$399.0	$ 52.9	$ (8.9)	$ —	$ 443.0
Other long-term investments	$312.3	$ 32.7	$ (21.3)	$ (1.9)	$ 321.8

	December 31, 2015				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency (losses)	Carrying value
Common equity securities	$822.5	$ 302.8	$ (11.4)	$ —	$1,113.9
Other long-term investments	$304.5	$ 32.0	$ (18.4)	$ (2.3)	$315.8

Other Long-term Investments

Other long-term investments consist of the following as of March 31, 2016 and December 31, 2015:

	Carrying Value at	
Millions	March 31, 2016	December 31, 2015
Hedge funds and private equity funds, at fair value[1]	$131.3	$ 127.8
Private equity securities and limited liability companies, at fair value[1]	84.7	82.1
Surplus notes investments, at fair value[1]	51.8	51.5
Private convertible preferred securities[1]	32.9	32.7
Tax advantaged federal affordable housing development fund[2]	14.1	14.7
Partnership investments accounted for under the equity method	3.7	3.8
Other	3.3	3.2
Total other-long term investments	$321.8	$ 315.8

[1] See Fair Value Measurements by Level table.

[2] Fund accounted for using the proportional amortization method.

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 has been estimated using the net asset value of the funds. As of March 31, 2016, White Mountains held investments in 5 hedge funds and 23 private equity funds. The largest investment in a single fund was $22.8 million as of March 31, 2016. The following table summarizes investments in hedge funds and private equity funds by investment objective and sector as of March 31, 2016 and December 31, 2015:

	March 31, 2016		December 31, 2015	
Millions	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Hedge funds				
Long/short equity REIT	$20.2	$ —	$20.6	$ —
Long/short banks and financial	12.6	—	12.8	—
Other	3.6	—	3.6	—
Total hedge funds	36.4	—	37.0	—
Private equity funds				
Aerospace/Defense/Government	27.9	22.1	19.8	30.3
Manufacturing/Industrial	25.8	2.1	24.9	2.5
Energy infrastructure & services	18.0	3.3	20.7	3.4
Multi-sector	13.0	2.1	14.8	2.1
Private equity secondaries	3.9	2.1	4.4	2.1
Healthcare	3.8	.4	3.8	.4
Insurance	2.0	41.3	2.0	41.3
Real estate	.5	.1	.4	.1
Total private equity funds	94.9	73.5	90.8	82.2
Total hedge funds and private equity funds included in other long-term investments	$131.3	$ 73.5	$127.8	$ 82.2

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.

The following summarizes the March 31, 2016 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

	Notice Period			
Millions	30-59 days	60-89 days	90-119 days	Total
Redemption frequency	notice	notice	notice	
Monthly	$—	$ —	$ —	$—
Quarterly	13.7	—	—	13.7
Semi-annual	—	20.2	—	20.2
Annual	—	—	2.5	2.5
Total	$13.7	$ 20.2	$ 2.5	$36.4

Certain of White Mountains's hedge fund investments are no longer active and are in the process of disposing of their underlying investments. Distributions from such funds are remitted to investors as the fund's underlying investments are liquidated. As of March 31, 2016, distributions of $1.1 million were outstanding from these investments. The actual amount of the final distribution remittances remain subject to market fluctuations. The date at which such remittances will be received is not determinable as of March 31, 2016.

White Mountains has also submitted redemption requests for certain of its investments in active hedge funds. As of March 31, 2016, redemptions of $2.5 million are outstanding that would be subject to market fluctuations. The date at which such redemptions will be received is not determinable as of March 31, 2016. Redemptions are recorded as receivables when the 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 March 31, 2016, 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	$29.2	$3.9	$61.8	$—	$94.9

OneBeacon Surplus Notes

In the fourth quarter of 2014, in conjunction with the Runoff Transaction, OneBeacon provided financing in the form of surplus notes having a par value of $101.0 million, which had a fair value of $51.8 million and $51.5 million as of March 31, 2016 and December 31, 2015, respectively. The surplus notes, issued by one of the transferred entities, Bedivere ("Issuer"), were in the form of both seller priority and pari passu notes.

The internal valuation model used to estimate the fair value is based on discounted expected cash flows using information as of the measurement date. The estimated fair value of the surplus notes is sensitive to changes in treasury rates and public debt credit spreads, as well as changes in estimates with respect to other variables including a discount to reflect the private nature of the notes (and the related lack of liquidity), the credit quality of the notes and the timing, amount, and likelihood of interest and principal payments on the notes, which are subject to regulatory approval and therefore may vary from the contractual terms. An interest payment of $2.4 million was received in the three months ended March 31, 2016. OneBeacon has assumed for valuation purposes that subsequent interest payments will begin in year five (2020) and principal repayments begin on a graduated basis in year ten (2025) for the seller priority note and year fifteen (2030) for the pari passu note. Although these variables involve considerable judgment, the Company does not currently expect any resulting changes in the estimated value of the surplus notes to be material to its financial position.

Below is a table illustrating the valuation adjustments taken to arrive at estimated fair value of the surplus notes as of March 31, 2016 and December 31, 2015:

Millions	Type of Surplus Note		Total as of March 31, 2016	Total as of December 31, 2015
	Seller Priority	Pari Passu		
Par Value	$57.9	$43.1	$101.0	$ 101.0
Fair value adjustments to reflect:				
Current market rates on public debt and contract-based repayments[1]	(.5)	(14.2)	(14.7)	(15.1)
Regulatory approval [2]	(11.4)	(13.0)	(24.4)	(24.2)
Liquidity adjustment [3]	(7.8)	(2.3)	(10.1)	(10.2)
Total adjustments	(19.7)	(29.5)	(49.2)	(49.5)
Fair value	$38.2	$13.6	$51.8	$ 51.5

(1) Represents the value of the surplus notes, at current market yields on comparable publicly traded debt, and assuming issuer is allowed to make principal and interest payments when its financial capacity is available, as measured by statutory capital in excess of a 250% RBC score.

(2) Represents anticipated timing of securing regulatory approvals for interest and principal payments to reflect graduated changes in Issuer's statutory surplus. The monetary impact of the anticipated timing is measured based on credit spreads of public securities with roughly equivalent percentages of discounted payments missed.

(3) Represents impact of liquidity spread to account for OneBeacon's sole ownership of the surplus notes, lack of a trading market and ongoing regulatory approval risk.

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Fair value measurements as of March 31, 2016

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").

White Mountains used quoted market prices or other observable inputs to determine fair value for 89% of its investment portfolio as of March 31, 2016. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, common equity securities and short-term investments, which include U.S. Treasury Bills. 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, municipal obligations, mortgage and asset-backed securities, foreign government, agency and provincial obligations and preferred stocks. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Investments valued using Level 2 inputs also include certain 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's published NAV to account for the difference in market close times. Level 3 fair value estimates based upon unobservable inputs include White Mountains's investments in surplus notes, as well as certain investments in fixed maturity investments, common 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 models and observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, 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, evaluation of model pricing methodologies, review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from different independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices and review of assumptions utilized by the pricing service for selected 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 procedures are considered outliers. Also considered outliers are prices that haven't 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 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 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 follow:

Debt securities issued by corporations: The fair value of debt securities issued by corporations is determined from an evaluated pricing model 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 an evaluated pricing model 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 model 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 an evaluated pricing model 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.

Preferred stocks: The fair value of preferred stocks is determined from an evaluated pricing model that calculates the appropriate spread over a comparable security for each issue. Key inputs include exchange prices (underlying and common stock of same issuer), 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.

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 the audited annual financial statements of hedge funds and private equity funds and periodically discussing each fund’s pricing with the fund manager. However, since the fund managers do not provide sufficient information to evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable. The fair value of White Mountains’s investments in hedge funds and private equity funds has been determined using net asset value.

Fair Value Measurements by Level

The following tables summarize White Mountains's fair value measurements for investments as of March 31, 2016 and December 31, 2015 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-backed or asset-backed securities vary depending on the nature of the issuing entity type. White Mountains further disaggregates debt securities issued by corporations and 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 Barclays Intermediate Aggregate and S&P 500 indices.

	March 31, 2016			
Millions	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	$88.8	$72.3	$16.5	$—
Debt securities issued by corporations:				
Consumer	242.1	—	242.1	—
Financials	155.5	—	155.5	—
Industrial	135.1	—	135.1	—
Health Care	124.7	—	124.7	—
Energy	69.3	—	69.3	—
Utilities	57.2	—	57.2	—
Technology	57.1	—	57.1	—
Communications	43.3	—	43.3	—
Materials	26.1	—	26.1	—
Other	—	—	—	—
Total debt securities issued by corporations	910.4	—	910.4	—
Mortgage-backed and asset-backed securities	1,260.9	—	1,260.9	—
Municipal obligations	268.7	—	268.7	—
Foreign government, agency and provincial obligations	1.2	.6	.6	—
Preferred stocks	83.2	—	12.7	70.5
Total fixed maturity investments	2,613.2	72.9	2,469.8	70.5
Short-term investments	261.7	261.7	—	—
Common equity securities:				
Exchange traded funds [(1)]	130.5	109.0	21.5	—
Consumer	73.1	73.1		—
Technology	47.8	47.8	—	—
Health Care	39.0	39.0	—	—
Communications	34.9	34.9	—	—
Industrial	30.0	30.0	—	—
Financials	12.9	12.9	—	—
Other	74.8	—	74.8	—
Total common equity securities	443.0	346.7	96.3	—
Other long-term investments [(2)(3)]	172.7	—	—	172.7

Total investments	$3,490.6	$681.3	$2,566.1	$243.2

(1) 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.
(2) Excludes carrying value of $3.7 associated with other long-term investment limited partnerships accounted for using the equity method. Excludes carrying value of $14.1 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.
(3) Excludes carrying value of $131.3 associated with hedge funds and private equity funds for which fair value is measured at net asset value using the practical expedient.

	December 31, 2015			
Millions	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	$160.0	$133.4	$26.6	$—
Debt securities issued by corporations:				
Consumer	253.3	—	253.3	—
Financials	175.9	—	175.9	—
Health Care	151.3	—	151.3	—
Industrial	135.6	—	135.6	—
Energy	82.0	—	82.0	—
Utilities	61.5	—	61.5	—
Technology	60.0	—	60.0	—
Communications	49.2	—	49.2	—
Materials	31.2	—	31.2	—
Other	—	—	—	—
Total debt securities issued by corporations	1,000.0	—	1,000.0	—
Mortgage-backed and asset-backed securities	1,167.0	—	1,167.0	—
Municipal obligations	228.8	—	228.8	—
Foreign government, agency and provincial obligations	1.2	.6	.6	—
Preferred stocks	82.7	—	12.7	70.0
Total fixed maturity investments	2,639.7	134.0	2,435.7	70.0
Short-term investments	211.3	211.3	—	—
Common equity securities:				
Exchange traded funds[1]	141.8	120.5	21.3	—
Financials	694.7	694.7	—	—
Consumer	70.0	70.0	—	—
Communications	43.7	43.7	—	—
Health Care	35.7	35.7	—	—
Technology	27.0	27.0	—	—
Industrial	26.6	26.6	—	—
Other	74.4	—	74.4	—
Total common equity securities	1,113.9	1,018.2	95.7	—
Other long-term investments [2][3]	169.5	—	—	169.5
Total investments	$4,134.4	$1,363.5	$2,531.4	$239.5

(1) 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.

(2) Excludes carrying value of $3.8 associated with other long-term investment limited partnerships accounted for using the equity method. Excludes carrying value of $14.7 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

(3) Excludes carrying value of $127.8 associated with hedge funds and private equity funds for which fair value is measured at net asset value using the practical expedient.

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 March 31, 2016 and December 31, 2015:

Millions	Fair Value at March 31, 2016	December 31, 2015
AAA	$9.4	$ —
AA	107.4	95.2
A	364.2	397.7
BBB	429.4	507.1
Other	—	—
Debt securities issued by corporations[1]	$910.4	$ 1,000.0

[1] Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's.

Mortgage-backed 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 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. 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 $36.0 million of non-agency residential mortgage resecuritization tranches, each a senior tranche in its own right and each collateralized by a single earlier vintage Super Senior or Senior non-agency residential mortgage backed security.

Millions	March 31, 2016 Fair Value	Level 2	Level 3	December 31, 2015 Fair Value	Level 2	Level 3
Mortgage-backed securities:						
Agency:						
GNMA	$275.0	$275.0	$ —	$265.5	$265.5	$ —
FNMA	45.0	45.0	—	42.2	42.2	—
FHLMC	22.1	22.1	—	22.8	22.8	—
Total Agency[1]	342.1	342.1	—	330.5	330.5	—
Non-agency:						
Residential	132.3	132.3	—	133.2	133.2	—
Commercial	128.8	128.8	—	140.4	140.4	—
Total Non-agency	261.1	261.1	—	273.6	273.6	—
Total mortgage-backed securities	603.2	603.2	—	604.1	604.1	—
Other asset-backed securities:						
Credit card receivables	281.6	281.6	—	217.7	217.7	—
Vehicle receivables	290.8	290.8	—	269.7	269.7	—
Other	85.3	85.3	—	75.5	75.5	—
Total other asset-backed securities	657.7	657.7	—	562.9	562.9	—
Total mortgage and asset-backed securities	$1,260.9	$1,260.9	$ —	$1,167.0	$1,167.0	$ —

(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 March 31, 2016 are as follows:

		Security Issuance Year											
Millions	Fair Value	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Non-agency RMBS	$ 132.3	$23.3	$8.1	$3.6	$ —	$3.4	$ —	$13.1	$12.6	$9.3	$13.2	$45.7	$—
Non-agency CMBS	128.8	—	—	—	—	—	—	5.2	—	18.3	15.4	44.8	45.1
Total	$ 261.1	$23.3	$8.1	$3.6	$ —	$3.4	$ —	$18.3	$12.6	$27.6	$28.6	$90.5	$45.1

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 March 31, 2016:

Millions	Fair Value	Super Senior (1)	Senior (2)	Subordinate (3)
Prime	$ 124.8	$ 63.1	$ 61.7	$ —
Non-prime	7.5	—	7.5	—
Sub-prime	—	—	—	—
Total	$ 132.3	$ 63.1	$ 69.2	$ —

(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" bond

(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 short-term and structurally subordinate, with more than 25 points of subordination on average for both fixed rate CMBS and floating rate CMBS as of March 31, 2016. In general, subordination represents the percentage principal loss on the underlying collateral that would be absorbed by other securities lower in the capital structure before the more senior security incurs a loss. As of March 31, 2016, on average less than 1% of the underlying loans were reported as non-performing for all non-agency CMBS held by White Mountains.

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 March 31, 2016:

Millions	Fair Value	Super Senior (1)	Senior (2)	Subordinate (3)
Fixed rate CMBS	$ 96.1	$ 8.8	$46.0	$ 41.3
Floating rate CMBS	32.7	—	—	32.7
Total	$ 128.8	$ 8.8	$46.0	$ 74.0

(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 ("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.

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 March 31, 2016 and 2015 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 March 31, 2016 and 2015:

			Level 3 Investments				
Millions	Level 1 investments	Level 2 investments	Fixed maturity investments	Common equity securities	Other long-term investments	Hedge Funds and Private Equity Funds measured at NAV[3]	Total
Balance at January 1, 2016	$ 1,152.2	$ 2,531.4	$ 70.0	$ —	$ 169.5	$ 127.8	$ 4,050.9 [1][2]
Total realized and unrealized gains (losses)	11.3	19.1	.5	—	1.1	(2.4)	29.6
Amortization/Accretion	—	(4.2)	—	—	—	—	(4.2)
Purchases	109.0	292.4	—	—	2.1	8.9	412.4
Sales	(852.9)	(272.6)	—	—	—	(3.0)	(1,128.5)
Transfers in	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—
Balance at March 31, 2016	$ 419.6	$ 2,566.1	$ 70.5	$ —	$ 172.7	$ 131.3	$ 3,360.2 [1][2]

[1] Excludes carrying value of $3.8 and $3.7 at January 1, 2016 and March 31, 2016 associated with other long-term investments accounted for using the equity method. Excludes carrying value of $14.7 and $14.1 January 1, 2016 and March 31, 2016 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

[2] Excludes carrying value of $211.3 and $ 261.7 at January 1, 2016 and March 31, 2016 associated with short-term investments.

[3] Investments for which fair value is measured at net asset value using the practical expedient are no longer classified within the fair value hierarchy. See Note 1.

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Millions	Level 1 investments	Level 2 investments	Level 3 Investments: Fixed maturity investments	Level 3 Investments: Common equity securities	Level 3 Investments: Other long-term investments	Hedge Funds and Private Equity Funds measured at NAV[4]	Total	
Balance at January 1, 2015	$ 550.6	$ 2,372.9	$ 76.4	$ 39.5	$ 110.6	$ 193.6	$ 3,343.6	[1][2]
Total realized and unrealized gains (losses)	10.0	16.9	.2	1.8	(6.2)	3.2	25.9	[3]
Amortization/Accretion	—	(4.6)	—	—	—	—	(4.6)	
Purchases	94.1	317.4	29.7	—	1.4	5.2	447.8	
Sales	(117.7)	(326.9)	—	(9.3)	(3.0)	(.5)	(457.4)	
Transfers in	—	5.2	—	—	—	—	5.2	
Transfers out	—	—	(5.2)	—	—	—	(5.2)	
Balance at March 31, 2015	$ 537.0	$ 2,380.9	$ 101.1	$ 32.0	$ 102.8	$ 201.5	$ 3,355.3	[1][2]

[1] Excludes carrying value of $5.2 and $3.8 at January 1, 2015 and March 31, 2015 associated with other long-term investment limited partnerships accounted for using the equity method. Excludes carrying value of $16.8 and $16.2 at January 1, 2015 and March 31, 2015 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.
[2] Excludes carrying value of $376.8 and $453.7 at January 1, 2015 and March 31, 2015 associated with short-term investments.
[3] Excludes $0.8 realized and unrealized losses associated with the Prospector Offshore Fund consolidation of investment-related liabilities.
[4] Investments for which fair value is measured at net asset value using the practical expedient are no longer classified within the fair value hierarchy. See Note 1.

Fair Value Measurements — transfers between levels - Three-month period ended March 31, 2016 and 2015

During the first three 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.

During the first three months of 2015, one fixed maturity investment 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 March 31, 2015. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $5.2 million for the period ended March 31, 2015.

Significant Unobservable Inputs

The following summarizes significant unobservable inputs used in estimating the fair value of investment securities classified within Level 3 as of March 31, 2016 and December 31, 2015. The fair value of investments in hedge funds and private equity funds are estimated using the net asset value of the funds.

Description	March 31, 2016				
$ in millions, except share price	Rating[2]	Valuation Technique(s)	Fair Value[3]	Unobservable Input	
Preferred Stock[1]	NR	Discounted cash flow	$70.5	Discount yield	-8.07%
Private equity security[1]	NR	Share price of most recent transaction	$21.0	Share price	-$1.00
Private equity security[1]	NR	Share price of most recent transaction	$33.8	Share price	-$1.03
Private equity security[1]	NR	Share price of most recent transaction	$3.2	Share price	-$2.52
Convertible preferred security[1]	NR	Multiple of EBITDA	$5.9	EBITDA multiple	-6.00
Convertible preferred security[1]	NR	Share price of most recent transaction	$27.0	Share price	-$3.83
Private equity security[1]	NR	Option pricing method	$10.0		
				Time until expiration	-4 years
				Volatility/Standard deviation	-60.0%
				Risk free rate	-1.15%
Surplus notes:	NR				
- Seller priority		Discounted cash flow	$38.2	Discount rate[4]	-12.5%
				Timing of interest payments[6]	-5 years
				Timing of principal payments[6]	-10 years
- Pari passu		Discounted cash flow	$13.6	Discount rate[5]	-22.5%
				Timing of interest payments[6]	-5 years
				Timing of principal payments[6]	-15 years

[1] As of March 31, 2016, each asset type consists of one security.

[2] Credit ratings are assigned based on the following hierarchy: 1) Standard and Poor's and 2) Moody’s.

[3] Includes the unrealized gains and losses associated with foreign currency; foreign currency effects based on observable inputs.

[4] Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the seller priority note is roughly equivalent to that of a conventional debt security with a credit rating of ‘B’. The corresponding credit spread increased by an additional 250 bps to reflect both a liquidity discount for a private debt instrument and regulatory payment approval uncertainty, was added to the treasury rate to determine the discount rate for the seller priority note.

[5] Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the pari passu note is roughly equivalent to that of a conventional debt security with a credit rating of ‘CCC’. The corresponding credit spread increased by an additional 250 bps to reflect both a liquidity discount for a private debt instrument and regulatory payment approval uncertainty, was added to the treasury rate to determine the

discount rate for the seller priority note.

(6) OneBeacon has assumed for valuation purposes that subsequent interest payments will begin in year five (2020) and principal repayments begin on a graduated basis in year ten (2025) for the seller priority note and year fifteen (2030) for the pari passu note.

Description	December 31, 2015				
$ in millions, except share price	Rating[2]	Valuation Technique(s)	Fair Value[3]	Unobservable Input	
Preferred Stock[1]	NR	Par value[8]	$70.0	Issuer’s intent to call	- $70.0
Private equity security[1]	NR	Share price of most recent transaction	$21.0	Share price	- $1.00
Private equity security[1]	NR	Share price of most recent transaction	$33.8	Share price	- $1.03
Convertible preferred security[1]	NR	Multiple of EBITDA	$5.7	EBITDA multiple	- 6.00
Convertible preferred security[1]	NR	Share price of most recent transaction	$27.0	Share price	- $3.83
Private equity security[1]	NR	Option pricing method	$9.6		
				Time until expiration	- 4 years
				Volatility/Standard deviation	- 60.0%
				Risk free rate	- 1.15%
Surplus notes[7]:	NR				
- Seller priority		Discounted cash flow	$38.0	Discount rate[4]	- 13.0%
				Timing of interest payments[6]	- 5 years
				Timing of principal payments[6]	- 10 years
- Pari passu		Discounted cash flow	$13.5	Discount rate[5]	- 22.4%
				Timing of interest payments[6]	- 5 years
				Timing of principal payments[6]	- 15 years

(1) As of December 31, 2015 each asset type consists of one security.

(2) Credit ratings are assigned based on the following hierarchy: 1) Standard and Poor's and 2) Moody’s.

(3) Includes the unrealized gains and losses associated with foreign currency; foreign currency effects based on observable inputs.

(4) Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the seller priority note is roughly equivalent to that of a conventional debt security with a credit rating of ‘B’. The corresponding credit spread increased by an additional 250 bps to reflect both a liquidity discount for a private debt instrument and regulatory payment approval uncertainty, was added to the treasury rate to determine the discount rate for the seller priority note.

(5) Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the pari passu note is roughly equivalent to that of a conventional debt security with a credit rating of ‘CCC’. The corresponding credit spread increased by an additional 250 bps to reflect both a liquidity discount for a private debt instrument and regulatory payment approval uncertainty, was added to the treasury rate to determine the discount rate for the seller priority note.

(6) For estimated value purposes, the assumption has been made that interest payouts begin in year five and that principal repayments being on a graduated basis in year ten for the seller priority notes and year fifteen for the pari passu note.

(7) The decrease in the fair value of the surplus notes during the twelve months ended December 31, 2015 was primarily due to widening of non-investment

grade credit spreads.

(8) Valuation based on the issuer's intent as of December 31, 2015 to call the security in the near term.

Note 6. Goodwill and Other Intangible Assets

White Mountains has recognized goodwill and other identifiable 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.

During 2015, Wobi acquired Cashboard in two transactions for a total of NIS 35.9 million (approximately $8.9 million based upon the foreign exchange spot rate at the dates of acquisition), representing a controlling financial interest. As of the acquisition date, Wobi recognized total assets acquired of $5.5 million, including $0.3 million of goodwill and $2.8 million of other intangible assets, and total liabilities assumed of $1.2 million at their estimated fair values.

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

	Three Months Ended March 31,			
Millions	2016		2015	
	Goodwill	Other Intangible assets	Goodwill	Other Intangible assets
Beginning balance	$ 187.9	$ 187.8	$ 168.9	$ 182.3
Acquisitions of businesses	—	—	.3	2.8
Acquisitions of intangible assets	—	3.9	—	—
Amortization, including foreign currency translation	—	(8.1)	—	(6.9)
Ending balance	$ 187.9	$ 183.6	$ 169.2	$ 178.2

Note 7. Debt

White Mountains's debt outstanding as of March 31, 2016 and December 31, 2015 consisted of the following:

Millions	March 31, 2016	Effective Rate [1]	December 31, 2015	Effective Rate [1]
WTM Bank Facility	$ 150.0	N/A	$ 50.0	N/A
OBH Senior Notes, at face value	275.0	4.7%	275.0	4.7%
Unamortized original issue discount and debt issuance costs	(2.1)		(2.1)	
OBH Senior Notes, carrying value	272.9		272.9	
OneBeacon Bank Facility	—	N/A	—	N/A
Tranzact Bank Facility	94.1	6.0%	104.7	5.6%
Unamortized issuance cost	(1.6)		(1.8)	
Tranzact Bank Facility, carrying value	92.5		102.9	
MediaAlpha Bank Facility	17.5	6.4%	15.0	5.5%
Unamortized issuance cost	(.3)		(.3)	
MediaAlpha Bank Facility, carrying value	17.2		14.7	
Total debt	$ 532.6		$ 440.5	

[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"). During the three months ended March 31, 2016, White Mountains borrowed $100.0 million under the WTM Bank Facility at a blended interest rate of 3.90%. As of March 31, 2016, the WTM Bank Facility had an outstanding balance of $150.0 million.

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.

OneBeacon Bank Facility

On September 29, 2015, OneBeacon Ltd. and OneBeacon U.S. Holdings, Inc. ("OBH"), as co-borrowers and co-guarantors, entered into a revolving credit facility administered by U.S. Bank N.A. with BMO Harris Bank N.A. as an additional lender, which has a total commitment of $65.0 million and has a maturity date of September 29, 2019 (the "OneBeacon Bank Facility"). As of March 31, 2016, the OneBeacon Bank Facility was undrawn.

The OneBeacon 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.

Tranzact Bank Facility

On October 10, 2014, Tranzact entered into a secured credit facility with a syndicate of lenders administered by the PrivateBank and Trust Company that has a maturity date of October 10, 2019 (the "Tranzact Bank Facility"). During 2015, Tranzact amended the Tranzact Bank Facility, which now has a total commitment of $116.0 million, consisting of a $101.0 million term loan facility and a $15.0 million revolving loan facility. The amendment increased the term loan facility by $31.0 million, the proceeds of which were used by Tranzact to finance the acquisition of TruBridge. During the three months ended March 31, 2016, Tranzact also borrowed $4.5 million and repaid $12.5 million under the revolving loan facility. During the three months ended March 31, 2016, Tranzact repaid a total of $2.6 million under the term loan portion. As of March 31, 2016, the total amount outstanding under the Tranzact Bank Facility was $94.1 million. Tranzact has entered into an interest rate swap agreement to effectively fix the rate it pays on $70.0 million of the $101.0 million term loan. (See Note 9 - "Derivatives")

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

MediaAlpha Bank Facility

On July 23, 2015, MediaAlpha entered into a secured credit facility with Opus Bank, which has a total commitment of $20.0 million and has a maturity date of July 23, 2019 (the "MediaAlpha Bank Facility"). The MediaAlpha Bank Facility consists of a $15.0 million term loan facility, which was fully drawn as of March 31, 2016, and a revolving loan facility for an additional $5.0 million, which has an outstanding balance of $2.5 million as of March 31, 2016. During the three months ended March 31, 2016, MediaAlpha borrowed $2.5 million under the revolving loan facility. The MediaAlpha Bank Facility carries a variable interest rate that is based on the Prime Rate, as published by the Wall Street Journal.

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 maximum leverage ratio.

Compliance

At March 31, 2016, White Mountains was in compliance with all of the covenants under all of its debt facilities.

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Note 8. 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 consolidated subsidiaries and branches are subject to tax are Barbados, Germany, Gibraltar, Israel, Luxembourg, the Netherlands, Peru, Sweden, Switzerland, the United Kingdom and the United States.

White Mountains's income tax benefit related to pre-tax income from continuing operations for the three months ended March 31, 2016, represented a net effective tax rate of (75.7)%. As noted below, the effective tax rate for the three months ended March 31, 2016 was impacted by a $12.8 million tax benefit on the settlement of the 2007-2009 IRS exam. Without the tax benefit on the settlement of the 2007-2009 IRS exam there would have been tax expense, which would have resulted in a net effective tax rate that is approximately the same as the U.S. statutory rate of 35%.

White Mountains's effective tax rate for the three months ended March 31, 2015 was not meaningful as pre-tax income was near break-even.

In arriving at the effective tax rate for the three months ended March 31, 2016 and 2015, 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, 2016 and 2015.

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. It is possible that certain planning strategies or projected earnings in certain subsidiaries may not be feasible to utilize the entire deferred tax asset, which could result in material changes to White Mountains's deferred tax assets and tax expense.

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 2010.

On January 19, 2016, White Mountains received Form 870-AD (Offer to Waive Restrictions on Assessment and Collection Tax Deficiency and to Accept Overassessment) from the IRS Appeals Office relating to the examination of tax years 2007, 2008 and 2009 for certain U.S. Subsidiaries of OneBeacon. All disputed items have now been agreed to and resolved with the Joint Committee on Taxation. As the receipt of the Form 870-AD described above represents formal settlement, OneBeacon recorded a tax benefit of $12.8 million in the first quarter of 2016 related to tax years 2007, 2008 and 2009.

On September 5, 2013, the IRS commenced an examination of the income tax returns for 2010, 2011 and 2012 for certain U.S. subsidiaries of OneBeacon. On March 22, 2016, White Mountains received Form 4549-A (Income Tax Discrepancy Adjustments) from the IRS relating to the examination of tax years 2010, 2011 and 2012. The estimated total overpayment is $6.0 million. However, $4.7 million of the adjustments relate to items for which the expense deduction has been disallowed in an earlier period, but deductibility will occur in a year being examined. Because of the impact of deferred tax accounting, other than interest and penalties, the allowance of the deduction in the exam period would not affect the effective tax rate. White Mountains does not expect the resolution of this examination to result in a material change to its financial position, results of operations and cash flows.

On December 18, 2014, the IRS commenced an examination of the 2012 income tax return for Guilford Holdings, Inc. and subsidiaries. White Mountains does not expect the resolution of this examination to result in a material change to its financial position, results of operations and cash flows.

Note 9. Derivatives

Variable Annuity Reinsurance

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. At March 31, 2016 and December 31, 2015, the total guarantee value was approximately ¥21.2 billion ($188.9 million at exchange rates on that date) and ¥50.7 billion (approximately $421.1 million at exchange rates on that date), respectively. The collective account values of the underlying variable annuities were approximately 107% and 109% of the guarantee value at March 31, 2016 and December 31, 2015. During the second quarter of 2015, the variable annuity contracts reinsured by WM Life Re began to mature and will fully runoff by June 30, 2016.

The following table summarizes the pre-tax operating results of WM Life Re for the three months ended March 31, 2016 and 2015.

	Three Months Ended March 31,	
Millions	2016	2015
Fees, included in other revenue	$1.0	$3.0
Change in fair value of variable annuity liability, included in other revenue	(.4)	.4
Change in fair value of derivatives, included in other revenue	(1.7)	(5.5)
Foreign exchange, included in other revenue	.9	(1.1)
Other investment income and (losses) gains	—	—
Total revenue	(.2)	(3.2)
Change in fair value of variable annuity death benefit liabilities, included in other general and administrative expenses	—	—
Death benefit claims paid, included in general and administrative expenses	(.1)	—
General and administrative expenses	(.8)	(1.4)
Pre-tax income (loss)	$(1.1)	$(4.6)

The following summarizes realized and unrealized derivative gains (losses) recognized in other revenue for the three months ended March 31, 2016 and 2015 and the carrying values, included in other assets, at March 31, 2016 and December 31, 2015 by type of instrument:

	Gains (losses)		Carrying Value	
	Three Months Ended		As of	
	March 31,		March 31,	December
Millions	2016	2015	2016	31, 2015
Fixed income/interest rate	$1.8	$9.3	$(.4)	$ .5
Foreign exchange	(4.2)	(12.1)	12.5	14.8
Equity	.7	(2.7)	1.0	4.8
Total	$(1.7)	$(5.5)	$13.1	$ 20.1

The following tables summarize the changes in White Mountains's variable annuity reinsurance liabilities and derivative instruments for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31, 2016				
	Variable Annuity Assets (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 gains (losses)	(.4)	1.2	1.1	(4.0)	(1.7)
Transfers in	—	—	—	—	—
Sales/settlements	—	(1.3)	(7.3)	3.3	(5.3)
End of period	$(.1)	$2.6	$ 10.3	$ .2	$13.1

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	Three Months Ended March 31, 2015				
	Variable Annuity Assets	Derivative Instruments			
Millions	Level 3	Level 3 [1]	Level 2 [1][2]	Level 1 [3]	Total
Beginning of period	$.7	$18.9	$ 33.8	$ 3.7	$56.4
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	.4	(.6)	(6.5)	1.6	(5.5)
Transfers in	—	—	—	—	—
Sales/settlements	—	(1.3)	3.9	(6.5)	(3.9)
End of period	$1.1	$17.0	$ 31.2	$ (1.2)	$47.0

[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.

In addition to derivative instruments, WM Life Re held cash and fixed maturity investments posted as collateral to its variable annuity reinsurance counterparties. The total collateral includes the following:

Millions	March 31, 2016	December 31, 2015	March 31, 2015
Cash	$ 8.4	$	